



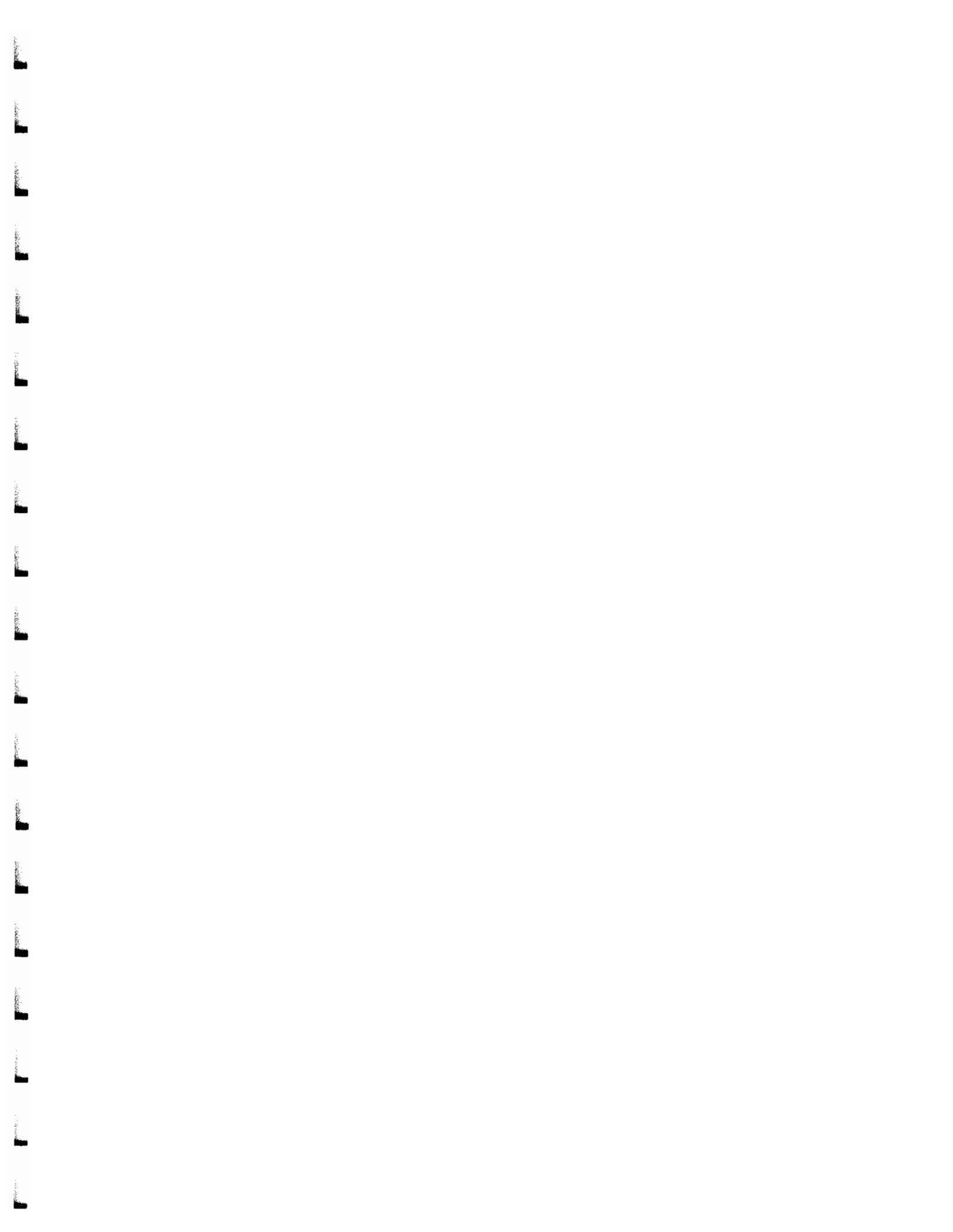
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**South Delta School District**  
Financial Statements  
June 30, 2005

**Ellis & Hirsberg**  
Certified Public Accountants, LLC  
Clarksdale, Mississippi







SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
South Delta School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta 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 November 8, 2005, on our consideration of the South Delta School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 42 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 South Delta 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.

