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Shaw School District
Audited Financial Statements
June 30, 2005

J E Fortenberry, III, PC
Certified Public Accountant

**Shaw School District
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SHAW SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

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

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

October 5, 2005
Superintendent and School Board
Shaw School District

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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. I believe that my audit provides a reasonable basis for my opinion.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated October 5, 2005 on my consideration of the Shaw School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages (8) through (14) and the Budgetary Comparison Schedule and corresponding notes on pages (42) through (49) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shaw 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, PC

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$97,679, which represents a 30% decrease from fiscal year 2004.
- General revenues account for \$4,200,736 in revenue, or 76% of all revenues. This amount was less than the general revenues reported for the year 2004, which consisted of \$4,257,526 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,315,105 or 24% of total revenues, as compared with \$1,217,946 or 22%, in 2004.
- The District had \$5,613,520 in expenses; only \$1,315,105 of these expenses were offset by program specific charges for services, grants and contributions. This amount was a decrease from \$5,753,788 in 2004. General revenues of \$4,200,736 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,993,642 in revenues and \$3,953,509 in expenditures. In 2004, the General Fund had \$3,942,710 in revenues and \$4,055,953 in expenditures. The General Fund's fund balance decreased \$87,742 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$83,539. One major component of this decrease was a correction of depreciation booked in prior years.
- Long-term debt decreased by \$116,153.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 16 -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 20 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 and 22 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 27 - 40 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 42 - 49 of this report.

Additionally, a new schedule of instructional, administrative and other expenditures - governmental funds will be found right after the schedule of federal awards which is required by OMB Cir. A-133. The schedule of federal awards can be found on page 51 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 \$189,631 as of June 30, 2005.

The District had a negative balance in capital assets due to the accumulation of debt related to the repairs and maintenance of fully depreciated assets. 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 payment of debt, and the depreciation of capital assets.

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

	2005	2004
	<u>Amount</u>	<u>Amount</u>
Current assets	\$ 829,821	\$ 819,011
Capital assets, net	<u>545,771</u>	<u>618,634</u>
Total assets	<u>1,375,592</u>	<u>1,437,645</u>
Current liabilities	219,068	26,156
Long-term debt outstanding	<u>966,893</u>	<u>1,083,046</u>
Total liabilities	<u>1,185,961</u>	<u>1,109,202</u>
Net assets:		
Invested in capital assets, net of related debt	(396,843)	(445,295)
Restricted	174,711	608,803
Unrestricted	<u>411,763</u>	<u>164,935</u>
Total net assets	<u>\$ 189,631</u>	<u>\$ 328,443</u>

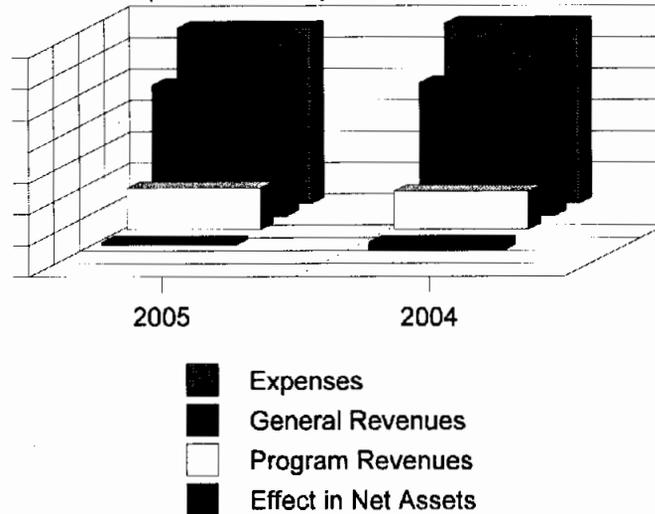
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The increase of \$22,903 in accounts payable and accrued liabilities.
- The decrease of \$83,539 in net capital assets.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$5,515,841. The total cost of all programs and services was \$5,613,520. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and 2004.

