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SCOTT COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2005**

SCOTT COUNTY SCHOOL DISTRICT

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SCOTT COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board
Scott 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 Scott County School District as of and for the year ended June 30, 2005, which collectively comprise the Scott County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the Scott County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Scott 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*, we have also issued our report dated February 7, 2007, on our consideration of the Scott County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 - 10 and the Budgetary Comparison Schedules and corresponding notes on pages 32 and 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 7, 2007

SCOTT COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The School District has elected not to present comparative data.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,213,583, which represents 8% increase from fiscal year 2004.
- General revenues account for \$19,106,475 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,426,097 or 22% of total revenues.
- The District had \$23,318,989 in expenses; only \$5,426,097 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$19,106,475 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,739,269 in revenues and \$17,104,648 in expenditures and (937,720) in other financing sources and uses. The General Fund's fund balance increased \$696,901 over the prior year. The increase was a result of total revenues outpacing total expenditures.
- Capital assets, net of accumulated depreciation, decreased by \$289,920. This was a result of current year additions decreasing at a greater rate than depreciation expense.
- Long-term debt decreased by \$430,311. The District issued no new debt during the fiscal year ending June 30, 2005.

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.

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.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. 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.

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.

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.

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 major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133.

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 \$16,949,352 as of June 30, 2005.

By far the largest portion of the District's net assets (78%) 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 are 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, as compared to the fiscal year ended June 30, 2004.

The following is a significant current year transaction that has had an impact on the Statement of Net Assets:

	Current year Governmental Activities	Prior year Governmental Activities
	<u> </u>	<u> </u>
Current and other assets	\$ 4,166,725	3,067,947
Capital assets, net	<u>13,962,654</u>	<u>14,252,574</u>
Total assets	<u>18,129,379</u>	<u>17,320,521</u>
Current and other liabilities	167,462	592,075
Long-term debt outstanding	<u>1,012,565</u>	<u>992,677</u>
Total liabilities	<u>1,180,027</u>	<u>1,584,752</u>
Net assets:		
Invested in capital assets, net of related debt	13,146,793	13,006,398
Restricted	2,393,844	1,997,345
Unrestricted	<u>1,408,715</u>	<u>732,026</u>
Total net assets	<u>\$ 16,949,352</u>	<u>15,735,769</u>

- Long-term debt principal of \$430,311 was retired.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$24,532,572. The total cost of all programs and services was \$23,318,989. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005, as compared to the fiscal year ended June 30, 2004:

	<u>Current year Amount</u>	<u>Prior year Amount</u>
Revenues:		
Program revenues	\$ 5,426,097	5,591,576
General revenues	19,106,475	17,437,208
Total revenues	<u>24,532,572</u>	<u>23,028,784</u>
Expenses:		
Instruction	15,245,694	14,342,319
Support services	6,320,539	6,206,885
Non-instructional	1,679,094	1,605,327
Sixteenth section	29,553	63,126
Interest and other expenses on long-term liabilities	44,109	95,837
Total expenses	<u>23,318,989</u>	<u>22,313,494</u>
Increase in net assets	<u>\$ 1,213,583</u>	<u>715,290</u>

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	\$ 15,245,694	(12,846,155)
Support services	6,320,539	(5,082,333)
Non-instructional	1,679,094	109,258
Sixteenth section	29,553	(29,553)
Interest and other expenses on long-term liabilities	44,109	(44,109)
Total expenses	<u>\$ 23,318,989</u>	<u>(17,892,892)</u>

- Net cost of governmental activities (\$17,892,892), was financed by general revenue, which is made up of primarily property taxes (\$2,042,673), state revenue (\$15,971,538) and federal revenues (\$486,169), and Sixteenth Section sources (\$488,417).
- Investment earnings accounted for \$46,270 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 \$4,013,341, an increase of \$1,081,232 due primarily to slight increases during the year of ongoing revenues over normal expenditures. \$3,390,271 or 84% 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 \$623,070 or 16% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$696,901. The increase was a result of total revenues outpacing total expenses. Among other major funds, the School Lunch Fund decreased by \$18,645, the Sixteenth Section Interest Fund increased \$366,020, and the Other Governmental Funds increased \$36,956 for the fiscal year ending June 30, 2005. Other Governmental Funds increased primarily due to operating expenditures being less than revenue received for the fiscal year.