A handwritten signature in cursive script, appearing to read "Elliot Furber".

November 8, 2005

SOUTH DELTA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of South Delta 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 the 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.

### FINANCIAL HIGHLIGHTS

Total net assets increased \$320,543, which represents 5% increase from fiscal year 2004.

General revenues account for \$7,544,102 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,344,694 or 31% of total revenues.

The District had \$10,588,253 in expenses; only \$3,344,694 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,544,102 were adequate to provide for these programs.

Among major funds, the General Fund had \$7,135,074 in revenues and \$6,753,818 in expenditures. The General Fund's fund balance decreased \$167,336 from the prior year. The decrease in fund balance is due in part to an increase in support services.

Capital assets, net of accumulated depreciation, decreased \$18,808.

Long-term debt accrued vacation pay decreased by \$20,006.

### 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, and sixteenth section.

The government-wide financial statements can be found on pages 15 - 17 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 21 and 24, respectively.

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

The basic governmental fund financial statements can be found on pages 18 - 24 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 25.

**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 26 - 35 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 fund. This required supplementary information can be found on pages 39 - 42 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 44 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 \$6,386,812 as of June 30, 2005.

Cash and cash equivalents represent the District's largest net asset. The next largest portion of the District's net assets (17%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, and furniture and equipment). There is no 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 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 years ended June 30, 2005 and 2004.

	June 30, 2005 <u>Amount</u>	June 30, 2004 <u>Amount</u>
Current assets	\$ 6,228,662	\$ 5,784,679
Capital assets, net	<u>1,115,331</u>	<u>1,134,139</u>
<b>Total assets</b>	<u>7,343,993</u>	<u>6,918,818</u>
Current liabilities	876,693	752,055
Long-term debt outstanding	<u>80,488</u>	<u>100,494</u>
<b>Total liabilities</b>	<u>957,181</u>	<u>852,549</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,115,331	1,134,139
Restricted	3,970,204	3,469,726
Unrestricted	<u>1,301,277</u>	<u>1,462,404</u>
<b>Total net assets</b>	<u>\$ 6,386,812</u>	<u>\$ 6,066,269</u>

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2005 and 2004 were \$10,888,796 and \$11,450,536, respectively. The total cost of all programs and services was \$10,568,253 and 10,618,261, respectively. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

	June 30, 2005 <u>Amount</u>	June 30, 2004 <u>Amount</u>
<b>Revenues:</b>		
Program revenues	\$ 3,344,694	\$ 3,693,437
General revenues	<u>7,544,102</u>	<u>7,757,099</u>
<b>Total revenues</b>	<u>10,888,796</u>	<u>11,450,536</u>
<b>Expenses:</b>		
Instruction	4,972,557	5,328,406
Support services	4,703,258	4,404,746
Non-instructional	844,350	814,466
Sixteenth section	<u>48,088</u>	<u>70,643</u>
<b>Total expenses</b>	<u>10,568,253</u>	<u>10,618,261</u>
<b>Increase in net assets</b>	<u>\$ 320,543</u>	<u>\$ 832,275</u>

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and sixteenth section. 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	\$ 4,972,557	\$ (3,611,849)
Support services	4,703,258	(3,667,066)
Non-instructional	844,350	103,444
Sixteenth section	<u>48,088</u>	<u>(48,088)</u>
<b>Total expenses</b>	<b>\$ <u>10,568,253</u></b>	<b>\$ <u>(7,223,559)</u></b>

Net cost of governmental activities \$7,223,559, was financed by general revenue, which is made up primarily of property taxes \$1,610,523, state revenue \$5,197,113 and sixteenth section revenue \$489,148.