	2005	2004
	<u>Amount</u>	<u>Amount</u>
Revenues:		
Program revenues	\$ 1,315,105	\$ 1,217,946
General revenues	<u>4,200,736</u>	<u>4,257,526</u>
Total revenues	<u>5,515,841</u>	<u>5,475,472</u>
Expenses:		
Instruction	3,273,598	3,260,530
Support services	1,804,466	1,928,309
Non-instructional	481,009	504,623
Sixteenth section	5,973	5,775
Interest on long-term liabilities	<u>48,474</u>	<u>54,552</u>
Total expenses	<u>5,613,520</u>	<u>5,753,789</u>
Increase (Decrease) in net assets	<u>\$ (97,679)</u>	<u>\$ (278,316)</u>

Comparative Chart as per Statement of Activities

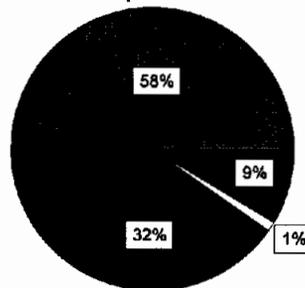


Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated 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.

	Total <u>Expenses</u>	Net(Expense) <u>Revenue</u>
Instruction	\$ 3,273,598	\$ (3,060,823)
Support services	1,804,466	(1,736,401)
Non-instructional	481,009	553,256
Sixteenth section	5,973	(5,973)
Interest on long-term liabilities	48,474	(48,474)
Total expenses	<u>\$ 5,613,520</u>	<u>\$ (4,298,415)</u>

Chart as per Statement of Activities

Expenses



- Instructional
- Support Services
- 16th Section/Int. in LT Liabilities
- Non-Instructional

- Net cost of governmental activities (\$4,298,415), was financed by general revenue, which is made up of primarily property taxes (\$805,110) and state revenue (\$3,102,039).
- Investment earnings accounted for \$488 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 \$630,990 a decrease of \$185,894. \$629,574 or 99.78% 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 \$1,416 or 0.22% 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 \$87,742. The fund balance of Other Governmental Funds showed a decrease of \$151,557. In addition to the General Fund Shaw School District has other major funds. The fund balance of the School Food Service Fund showed a decrease of \$8,443. The fund balance of Title I Low Grant Fund showed an increase of \$95. The fund balance of Compr. School Reform Fund showed a decrease of \$23,364. EHA, Part B, 2000 FY Grant Fund showed a decrease of \$48,451. Sixteenth Section Interest Fund showed an increase of \$133,568.

BUDGETARY HIGHLIGHTS

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

- 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 were \$1,999,108, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$13,341 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$1,453,337 and total depreciation expense for the year was \$45,071, resulting in total net assets of \$545,771.

Additional information of the District's capital assets can be found in Note 5 on page 35 of this report.

Debt Administration. At June 30, 2005, the District had no general obligation bonds and \$966,893 other long-term debt outstanding, of which \$98,513 is due within one year.

The District maintains aa AA bond rating.

Additional information of the District's long-term debt can be found in Note 6 on page 36 of this report.

CURRENT ISSUES

The Shaw 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. 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Shaw School District, P.O. Box 510, Shaw, MS 38733 .

FINANCIAL STATEMENTS

SHAW SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 772,553
<i>Due from other governments</i>	54,706
<i>Inventories and prepaid items</i>	1,416
<i>Restricted assets</i>	1,146
<i>Capital assets, net</i>	545,771
Total Assets	<u>1,375,592</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	25,949
<i>Deferred revenue</i>	172,882
<i>Interest payable on long-term liabilities</i>	20,237
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	96,085
<i>Non-capital related liabilities</i>	2,428
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	846,529
<i>Non-capital related liabilities</i>	21,851
Total Liabilities	<u>1,185,961</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(396,843)
Restricted For:	
School - based activities	74,299
Capital improvements	29,461
Debt service	53,578
Unemployment benefits	15,753
Forestry improvements	474
Sixteenth section	
Expendable	11
Nonexpendable	1,135
Unrestricted	411,763
Total Net Assets	<u>\$ 189,631</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					Governmental Activities
Instruction	3,273,598	64,197	118,766	29,812	(3,060,823)
Support services	1,804,466	--	68,065	--	(1,736,401)
Noninstructional services	481,009	633,196	401,069	--	553,256
Sixteenth section	5,973	--	--	--	(5,973)
Interest on long-term liabilities	48,474	--	--	--	(48,474)
Total Primary Government	<u>\$ 5,613,520</u>	<u>\$ 697,393</u>	<u>\$ 567,900</u>	<u>\$ 29,812</u>	<u>(4,298,415)</u>
General Revenues:					
Taxes:					
General purpose levies					764,834
Debt purpose levies					40,276
Unrestricted grants and contributions:					
State					3,102,039
Federal					39,021
Unrestricted investment earnings					488
Sixteenth section sources					134,389
Other					119,689
Total general revenues					<u>4,200,736</u>
Change in Net Assets					<u>(97,679)</u>
Net Assets - Beginning					<u>328,443</u>
Prior Period Adjustment					<u>(41,133)</u>
Net Assets - Ending					<u>\$ 189,631</u>