BUDGETARY HIGHLIGHTS

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

- General Fund expenditures on the District's final revised budget decreased from original budget estimates. Originally, the District expected significant increases in insurance expenses and employee benefits. These increases did not materialize and the additional amounts budgeted were not expended.
- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets, net of depreciation were \$13,962,654, including land, school buildings, busses, other school vehicles and furniture and equipment. This amount represents a decrease of \$289,920 from the previous year. The majority of this decrease was a result of depreciation outpacing asset additions of \$116,061 and the retirement of \$11,075 of various furniture and equipment. The total accumulated depreciation as of June 30, 2005 was \$13,041,302 and total depreciation expense for the year was \$791,694 resulting in total net capital assets of \$13,962,654.

Debt Administration. At June 30, 2005, the District had \$1,012,565 in limited obligation bonds and other long-term debt outstanding, of which \$355,653 is due within one year.

The District maintains a AA - bond rating.

CURRENT ISSUES

The Scott County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has remained unchanged for 4 years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase by 50 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Scott County School District, 100 E. First Street, Suite B, Forest, MS 39074.

SCOTT COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Scott County School District
Statement of Net Assets
June 30, 2005

Exhibit A

ASSETS

Cash and cash equivalents	\$ 3,121,481
Cash with fiscal agent	388
Investments	248,223
Due from other funds	3,616
Due from other governments	689,241
Inventories and prepaid items	41,003
Restricted assets	62,773
Capital assets, net	13,962,654
Total assets	<u>18,129,379</u>

LIABILITIES

Accounts payable and accrued liabilities	153,384
Interest payable on long-term debt	14,078
Short-term liabilities (due within one year)	
Capital-related liabilities	355,653
Long-term liabilities (due beyond one year)	
Capital-related liabilities	460,208
Non-capital liabilities	196,704
Total liabilities	<u>1,180,027</u>

NET ASSETS

Invested in capital assets, net of related debt	13,146,793
Restricted net assets	
Expendable:	
School based activities	1,825,840
Debt service	234,533
Capital improvements	15
Forestry improvements	206,599
Unemployment benefits	66,078
Non-expendable:	
Sixteenth section	60,779
Unrestricted	1,408,715
Total net assets	<u>\$ 16,949,352</u>

The Notes to the Financial Statements are an integral part of this statement.

Scott County School District
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 15,245,694	480,651	1,908,788	10,100	(12,846,155)
Support services	6,320,539		1,238,206		(5,082,333)
Noninstructional services	1,679,094	326,890	1,461,462		109,258
Sixteenth section	29,553				(29,553)
Interest on long-term debt	44,109				(44,109)
Total governmental activities	\$ 23,318,989	807,541	4,608,456	10,100	(17,892,892)

General Revenues:	
Taxes:	\$ 2,042,673
Property taxes - general purposes	15,971,538
Unrestricted grants and contributions:	486,169
State	46,270
Federal	488,417
Unrestricted investment earnings	71,408
Sixteenth section sources	19,106,475
Other	
Total general revenues	1,213,583
Change in Net Assets	15,735,769
Net Assets - Beginning	\$ 16,949,352
Net Assets - Ending	

The Notes to the Financial Statements are an integral part of this statement.