Investment earnings accounted for \$37,854 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 \$5,351,969, an increase of \$324,811 due primarily to decrease in spending. \$4,337,198 or 81% 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 \$1,014,771 or 19% 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 decrease in fund balance in the General Fund for the fiscal year was \$167,336, a result of an increase in supportive service expense. The fund balance of Other Governmental Funds showed an increase of \$5,748 due primarily to an increase in federal revenues.

## BUDGETARY HIGHLIGHTS

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

Budgeted amounts for expenditures were increased as the year progressed and the actual spending trends became clearer.

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 were \$3,894,428, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a net decrease of \$126,024 from the previous year. The District purchased two new school buses during the year and disposed of eleven buses. Total accumulated depreciation as of June 30, 2005 was \$2,779,097 and total depreciation expense for the year was \$162,708, resulting in total net assets of \$1,115,331.

Additional information of the District's capital assets can be found in Note 4 on page 32 of this report.

## **CURRENT ISSUES**

The South Delta 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 decreased a net of 2.93 mills since the 2003 - 2004 school year. 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 of the District will decrease by 46 students. The budget for the next fiscal year has taken into account this decrease in both funding and staffing needs.

During the 2004 - 2005 school year repairs were made to roofs of buildings. In the 2005 - 2006 school year work is planned to repair restrooms in the schools.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the South Delta School District, P. O. Box 219, Rolling Fork, MS 39159.

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

FINANCIAL STATEMENTS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

	Primary <u>Government</u> Governmental <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 5,655,731
Due from other governments	534,612
Other receivables, net	23,548
Inventories and prepaid items	14,771
Capital assets, net (Note 4)	<u>1,115,331</u>
 Total Assets	 \$ <u><u>7,343,993</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 482,888
Due to other governments	393,805
Non-capital related liabilities	<u>80,488</u>
 Total Liabilities	 \$ <u><u>957,181</u></u>
<b>Net Assets</b>	
Invested in capital assets, (net of related debt)	\$ 1,115,331
Restricted net assets for:	
Expendable:	
School-based activities	2,893,552
Capital Improvements	1,000,000
Forestry improvements	27,404
Unemployment benefits	49,248
Unrestricted	<u>1,301,277</u>
 Total Net Assets	 \$ <u><u>6,386,812</u></u>

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

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT  
 Statement of Activities  
 For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 4,972,557	101,225	1,259,483		(3,611,849)
Support services	4,703,258		1,036,192		(3,667,066)
Non-instructional services	844,350	66,599	881,195		103,444
Sixteenth section	<u>48,088</u>				<u>(48,088)</u>
Total governmental activities	\$ <u>10,568,253</u>	<u>167,824</u>	<u>3,176,870</u>	<u>0</u>	<u>(7,223,559)</u>
<b>General Revenues:</b>					
Taxes:					
					1,610,523
Property taxes - general purposes					
Unrestricted grants and contributions:					
					5,197,113
					153,878
					55,586
					489,148
					<u>37,854</u>
					<u>7,544,102</u>
					<u>320,543</u>
					<u>6,066,269</u>
					\$ <u>6,386,812</u>

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

SOUTH DELTA SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2005

	Major Funds					Total Governmental Funds
	General Fund	Title I - A Basic	Sixteenth Section Interest Fund	GHS Building Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents (Note 2)	\$ 1,523,411		2,536,024	1,000,000	596,297	5,655,732
Due from other governments	206,368	115,722			212,522	534,612
Other receivables, net			11,350			11,350
Due from other funds (Note 3)	214,862				75,280	290,142
Inventories and prepaid items					14,771	14,771
<b>Total Assets</b>	<b>\$ 1,944,641</b>	<b>115,722</b>	<b>2,547,374</b>	<b>1,000,000</b>	<b>898,870</b>	<b>6,506,607</b>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 353,375	46,694	2,700		80,119	482,888
Due to other funds (Note 3)	272,274	69,028			330,448	671,750
<b>Total Liabilities</b>	<b>625,649</b>	<b>115,722</b>	<b>2,700</b>	<b>0</b>	<b>410,567</b>	<b>1,154,638</b>
Fund Balances:						
Reserved for:						
Inventories					14,771	14,771
Capital projects funds				1,000,000		1,000,000
Unreserved:						
Undesignated, reported in:						
General fund	1,318,992					1,318,992



SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,351,969
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,779,097.	1,115,331
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	<u>(80,488)</u>
Total Net Assets - Governmental Activities	\$ <u><u>6,386,812</u></u>

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

SOUTH DELTA SCHOOL DISTRICT  
 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 For the year ended June 30, 2005

	Major Funds					Total Governmental Funds
	General Fund	Title I - A Basic	Sixteenth Section Interest Fund	GHS Building Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	1,779,083				57,048	1,836,131
State sources	5,197,113				395,201	5,592,314
Federal sources	158,878	998,420			1,778,249	2,935,547
Sixteenth section sources			516,577		14,059	530,636
Total Revenues	<u>7,135,074</u>	<u>998,420</u>	<u>516,577</u>	<u>0</u>	<u>2,244,557</u>	<u>10,894,628</u>
<b>Expenditures:</b>						
Instruction	3,220,765	474,780			1,274,943	4,970,488
Support services	3,532,446	415,076			766,258	4,713,780
Non-instructional services	607	84,030			759,712	844,349
Sixteenth section			30,178		17,910	48,088
Total Expenditures	<u>6,753,818</u>	<u>973,886</u>	<u>30,178</u>	<u>0</u>	<u>2,818,823</u>	<u>10,576,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>381,256</u>	<u>24,534</u>	<u>486,399</u>	<u>0</u>	<u>(574,266)</u>	<u>317,923</u>
Other Financing Sources (Uses):						
Insurance loss recoveries	4,288					4,288
Sale of transportation equipment	2,600					2,600
Operating transfers in	385,900				649,916	1,035,816
Operating transfers out	(941,380)	(24,534)			(69,902)	(1,035,816)
Total Other Financing Sources (Uses)	<u>(548,592)</u>	<u>(24,534)</u>	<u>0</u>	<u>0</u>	<u>580,014</u>	<u>6,888</u>
Net Change in Fund Balances	<u>(167,336)</u>	<u>0</u>	<u>486,399</u>	<u>0</u>	<u>5,748</u>	<u>324,811</u>

Fund Balances:						
July 1, 2004	1,486,328	2,058,275	1,000,000	477,900	5,022,503	
Increase in reserve for inventory				4,655	4,655	
June 30, 2005	\$ 1,318,992	2,544,674	1,000,000	488,303	5,351,969	

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

SOUTH DELTA 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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 324,811
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$173,392 and the depreciation expenses amounted to \$162,708. (Note 4)	10,684
2. Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds	(10,121)
3. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	20,006
4. Proceeds from the sale of assets are reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities	(2,600)
5. Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.	(26,892)
6. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.	<u>4,655</u>
Change in net assets of governmental activities	\$ <u><u>320,543</u></u>

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

SOUTH DELTA SCHOOL DISTRICT  
 Statement of Fiduciary Net Assets  
 June 30, 2005

	Agency Funds
	<u>          </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 235,155
Due from other funds	<u>393,805</u>
 Total Assets	 \$ <u><u>628,960</u></u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 603,720
Due to other funds	12,197
Due to student clubs	<u>13,043</u>
 Total Liabilities	 \$ <u><u>628,960</u></u>

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

SOUTH DELTA 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 five member board of which each member was elected by the citizens of each defined school district.

B. Basis of Presentation.

The school district's basic financial statement 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/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

## SOUTH DELTA 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. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

**Title I-A Basic** - This is a federal program to supplement classroom teaching efforts.

**Sixteenth Section Interest Fund** - This fund collects revenue from sixteenth section property and shared revenues from other school districts and pays for expenses for sixteenth section property.

**GHS Building Fund** - This fund is set up to pay for major renovations of existing buildings.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

#### 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.

SOUTH DELTA SCHOOL DISTRICT

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

SOUTH DELTA SCHOOL DISTRICT

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

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

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

See Note 4 for details.