The accompanying notes are an integral part of this statement.

SHAW SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	School Food Service Fund	Title I Low Grant Fund	Compr School Reform Fund
ASSETS				
<i>Cash and cash equivalents</i>	\$ 191,572	\$ 70,101	\$ 29,998	\$ 26,202
<i>Due from other governments</i>	36,048	--	--	890
<i>Due from other funds</i>	40,820	--	764	--
<i>Inventories and prepaid items</i>	--	1,416	--	--
Total Assets	\$ 268,440	\$ 71,517	\$ 30,762	\$ 27,092
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 15,452	\$ --	\$ 37	\$ 1,929
<i>Due to other funds</i>	44	40,000	819	--
<i>Deferred revenue</i>	--	--	29,906	25,163
Total Liabilities	15,496	40,000	30,762	27,092
Fund balances:				
Reserved For				
<i>Inventory</i>	--	1,416	--	--
Unreserved, undesignated, reported in:				
<i>General fund</i>	252,944	--	--	--
<i>Special Revenue funds</i>	--	30,101	--	--
<i>Capital projects funds</i>	--	--	--	--
<i>Debt service funds</i>	--	--	--	--
<i>Permanent funds</i>	--	--	--	--
Total Fund Balances	252,944	31,517	--	--
Total Liabilities and Fund Balances	\$ 268,440	\$ 71,517	\$ 30,762	\$ 27,092

The accompanying notes are an integral part of this statement.

<u>E2T2/Ed Tech Grant</u>	<u>EHA Part B 2000 FY Grant Fund</u>	<u>Sixteenth Section Interest Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 24,630	\$ 82,218	\$ 189,498	\$ 159,480	\$ 773,699
--	--	9	17,038	53,985
--	--	--	--	41,584
--	--	--	--	1,416
<u>\$ 24,630</u>	<u>\$ 82,218</u>	<u>\$ 189,507</u>	<u>\$ 176,518</u>	<u>\$ 870,684</u>
\$ --	\$ --	\$ --	\$ 8,531	\$ 25,949
--	--	--	--	40,863
24,630	82,218	--	10,965	172,882
<u>24,630</u>	<u>82,218</u>	<u>--</u>	<u>19,496</u>	<u>239,694</u>
--	--	--	--	1,416
--	--	--	--	252,944
--	--	189,507	75,710	295,318
--	--	--	29,461	29,461
--	--	--	50,705	50,705
--	--	--	1,146	1,146
--	--	189,507	157,022	630,990
<u>\$ 24,630</u>	<u>\$ 82,218</u>	<u>\$ 189,507</u>	<u>\$ 176,518</u>	<u>\$ 870,684</u>

SHAW SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005*

Total fund balances - governmental funds balance sheet	\$ 630,990
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	545,771
Liabilities due in one year	(98,513)
Payables for bond principal which are not due in the current period are not reported in the funds.	(725,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(46,529)
Payables for bond interest which are not due in the current period are not reported in the funds.	(20,237)
Payables for notes which are not due in the current period are not reported in the funds.	(75,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(21,851)
Net assets of governmental activities - statement of net assets	<u>\$ 189,631</u>

The accompanying notes are an integral part of this statement.