Scott County School District
Balance Sheet - Governmental Funds
June 30, 2005

Exhibit C

	General Fund	School Lunch Fund	Title 1-A Basic Fund	Title II A: Improving Teacher Quality Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 996,413	379,700			958,564	849,577	3,184,254
Cash with fiscal agent						388	388
Investments						248,223	248,223
Due from other governments	300,473		109,114	70,257		209,397	689,241
Due from other funds	381,086				1,312		382,398
Inventories and prepaid items		41,003					41,003
Total assets	<u>1,677,972</u>	<u>420,703</u>	<u>109,114</u>	<u>70,257</u>	<u>959,876</u>	<u>1,307,585</u>	<u>4,545,507</u>
LIABILITIES & FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	67,242	2,636	109,114	70,257	83,506	199,411	153,384
Due to other funds							378,782
Total liabilities	<u>67,242</u>	<u>2,636</u>	<u>109,114</u>	<u>70,257</u>	<u>83,506</u>	<u>199,411</u>	<u>532,166</u>
Fund balances:							
Reserved for:							
Unemployment benefits						66,078	66,078
Forestry improvements						206,599	206,599
Debt Service						248,611	248,611
Inventory		41,003					41,003
Permanent fund purposes						60,779	60,779
Unreserved:							
Undesignated, reported in:							
General fund	1,610,730						1,610,730
Special revenue funds		377,064	0	0	876,370	526,092	1,779,526
Capital project funds						15	15
Total fund balances	<u>1,610,730</u>	<u>418,067</u>	<u>0</u>	<u>0</u>	<u>876,370</u>	<u>1,108,174</u>	<u>4,013,341</u>
Total liabilities & fund balances	<u>\$ 1,677,972</u>	<u>420,703</u>	<u>109,114</u>	<u>70,257</u>	<u>959,876</u>	<u>1,307,585</u>	<u>4,545,507</u>

The Notes to the Financial Statements are an integral part of this statement.

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

Exhibit C-1

Amounts reported for governmental activities in the Statement of Net Assets are different because:

	\$	4,013,341
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$13,041,302.		13,962,654
2. Long-term liabilities not due and payable in the current period and, therefore, are not reported in the funds.		(1,012,565)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.		<u>(14,078)</u>
Total Net Assets – Governmental Activities	\$	<u>16,949,352</u>

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

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

	General Fund	School Lunch Fund	Title 1-A Basic Fund	Title II A: Improving Teacher Quality Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local sources	\$ 2,627,006	326,890				7,415	2,961,311
State sources	15,628,046	10,993				1,043,295	16,682,334
Federal sources	484,217	1,450,469	1,046,464	314,645		1,088,034	4,383,829
Sixteenth section sources					431,033	59,393	490,426
Total revenues	<u>18,739,269</u>	<u>1,788,352</u>	<u>1,046,464</u>	<u>314,645</u>	<u>431,033</u>	<u>2,198,137</u>	<u>24,517,900</u>
EXPENDITURES							
Instruction	11,640,892		705,504	309,320		2,003,741	14,659,457
Support services	5,136,513	66,881	325,663	5,325		632,551	6,166,933
Noninstructional services		1,710,116	11,997				1,722,113
Sixteenth section					6,748	22,804	29,552
Facilities acquisition and construction	327,243				59,577		386,820
Debt Service:							
Principal							
Interest							
Total expenditures	<u>17,104,648</u>	<u>1,776,997</u>	<u>1,043,164</u>	<u>314,645</u>	<u>66,325</u>	<u>3,133,711</u>	<u>23,439,490</u>
Excess (deficiency) of revenues over expenditures	<u>1,634,621</u>	<u>11,355</u>	<u>3,300</u>	<u>0</u>	<u>364,708</u>	<u>(935,574)</u>	<u>1,078,410</u>
OTHER FINANCING SOURCES (USES)							
Other	2,822						2,822
Transfers in	39,357				1,312	979,899	1,020,568
Transfers out	(979,899)	(30,000)	(3,300)			(7,369)	(1,020,568)
Total other financing sources and uses	<u>(937,720)</u>	<u>(30,000)</u>	<u>(3,300)</u>	<u>0</u>	<u>1,312</u>	<u>972,530</u>	<u>2,822</u>
Net change in fund balances	<u>696,901</u>	<u>(18,645)</u>	<u>0</u>	<u>0</u>	<u>366,020</u>	<u>36,956</u>	<u>1,081,232</u>
Fund balances:							
July 1, 2004, as previously reported	<u>913,829</u>	<u>436,712</u>	<u>0</u>	<u>0</u>	<u>510,350</u>	<u>1,071,218</u>	<u>2,932,109</u>
June 30, 2005	<u>\$ 1,610,730</u>	<u>418,067</u>	<u>0</u>	<u>0</u>	<u>876,370</u>	<u>1,108,174</u>	<u>4,013,341</u>