J. 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 3 for details for interfund transactions, including receivables and payables at year-end.

K. 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."

SOUTH DELTA SCHOOL DISTRICT

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

*Fund Financial Statements:*

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

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

Reserved for 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.

L. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the counties 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.

M. Mississippi Adequate Education Program Revenues.

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

N. 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.

(2) Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,655,732 and \$235,155, respectively. The carrying amount of deposits reported in the government-wide statement was \$5,655,731. The bank balance was \$6,058,598.

SOUTH DELTA SCHOOL DISTRICT

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 214,862	272,274
Other major funds		
Title I-A Basic		69,028
Non-major Funds		
Other Governmental Funds	75,280	330,448
Agency Funds	393,805	12,197
Total Funds	\$ 683,947	683,947

B. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 385,900	941,380
Other major funds		
Title I-A Basic		24,534
Non-major Funds	649,916	69,902
Total Funds	\$ 1,035,816	1,035,816

Transfers were made to avoid borrowing from outside sources.

SOUTH DELTA SCHOOL DISTRICT

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

(4) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 57,128				57,128
Total non-depreciable capital assets	<u>57,128</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,128</u>
<u>Depreciable capital assets:</u>					
Buildings	1,543,529				1,543,529
Mobile equipment	1,695,910	128,590	294,416		1,530,084
Furniture and equipment	723,885	44,802	5,000		763,687
Total depreciable capital assets	<u>3,963,324</u>	<u>173,392</u>	<u>299,416</u>	<u>0</u>	<u>3,837,300</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,198,242	6,041			1,204,283
Mobile equipment	868,771	43,658	264,974		647,455
Furniture and fixtures	819,300	113,009	4,950		927,359
Total accumulated depreciation	<u>2,886,313</u>	<u>162,708</u>	<u>269,924</u>	<u>0</u>	<u>2,779,097</u>
Total depreciable capital assets, net	<u>1,077,011</u>	<u>10,684</u>	<u>29,492</u>	<u>0</u>	<u>1,058,203</u>
Governmental activities capital assets, net	<u>\$ 1,134,139</u>	<u>10,684</u>	<u>29,492</u>	<u>0</u>	<u>1,115,331</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 23,403
Support services	134,731
Non-instructional	<u>4,574</u>
Total depreciation expense	<u>\$ 162,708</u>

SOUTH DELTA SCHOOL DISTRICT

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

(5) Long-term liabilities.

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

		Balance 7-1-2004	Additions	Reductions	Balance 6-30-2005	Amounts due within one year
Compensated absences payable	\$	100,494		20,006	80,488	
Total	\$	100,494	0	20,006	80,488	0

Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

**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 \$538,733, \$531,903, and \$505,311, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

SOUTH DELTA SCHOOL DISTRICT

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

Year Ending June 30		Amount
2006	\$	380,120
2007		286,698
2008		232,323
2009		21,675
2010		20,350
2011 - Thereafter		192,035
Total	\$	<u>1,133,201</u>

(8) Litigation.

The district has the following lawsuit pending against them:

A suit was filed in January 2004 styled Sonya Stewart, individually and as mother and next friend of Erica Stewart and Amy Stewart vs. South Delta School District. The suit claims that Erica and Amy Stewart were injured when they were involved in a fight with another student at the vocational center of the school district. Depositions of the Plaintiffs have been taken and a Scheduling Order is set to be entered in the next few weeks. The school district has insurance coverage for this claim and intends to vigorously defend this suit and maintains that it has no liability whatsoever.

No provision for loss has been reflected in these financial statements.

(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.

Participation in Public Entity Risk Pool.

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

(10) Contingencies.