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SHAW SCHOOL DISTRICT

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

	General Fund	School Food Service Fund	Title I Low Grant Fund	Compr School Reform Fund
Revenue:				
<i>Local sources</i>	\$ 861,710	\$ 45,055	\$ --	\$ --
<i>State sources</i>	3,092,911	1,970	--	--
<i>Federal sources</i>	39,021	364,265	484,358	50,156
<i>Sixteenth section sources</i>	--	--	--	--
Total revenues	<u>3,993,642</u>	<u>411,290</u>	<u>484,358</u>	<u>50,156</u>
Expenditures:				
Instruction	2,536,510	--	332,086	73,520
Support services	1,395,162	52,622	150,669	--
Noninstructional services	--	365,011	1,552	--
Sixteenth section	--	--	--	--
Debt service:				
<i>Principal</i>	21,837	2,100	--	--
<i>Interest</i>	--	--	--	--
<i>Other</i>	--	--	--	--
Total expenditures	<u>3,953,509</u>	<u>419,733</u>	<u>484,307</u>	<u>73,520</u>
Excess (deficiency) of revenues (over) expenditures	40,133	(8,443)	51	(23,364)
Other financing sources (uses):				
Operating transfers in	348,671	--	44	--
Operating transfers out	(476,546)	--	--	--
Total other financing sources (uses)	<u>(127,875)</u>	<u>--</u>	<u>44</u>	<u>--</u>
Net change in fund balance	(87,742)	(8,443)	95	(23,364)
Fund Balances:				
July 1, 2004	340,686	39,041	--	23,364
Prior period adjustments	--	--	(95)	--
Increase (decrease) in reserve for inventory	--	919	--	--
June 30, 2005	<u>\$ 252,944</u>	<u>\$ 31,517</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

E2T2/Ed Tech Grant	EHA Part B 2000 FY Grant Fund	Sixteenth Section Interest Funds	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 117,450	\$ 1,024,215
--	--	--	98,066	3,192,947
--	61,540	--	164,950	1,164,290
--	--	139,541	10	139,551
--	61,540	139,541	380,476	5,521,003
--	33,563	--	279,710	3,255,389
--	76,428	--	120,571	1,795,452
--	--	--	110,858	477,421
--	--	5,973	--	5,973
--	--	--	97,378	121,315
--	--	--	51,198	51,198
--	--	--	149	149
--	109,991	5,973	659,864	5,706,897
--	(48,451)	133,568	(279,388)	(185,894)
--	--	--	160,861	509,576
--	--	--	(33,030)	(509,576)
--	--	--	127,831	--
--	(48,451)	133,568	(151,557)	(185,894)
--	48,451	55,939	308,484	815,965
--	--	--	95	--
--	--	--	--	919
\$ --	\$ --	\$ 189,507	\$ 157,022	\$ 630,990

SHAW SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (185,894)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	13,341
The depreciation of capital assets used in governmental activities is not reported in the funds.	(45,071)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	68,159
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	20,156
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	33,000
(Increase) decrease in accrued interest from beginning of period to end of period	2,873
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(5,162)
Change in inventory from beginning to end of period	919
Change in net assets of governmental activities - statement of activities	<u>\$ (97,679)</u>

The accompanying notes are an integral part of this statement.

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

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 208,915
Total Assets	<u>\$ 208,915</u>
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 203,188
<i>Due to student clubs</i>	5,006
<i>Due to other funds</i>	721
Total Liabilities	<u>\$ 208,915</u>

The accompanying notes are an integral part of this statement.

Shaw School District

**Notes to the Financial Statements
June 30, 2005**

Shaw 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 which each member was elected by the citizens of each defined county 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.

Shaw School District

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This fund is established to account for the financial resources of the school district's food service.

Title I Low Grant Fund - This fund is used to account for all the revenues and expenditures dealing with the district's Title I program.

Shaw School District

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

Compr. School Reform Fund - This fund is used to initiate a comprehensive plan for school improvements.

E2T2/Ed Tech. Grant - This fund accounts for the expenditures of a grant to improve the technology of the district.

EHA, Part B Fund - This fund accounts for the transactions of the special education grants to states program.

Sixteenth Section Interest Fund - This fund is used to account for maintaining and improving sixteenth section lands. Only the earnings, and not the principal, may be used.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principle, 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 classifica-

Shaw School District

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

tions 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 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.