The Notes to the Financial Statements are an integral part of this statement.

Scott County School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amounts</u>
Net change in fund balances (Exhibit D)	\$ 1,081,232
Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	502,881
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the Statement of Activities.	(791,694)
In the Statement of Activities, only gains and losses from the disposal of capital assets are reported, whereas in the Governmental Funds, capital assets are not reported. Thus, the change in net assets differs from the change in fund balances by the amount of the loss on disposal of assets.	(1,107)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	430,311
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, In the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	(19,888)
Accrued interest on bonds	11,847
Rounding adjustments	<u>1</u>
Change in net assets (Exhibit B)	\$ <u><u>1,213,583</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Scott County School District
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2005

Exhibit E

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>95,069</u>
Total Assets	\$ <u><u>95,069</u></u>
LIABILITIES	
Due to student groups	\$ 91,453
Due to other funds	<u>3,616</u>
Total Liabilities	\$ <u><u>95,069</u></u>

The Notes to the Financial Statements are an integral part of this statement.

SCOTT COUNTY SCHOOL DISTRICT

Notes to 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 5-member board to which each member was elected by citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

SCOTT COUNTY SCHOOL DISTRICT

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year-end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

School Lunch Fund - This fund is used to account for revenues and expenditures for food services.

Title I-A Fund - This fund is used to account for revenues and expenditures of the federal program which is used to improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging state academic standards. It allows the district to upgrade the school's overall instructional program.

Title II A: Improving Teacher Quality Fund - This fund is used to account for Title II - Eisenhower Professional Development grant funds, which are used to increase the number of highly qualified teachers through professional development training.

Sixteenth Section Interest Fund - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are transferred to the district's General Fund per specific statutory board order.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit 3.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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

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

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

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

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

Reserved for 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 debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, designated for, reported in encumbrances - An account that represents the balance of outstanding purchase orders, work orders, and contracts that relate to unperformed contracts for goods and services.

Unreserved - designated for, reported in special revenue funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

SCOTT COUNTY SCHOOL DISTRICT

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

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972). The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

P. Other Significant Accounting Policies.

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), *et seq.*, and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), *et seq.*, are maintained by the governing authority of the county and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

(2) Changes in Accounting Standards.

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

SCOTT COUNTY SCHOOL DISTRICT

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

(3) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,184,254 and \$95,069, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$3,121,481 and restricted assets - \$62,773. The restricted assets of \$62,773 represent the cash balance of the Sixteenth Section Principal Fund which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$62,533.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$5,950,765 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$388.

SCOTT COUNTY SCHOOL DISTRICT

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

Investments.

As of June 30, 2005, the district had the following investments

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon treasury money market	Less than 1 year	\$ 248,223	Aaa

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 investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Bank	\$ 248,223	100%

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:			
<u>Fund</u>		<u>Due From</u>	<u>Due To</u>
Governmental Funds:			
General Fund	\$	381,086	\$
Title I-A Basic			109,114
Title II: Improving Teacher Quality		1,312	70,257
16th Section Interest Fund			199,411
Other Governmental Funds			378,782
		<u>382,398</u>	<u>378,782</u>
Fiduciary Funds			
			<u>3,616</u>
Total	\$	<u>382,398</u>	\$ <u>382,398</u>

SCOTT COUNTY SCHOOL DISTRICT

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

B. Transfers In/Out:

Fund	Transfers In	Transfers Out
General Fund	\$ 39,357	\$ 979,899
School Lunch Fund		30,000
16th Section Interest Fund	1,312	
Title I-A Basic		3,300
Other Governmental Funds	979,899	7,369
Total	\$ 1,020,568	\$ 1,020,568

(5) Capital Assets.