The school district has the following contracts for roof repairs on going at June 30, 2005:

	<u>Total Contract</u>	<u>Paid Thru June 30, 2005</u>	<u>Unbilled</u>
E. Cornell Malone Corp.	\$ 739,700	521,350	218,350
Rowell Roofing	364,800	126,171	238,629

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
<b>Revenues:</b>					
Local sources	\$ 1,668,182	1,668,182	1,779,083	0	110,901
State sources	5,203,622	5,203,622	5,197,113	0	(6,509)
Federal sources	314,000	314,000	158,878	0	(155,122)
Total Revenues	<u>7,185,804</u>	<u>7,185,804</u>	<u>7,135,074</u>	<u>0</u>	<u>(50,730)</u>
<b>Expenditures:</b>					
Instruction	3,629,519	3,643,544	3,220,765	(14,025)	422,779
Support services	4,529,298	4,698,988	3,532,446	(169,690)	1,166,542
Non-instructional services	6,300	6,300	607	0	5,693
Total Expenditures	<u>8,165,117</u>	<u>8,348,832</u>	<u>6,753,818</u>	<u>(183,715)</u>	<u>1,595,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(979,313)</u>	<u>(1,163,028)</u>	<u>381,256</u>	<u>(183,715)</u>	<u>1,544,284</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries			4,288	0	4,288
Sale of transportation equipment			2,600	0	2,600
Operating transfers in	1,148,098	1,148,098	385,900	0	(762,198)
Operating transfers out	<u>(1,147,558)</u>	<u>(1,147,558)</u>	<u>(941,380)</u>	<u>0</u>	<u>206,178</u>
Total Other Financing Sources (Uses)	<u>540</u>	<u>540</u>	<u>(548,592)</u>	<u>0</u>	<u>(549,132)</u>
Net Change in Fund Balances	<u>(978,773)</u>	<u>(1,162,488)</u>	<u>(167,336)</u>	<u>(183,715)</u>	<u>995,152</u>
<b>Fund Balances:</b>					
July 1, 2004	<u>2,108,695</u>	<u>1,486,328</u>	<u>1,486,328</u>	<u>(622,367)</u>	<u>0</u>
June 30, 2005	<u>\$ 1,129,922</u>	<u>323,840</u>	<u>1,318,992</u>	<u>(806,082)</u>	<u>995,152</u>

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

SOUTH DELTA SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title I-A Basic  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
<b>Revenues:</b>					
Federal sources	1,176,688	1,176,688	998,420	0	(178,268)
Total Revenues	1,176,688	1,176,688	998,420	0	(178,268)
<b>Expenditures:</b>					
Instruction	716,402	671,740	474,780	44,662	196,960
Support services	347,447	696,993	415,076	(349,546)	281,917
Non-instructional services	90,559	127,948	84,030	(37,389)	43,918
Total Expenditures	1,154,408	1,496,681	973,886	(342,273)	522,795
Excess (Deficiency) of Revenues Over Expenditures	22,280	(319,993)	24,534	(342,273)	344,527
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(22,280)	(24,534)	(24,534)	(2,254)	0
Total Other Financing Sources (Uses)	(22,280)	(24,534)	(24,534)	(2,254)	0
Net Change in Fund Balances	0	(344,527)	0	(344,527)	344,527
<b>Fund Balances:</b>					
July 1, 2004				0	0
June 30, 2005	\$ 0	(344,527)	0	(344,527)	344,527

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

SOUTH DELTA SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> (GAAP Basis)	<u>Variances</u> Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original</u> To Final	<u>Final</u> To Actual
<b>Revenues:</b>					
Sixteen section sources	\$ 528,000	528,000	516,577	0	(11,423)
Total Revenues	<u>528,000</u>	<u>528,000</u>	<u>516,577</u>	<u>0</u>	<u>(11,423)</u>
<b>Expenditures:</b>					
Sixteenth section	<u>70,000</u>	<u>70,000</u>	<u>30,178</u>	<u>0</u>	<u>39,822</u>
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>30,178</u>	<u>0</u>	<u>39,822</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>458,000</u>	<u>458,000</u>	<u>486,399</u>	<u>0</u>	<u>28,399</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	<u>(600,000)</u>	<u>(600,000)</u>		<u>0</u>	<u>600,000</u>
Total Other Financing Sources (Uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>0</u>	<u>0</u>	<u>600,000</u>
Net Change in Fund Balances	<u>(142,000)</u>	<u>(142,000)</u>	<u>486,399</u>	<u>0</u>	<u>628,399</u>
<b>Fund Balances:</b>					
July 1, 2004	<u>1,436,538</u>	<u>2,058,275</u>	<u>2,058,275</u>	<u>621,737</u>	<u>0</u>
June 30, 2005	<u>\$ 1,294,538</u>	<u>1,916,275</u>	<u>2,544,674</u>	<u>621,737</u>	<u>628,399</u>