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.

Shaw School District

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

I. Capital Assets.

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than build- ings	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. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 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

Shaw School District

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

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.

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 indicated that inventories do not represent available spendable resources even though they are a component of net current assets.

M. Property Taxes.

Shaw School District

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

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

N. Mississippi Adequate Education Program Revenues.

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.

(2) Changes in Accounting Standards.

As required, the School District has implemented 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.

(3) 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,

Shaw School District

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

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 district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$773,699, and \$208,915 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$772,553 and Restricted Assets \$1,146. The Restricted Assets represents the cash balance of the 16th Section Principal funds (Permanent Fund) which is legally restricted and may not be used for purposes that supports the district's programs. The bank balance was \$1,174,629.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the district's bank balance of \$1,174,629 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Major Funds:	<u>Due From</u>	<u>Due To</u>
General Fund		
District Maintenance	\$40,820	\$44
Special Revenue		
School Food Service Fund	0	40,000
Title I Low Grant	<u>764</u>	<u>819</u>
Total	\$41,584	\$40,863
Agency Fund	<u>0</u>	<u>721</u>
Total	<u>\$41,584</u>	<u>\$41,584</u>

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

B. Transfers In/Out.

Major Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
General Fund	\$348,671	\$476,546

Shaw School District

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

Special Revenue		
Title I Low Grant Fund	44	0
Other Non-Major Funds	<u>160,861</u>	<u>33,030</u>
Total	<u>\$509,576</u>	<u>\$509,576</u>

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

(5) Capital Assets.

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

	<u>Balance</u> 7-1-2004	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> 6-30-2005
<u>Depreciable capital assets:</u>					
Buildings	1,446,686				1,446,686
Mobile equipment	261,826				261,826
Furniture and equipment	165,831	13,341			179,172
Leased property under capital leases	111,424				111,424
Total depreciable capital assets	<u>1,985,767</u>	<u>13,341</u>	<u>0</u>	<u>0</u>	<u>1,999,108</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,088,474	7,502		8,862	1,104,838
Mobile equipment	166,946	13,791		27,289	208,026
Furniture and equipment	101,037	13,102		4,982	119,121
Leased property under capital leases	10,676	10,676			21,352
Total accumulated depreciation	<u>1,367,133</u>	<u>45,071</u>	<u>0</u>	<u>41,133</u>	<u>1,453,337</u>
Total depreciable capital assets, net	<u>618,634</u>	<u>(31,730)</u>	<u>0</u>	<u>(41,133)</u>	<u>545,771</u>
Governmental activities capital assets, net	<u>\$ 618,634</u>	<u>(31,730)</u>	<u>0</u>	<u>(41,133)</u>	<u>545,771</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	31,550
Support Services	9,014
Non-Instructional	<u>4,507</u>
Total Depreciation Expense	<u>\$45,071</u>

The adjustment to accumulated depreciation was made to correct depreciation booked in prior years.

Shaw School District

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

(6) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. General obligation bonds payable	28,159		28,159		0	0
B. Limited obligation bonds payable	805,000		40,000		765,000	40,000
C. Three mill-ten year notes payable	143,000		33,000		110,000	35,000
D. Obligations under capital leases	87,770		20,156		67,614	21,085
E. Compensated absences payable	19,117	5,162			24,279	2,428
Total	\$ 1,083,046	5,162	121,315	0	966,893	98,513

A. General Obligation Bonds Payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. There is no General obligation bonds currently outstanding.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Building Purpose	5.875%	2-24-95	2-24-05	\$220,000	\$ 0

This debt was paid out during the fiscal year 2005.