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

	Beginning Balance 7/1/2004	Additions	Completed Construction	Deletions	Ending Balance 6/30/2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 101,700				101,700
Construction in progress	44,738	386,820	(431,558)		(0)
Total non-depreciable capital assets	146,438	386,820	(431,558)	0	101,700
<u>Depreciable capital assets:</u>					
Buildings	19,457,979		431,558		19,889,537
Improvements other than buildings	1,033,605	16,730			1,050,335
Mobile equipment	2,293,272	14,154			2,307,426
Furniture and equipment	3,542,403	85,177		(11,075)	3,616,505
Leased property under capital lease	38,453				38,453
Total depreciable capital assets	26,365,712	116,061	431,558	(11,075)	26,902,256
Total assets	\$ 26,512,150	502,881	0	(11,075)	27,003,956
<u>Less accumulated depreciation for:</u>					
Buildings	\$ 6,839,935	423,122			7,263,057
Improvements other than buildings	599,275	44,705			643,980
Mobile equipment	1,782,719	180,063			1,962,782
Furniture and equipment	3,035,724	141,881		(9,968)	3,167,637
Leased property under capital leases	1,923	1,923			3,846
Total accumulated depreciation	12,259,576	791,694	0	(9,968)	13,041,302
Total depreciable capital assets, net	14,106,136	(675,633)	431,558	(1,107)	13,860,954
Governmental activities capital assets, net	\$ 14,252,574	(288,813)	0	(1,107)	13,962,654

SCOTT COUNTY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 576,161
Support services	197,798
Non-instructional	<u>17,735</u>
 Total depreciation expense	 \$ <u>791,694</u>

The capital assets above include \$8,889,871 of building and \$2,064,896 of furniture and equipment, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(6) Long-term Liabilities.

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

	<u>Balance</u> <u>7/1/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2005</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. Limited obligation bonds payable	\$ 1,220,000		425,000	795,000	350,000
B. Obligations under energy efficiency lease	26,172		5,311	20,861	5,653
C. Compensated absences payable	<u>176,816</u>	<u>19,888</u>		<u>196,704</u>	
Total	<u>\$ 1,422,988</u>	<u>19,888</u>	<u>430,311</u>	<u>1,012,565</u>	<u>355,653</u>

A. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State Aid Capital Improvement Bonds	4.25%	1/15/1998	8/1/2005	\$ 445,000	445,000
State Aid Capital Improvement Bonds	4.25%	1/15/1998	2/1/2006	<u>350,000</u>	<u>350,000</u>
Total				<u>\$ 795,000</u>	<u>795,000</u>

SCOTT COUNTY SCHOOL DISTRICT

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

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

Year Ending 30-June	Principal	Interest	Total
2006	\$ 795,000	24,331	819,331
Total	\$ 795,000	24,331	819,331

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

B. Obligations under energy efficiency lease.

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

Year Ending 30-June	Principal	Interest and Maintenance Charges	Total
2006	\$ 5,653	1,144	6,797
2007	6,016	780	6,796
2008	6,403	393	6,796
2009	2,789	44	2,833
Total	\$ 20,861	2,361	23,222

An energy efficiency lease agreement dated November 7, 2001, was executed by and between the district, the lessee, and Mississippi Power Company, the lessor.