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

SOUTH DELTA 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.

SOUTH DELTA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

SOUTH DELTA SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 44,285
Child nutrition cluster:		
School breakfast program	10.553	265,525
National school lunch program	10.555	479,768
Summer food service program for children	10.559	58,438
Total child nutrition cluster		<u>803,731</u>
Total U.S. Department of Agriculture		<u>848,016</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	998,420
Vocational education - basic grants to states	84.048	42,917
Safe and drug-free schools and communities - state grants	84.186	32,101
Homeless Child	84.196	13,999
Innovative education program strategies	84.298	906
Education technology state grants	84.318	213,895
Rural education achievement program	84.358	34,802
Improving teacher quality - state grants	84.367	267,217
Total		<u>1,604,257</u>
Special education cluster:		
Special education - grants to states	84.027	252,181
Special education - preschool grants	84.173	1,636
Total		<u>253,817</u>
Total passed-through Mississippi Department of Education		<u>1,858,074</u>
Total U.S. Department of Education		<u>1,858,074</u>
<u>U. S. Department of Health</u>		
Passed-through Mississippi Department of Education:		
Fruit and Vegetable Grant	93.945	23,541
Total U. S. Department of Health		<u>23,541</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	46,493
Total U. S. Department of Defense		<u>46,493</u>
<u>Other Federal Assistance</u>		
Teacher Induction Program	84.336	5,000
Total Other Federal Assistance		<u>5,000</u>
Total for All Federal Awards		<u>\$ 2,781,124</u>

Federal Grantor/  
Pass-through Grantor/  
Program Title

Catalog of  
Federal Domestic  
Assistance Number

Federal  
Expenditures

---

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 financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

SOUTH DELTA 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	\$ 7,326,223	4,554,660	936,357	1,835,206
Other	<u>3,250,482</u>	<u>415,828</u>	<u>176,286</u>	<u>2,658,368</u>
Total	\$ <u>10,576,705</u>	<u>4,970,488</u>	<u>1,112,643</u>	<u>4,493,574</u>
Total number of students	1,355			
Cost per student	\$ 7,806	3,668	821	3,317

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

Instruction - includes the activities dealing 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)

SOUTH DELTA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SOUTH DELTA SCHOOL DISTRICT

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

Superintendent and School Board  
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

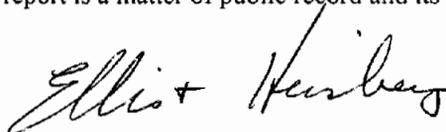
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 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, grants, 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 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.



November 8, 2005

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

Superintendent and School Board  
South Delta School District

Compliance

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

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

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



November 8, 2005

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

Superintendent and School Board  
South Delta School District

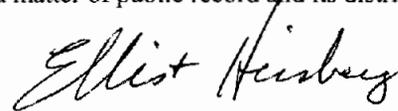
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$24,300 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.



November 8, 2005

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

SCHEDULE OF FINDINGS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

Schedule of Findings  
For the Year Ended June 30, 2005

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- |  |             |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:   | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses?   | No          |
| 6. Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133?   | No          |
| 7. Federal programs identified as major programs:  |             |
| a. Title I - Grants to Local Education Agencies<br>CFDA # 84.010   |             |
| 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 finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No          |

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.