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. This debt was paid out from the Other Debt Service Fund.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
-------------	------------------	---------------	------------------	------------------	-----------------------

Shaw School District

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

State aid capital improvement bonds, Series 1998	Varies	05-01-98	05-01-2018	\$ <u>1,050,000</u>	<u>765,000</u>
Total				\$ <u>1,050,000</u>	<u>765,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 40,000	37,250	77,250
2007	40,000	35,250	75,250
2008	45,000	33,125	78,125
2009	45,000	30,875	75,875
2010	50,000	28,500	78,500
2011 - 2015	270,000	103,750	373,750
2016 - 2019	<u>275,000</u>	<u>26,500</u>	<u>301,500</u>
Total	\$ <u>765,000</u>	<u>295,250</u>	<u>1,060,250</u>

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 Retirement Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 1999	4.84%	08-15-99	10-15-2007	\$ <u>300,000</u>	<u>110,000</u>
Total				\$ <u>300,000</u>	<u>110,000</u>

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

Year Ending June 30	Principal	Interest	Total
------------------------	-----------	----------	-------

Shaw School District

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

2006	\$ 35,000	5,324	40,324
2007	37,000	3,630	40,630
2008	38,000	1,839	39,839
2009	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>110,000</u>	<u>10,793</u>	<u>120,793</u>

This debt will be retired from fund Debt Service Fund.

D. Obligations under capital leases.

The school district has entered into two lease agreements that qualify as a capital lease for accounting purposes. Leased property under these leases is composed of:

1. Dishwashing machine,
2. Passenger buses.

The various options available to the lessee for these leases are as follows:

1. The title to the leased property for both leases is transferred to the school at the end of the lease term.

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest and</u> <u>Maintenance</u> <u>Charges</u>	<u>Total</u>
2006	\$ 21,085	3,272	24,357
2007	22,108	2,249	24,357
2008	23,246	1,111	24,357
2009	<u>1,175</u>	<u>85</u>	<u>1,260</u>
Total	\$ <u>67,614</u>	<u>6,717</u>	<u>74,331</u>

This debt will be retired from the District Maintenance Fund and Food Service Fund.

E. 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).

Shaw School District

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

Compensated absences will be paid from the fund from which the employees' salaries were paid.

(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 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 \$325,717, \$301,302, and \$254,744, 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		Amount
June 30		
2005	\$	121,540
2006		73,465
2007		18,045
2008		18,045
2009		18,045

Shaw School District

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

Total \$ 249,140

(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.

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To correct depreciation booked in prior years	\$ <u>41,133</u>
Total	\$ <u>41,133</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 775,894	866,307	861,710	90,413	(4,597)
State sources	2,759,444	3,103,334	3,092,911	343,890	(10,423)
Federal sources	50,166	50,166	39,021	-	(11,145)
Total Revenues	3,585,504	4,019,807	3,993,642	434,303	(26,165)
Expenditures:					
Instruction	2,306,138	2,578,300	2,536,510	272,162	41,790
Support services	1,227,310	1,413,148	1,395,162	185,838	17,986
Debt Service:					
Principal	0	19,208	21,837	19,208	(2,629)
Interest	0	2,628	0	2,628	2,628
Total Expenditures	3,533,448	4,013,284	3,953,509	479,836	59,775
Excess (Deficiency) of Revenues Over Expenditures	52,056	6,523	40,133	(45,533)	33,610
Other Financing Sources (Uses):					
Operating transfers in	120,000	346,213	348,671	226,213	2,458
Operating transfers out		(476,548)	(476,546)	(476,548)	(2)
Total Other Financing Sources (Uses)	120,000	(130,335)	(127,875)	(250,335)	(2,460)
Net Change in Fund Balances	172,056	(123,812)	(87,742)	(295,868)	(36,070)
Fund Balances:					
July 1, 2004	172,056	216,772	340,686	44,716	123,914
Prior period adjustments (Note)	-	-	-	-	-
July 1, 2004, as restated	172,056	216,772	340,686	44,716	123,914
June 30, 2005	\$ 344,112	92,960	252,944	(251,152)	159,984

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

SHAW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 School Food Service Fund
 For the Year Ended June 30, 2005