The agreement authorized the borrowing of \$38,453 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Vocational Education Fund and not exceed ten (10) years. The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

C. Compensated absences payable.

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

SCOTT COUNTY SCHOOL DISTRICT

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate was 9.75% of annual covered payroll, until July 1, 2005, when the rate increased to 10.75. 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 \$2,258,948, \$2,069,753, and \$1,110,707, respectively, which equaled the required contributions for each 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 school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending 30-June	Amount
2006	\$ 104,435
2007	104,435
2008	104,435
2009	104,435
2010	104,435
2011-2015	522,175
2016-2020	522,175
2021-2025	522,175
Total	\$ <u>2,088,700</u>

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

SCOTT COUNTY SCHOOL DISTRICT

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

(10) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Scott County School District nor the Scott County School District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Scott County School District shares with other school districts, Scott County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Scott County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Scott County School District may be entitled to a portion of the sixteenth section revenues the other school districts received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

SCOTT COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Scott County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative) Original to Final	Final to Actual
	Original	Final			
Revenues:					
Local sources	\$ 2,876,579	2,560,383	2,627,006	(316,196)	66,623
State sources	15,651,027	15,628,046	15,628,046	(22,981)	
Federal sources	504,012	484,217	484,217	(19,795)	
Total Revenues	<u>19,031,618</u>	<u>18,672,646</u>	<u>18,739,269</u>	<u>(358,972)</u>	<u>66,623</u>
Expenditures:					
Instruction	11,554,744	11,421,624	11,640,892	133,120	(219,268)
Support services	5,933,374	5,327,193	5,136,513	606,181	190,680
Facilities acquisition and construction	910,000	346,903	327,243	563,097	19,660
Total Expenditures	<u>18,398,118</u>	<u>17,095,720</u>	<u>17,104,648</u>	<u>1,302,398</u>	<u>(8,928)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>633,500</u>	<u>1,576,926</u>	<u>1,634,621</u>	<u>943,426</u>	<u>57,695</u>
Other Financing Sources (Uses):					
Indirect costs		74,658		74,658	(74,658)
Sale of transportation equipment		1,698	2,822	1,698	1,124
Misc other financing sources		1,125	0	1,125	(1,125)
Operating transfers in	2,578,133	1,928,049	39,357	(650,084)	(1,888,692)
Operating transfers out	(3,752,292)	(2,877,949)	(979,899)	874,343	1,898,050
Total Other Financing Sources (Uses)	<u>(1,174,159)</u>	<u>(872,419)</u>	<u>(937,720)</u>	<u>301,740</u>	<u>(65,301)</u>
Net Change in Fund Balances	\$ <u>(540,659)</u>	<u>704,507</u>	<u>696,901</u>	<u>1,245,166</u>	<u>(7,606)</u>
Fund Balances:					
July 1, 2004	-	-	<u>913,829</u>	-	-
June 30, 2005	\$ -	-	<u>1,610,730</u>	-	-

The Notes to the Required Supplementary Information are an integral part of this statement.

Scott County School District
 Budgetary Comparison Schedule
 School Lunch Fund
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Positive (Negative) Original to Final</u>	<u>Final to Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Local sources	\$ 296,000	326,890	326,890	30,890	
State sources	10,087	10,993	10,993	906	
Federal sources	1,260,000	1,450,469	1,450,469	190,469	
Total Revenues	<u>1,566,087</u>	<u>1,788,352</u>	<u>1,788,352</u>	<u>222,265</u>	<u>0</u>
Expenditures:					
Support services	125,019	64,246	66,881	60,773	(2,635)
Noninstructional services	1,627,034	1,710,146	1,710,116	(83,112)	30
Total Expenditures	<u>1,752,053</u>	<u>1,774,392</u>	<u>1,776,997</u>	<u>(22,339)</u>	<u>(2,605)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(185,966)</u>	<u>13,960</u>	<u>11,355</u>	<u>199,926</u>	<u>(2,605)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>		
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	\$ <u>(215,966)</u>	<u>(16,040)</u>	<u>(18,645)</u>	<u>199,926</u>	<u>(2,605)</u>
Fund Balances:					
July 1, 2004	-	-	<u>436,712</u>	-	-
June 30, 2005	\$ -	-	<u>418,067</u>	-	-

The Notes to the Required Supplementary Information are an integral part of this statement.

Scott County School District
 Budgetary Comparison Schedule
 Title 1-A Basic Fund
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance</u>	<u>Final to Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative) Original to Final</u>	
Revenues:					
Federal sources	\$ 1,123,881	1,046,464	1,046,464	(77,417)	
Total Revenues	<u>1,123,881</u>	<u>1,046,464</u>	<u>1,046,464</u>	<u>(77,417)</u>	<u>0</u>
Expenditures:					
Instruction	288,778	705,504	705,504	(416,726)	
Support services	421,316	325,663	325,663	95,653	
Noninstructional services	<u>12,556</u>	<u>11,997</u>	<u>11,997</u>	<u>559</u>	
Total Expenditures	<u>722,650</u>	<u>1,043,164</u>	<u>1,043,164</u>	<u>(320,514)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>401,231</u>	<u>3,300</u>	<u>3,300</u>	<u>(397,931)</u>	<u>0</u>
Other Financing Sources (Uses):					
Indirect cost	<u>(3,300)</u>	<u>(3,300)</u>	<u>(3,300)</u>		
Total Other Financing Sources (Uses)	<u>(3,300)</u>	<u>(3,300)</u>	<u>(3,300)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	\$ <u>397,931</u>	<u>0</u>	<u>0</u>	<u>(397,931)</u>	<u>0</u>
Fund Balances:					
July 1, 2004	-	-	<u>0</u>	-	-
June 30, 2005	\$ -	-	<u>0</u>	-	-

The Notes to the Required Supplementary Information are an integral part of this statement.

Scott County School District
Budgetary Comparison Schedule
Title II-A: Improving Teacher Quality Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative) Original to Final</u>	<u>Final to Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Federal sources	\$ 222,290	314,645	314,645	92,355	0
Total Revenues	<u>222,290</u>	<u>314,645</u>	<u>314,645</u>	<u>92,355</u>	<u>0</u>
Expenditures:					
Instruction	297,930	309,320	309,320	(11,390)	
Support services	<u>56,778</u>	<u>5,325</u>	<u>5,325</u>	<u>51,453</u>	
Total Expenditures	<u>354,708</u>	<u>314,645</u>	<u>314,645</u>	<u>40,063</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(132,418)</u>	<u>0</u>	<u>0</u>	<u>132,418</u>	<u>0</u>
Other Financing Sources (Uses):					
Indirect costs	<u>(7,307)</u>			<u>7,307</u>	
Total Other Financing Sources (Uses)	<u>(7,307)</u>	<u>0</u>	<u>0</u>	<u>7,307</u>	<u>0</u>
Net Change in Fund Balances	\$ <u>(139,725)</u>	<u>0</u>	<u>0</u>	<u>139,725</u>	<u>0</u>
Fund Balances:					
July 1, 2004	-	-	<u>0</u>	-	-
June 30, 2005	\$ -	-	<u>0</u>	-	-

The Notes to the Required Supplementary Information are an integral part of this statement.

Scott County School District
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative) Original to Final</u>	<u>Final to Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Sixteenth section sources	\$ 99,000	431,033	431,033	332,033	
Total Revenues	99,000	431,033	431,033	332,033	0
Expenditures:					
Sixteenth section	13,000	6,905	6,748	6,095	157
Facilities acquisition and construction	248,300	64,667	59,577	183,633	5,090
Total Expenditures	261,300	71,572	66,325	189,728	5,247
Excess (Deficiency) of Revenues Over Expenditures	(162,300)	359,461	364,708	521,761	5,247
Other Financing Sources (Uses):					
Operating transfers in			1,312	0	1,312
Operating transfers out	(300,000)			300,000	
Total Other Financing Sources (Uses)	(300,000)	0	1,312	300,000	1,312
Net Change in Fund Balances	\$ (462,300)	359,461	366,020	821,761	6,559
Fund Balances:					
July 1, 2004	-	-	510,350	-	-
June 30, 2005	\$ -	-	876,370	-	-

The Notes to the Required Supplementary Information are an integral part of this statement.

SCOTT 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP Basis, and 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.

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

<u>Individual Fund</u>		<u>Amount</u>
General Fund	\$	8,928
School Lunch Fund	\$	2,605

The school district has no liability associated with these variances.

SCOTT COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Scott County School District
 Schedule of Federal Financial Assistance
 For the Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through Mississippi Department of Education:		
Non cash assistance:		
Food donation	10.550	\$ 94,800
Child Nutrition Cluster:		
School breakfast program	10.553	334,401
National school lunch program	10.555	1,036,392
Total child nutrition cluster		<u>1,370,793</u>
Total passed through MDE		<u>1,465,593</u>
Total U.S. Department of Agriculture		<u>1,465,593</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>120,871</u>
Total Federal Communications Commission		<u>120,871</u>
 <u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education:		
Special education cluster:		
Special Education - Grants to States	84.027	664,365
Special Education - Preschool Grants	84.173	<u>24,341</u>
Total Special Education cluster		<u>688,706</u>
Title I Grants to Local Educational Agencies	84.010	1,047,364
Migrant education - state grant program	84.011	79,386
Vocational Education - Basic Grants to States	84.048	80,421
Literacy through School Libraries	84.364	24,666
English Language Acquisition Grants	84.365	57,248
Title II Improving Teacher Quality State Grants	84.367	359,164
Safe and Drug Free Schools and Communities - State Grants	84.186	25,794
Rural education	84.358	<u>160,394</u>
Total passed through MDE		<u>2,523,143</u>
Total U.S. Department of Education		<u>4,357,580</u>
Total for All Federal Awards		<u>\$ 4,109,607</u>

NOTES TO SCHEDULE

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

Scott 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	\$ 17,971,334	13,040,930	2,928,612	2,001,792
Other	5,468,156	1,618,527	668,045	3,181,584
Total	\$ <u>23,439,490</u>	<u>14,659,457</u>	<u>3,596,657</u>	<u>5,183,376</u>
Total number of students *	3,752			
Cost per student	\$ 6,247	3,907	959	1,381

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.

SCOTT COUNTY SCHOOL DISTRICT

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Superintendent and School Board
Scott County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 7, 2007

Windham and Lacey, PLLC

Certified Public Accountants

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

Superintendent and School Board
Scott County School District

Compliance

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

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

In our opinion, Scott 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 Scott 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 our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 7, 2007

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

Superintendent and School Board
Scott County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2005, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated February 7, 2007. 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 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 \$83,651 of classroom supply funds carried over from previous years.

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

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.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 7, 2007

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. The audit of the general purpose financial statements did not disclose any material weaknesses in internal control.
3. The audit of the general purpose financial statements did not disclose reportable conditions.
4. The audit did not disclose any noncompliance that is material to the general purpose financial statements.
5. The audit did not disclose any material weaknesses in internal control over major programs.
6. The audit did not disclose reportable conditions that are not considered to be material weaknesses with regard to major federal programs.
7. An unqualified opinion was issued on compliance for major programs.
8. The audit did not disclose audit findings, which are required to be reported under section ____510(a) of OMB Circular A-133.
9. The major programs were as follows:
 - Child Nutrition Cluster:
 - School Breakfast Program, CFDA #10.553
 - National School Lunch Program, CFDA #10.555
 - Title I Grants to Local Educational Agencies, CFDA #84.010
 - Rural education, CFDA #84.358
 - Title II: Improving Teacher Quality State Grants CFDA #84.367
10. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
11. The auditee did qualify as a low risk auditee.
12. A summary schedule of prior year audit findings and questioned costs relative to federal awards as discussed in Section ____315(b) of OMB Circular A-133 has not been prepared because the District had no prior year findings.

SCOTT COUNTY SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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