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 23,017	45,089	45,055	22,072	(34)
State sources	2,115	2,115	1,970	-	(145)
Federal sources	289,105	364,265	364,265	75,160	-
	<u>314,237</u>	<u>411,469</u>	<u>411,290</u>	<u>97,232</u>	<u>(179)</u>
Expenditures:					
Instruction	26,410	56,758	52,622	30,348	4,136
Noninstructional services	292,226	366,288	365,011	74,062	1,277
Debt Service:					
Principal	0	2,100	2,100	-	-
Total Expenditures	<u>318,636</u>	<u>425,146</u>	<u>419,733</u>	<u>104,410</u>	<u>5,413</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,399)</u>	<u>(13,677)</u>	<u>(8,443)</u>	<u>(7,178)</u>	<u>5,234</u>
Other Financing Sources (Uses):					
Operating transfers out	(10,000)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(14,399)</u>	<u>(13,677)</u>	<u>(8,443)</u>	<u>(7,178)</u>	<u>5,234</u>
Fund Balances:					
July 1, 2004	14,399	25,625	39,041	11,226	13,416
Prior Period Adjustments		(261)	-	(261)	261
July 1, 2004, as restated	<u>14,399</u>	<u>25,364</u>	<u>39,041</u>	<u>10,965</u>	<u>13,677</u>
Increase (Decrease in Inventory)			919		
June 30, 2005	\$ -	11,687	31,517	3,787	19,830

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

SHAW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I, Low Grant
 For the Year Ended June 30, 2005

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 481,548	484,366	484,358	2,818	(8)
	481,548	484,366	484,358	2,818	(8)
Expenditures:					
Instruction	146,874	377,913	332,086	231,039	45,827
Support Services	60,108	150,770	150,669	90,662	101
Noninstructional services	10,000	5,044	1,552	(4,956)	3,492
Total Expenditures	216,982	533,727	484,307	316,745	49,420
Excess (Deficiency) of Revenues Over Expenditures	264,566	(49,361)	51	(313,927)	49,412
Other Financing Sources (Uses):					
Operating transfers in	-	44	44	44	-
Total Other Financing Sources (Uses)	-	44	44	44	-
Net Change in Fund Balances	264,566	(49,317)	95	(313,883)	49,412
Fund Balances:					
July 1, 2004	264,566	(49,318)	-	(313,884)	49,318
Prior Period Adjustments		-	(95)	-	(95)
July 1, 2004, as restated	264,566	(49,318)	(95)	(313,884)	49,223
Increase (Decrease in Inventory)			-		
June 30, 2005	\$ 529,132	(98,635)	-	(627,767)	98,635

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

SHAW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Compr. School Reform Fund
 For the Year Ended June 30, 2005

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 61,215	61,215	50,156	-	(11,059)
	61,215	61,215	50,156	-	(11,059)
Expenditures:					
Instruction	40,851	85,410	73,520	44,559	11,890
Total Expenditures	40,851	85,410	73,520	44,559	11,890
Excess (Deficiency) of Revenues Over Expenditures	20,364	(24,195)	(23,364)	(44,559)	831
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	20,364	(24,195)	(23,364)	(44,559)	831
Fund Balances:					
July 1, 2004	20,364	(831)	23,364	(21,195)	24,195
Prior Period Adjustments	-	-	-	-	-
July 1, 2004, as restated	20,364	(831)	23,364	(21,195)	24,195
Increase (Decrease in Inventory)	-	-	-	-	-
June 30, 2005	\$ 40,728	(25,026)	-	(65,754)	25,026

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

SHAW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 E2T2/ED Tech Grant
 For the Year Ended June 30, 2005

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 11,000	11,000	0	-	(11,000)
	11,000	11,000	-	-	(11,000)
Expenditures:					
Support Services	7,751	0	0	(7,751)	-
Total Expenditures	7,751	0	0	(7,751)	-
Excess (Deficiency) of Revenues Over Expenditures	3,249	11,000	-	7,751	(11,000)
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	3,249	11,000	-	7,751	(11,000)
Fund Balances:					
July 1, 2004	3,249	11,000	-	7,751	(11,000)
Prior Period Adjustments	-	-	-	-	-
July 1, 2004, as restated	3,249	11,000	-	7,751	(11,000)
Increase (Decrease in Inventory)	-	-	-	-	-
June 30, 2005	\$ 6,498	22,000	-	15,502	(22,000)

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

SHAW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA, Part B 2000 FY Grant Fund
 For the Year Ended June 30, 2005

Exhibit 6

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 126,166	126,166	61,540	-	(64,626)
	<u>126,166</u>	<u>126,166</u>	<u>61,540</u>	<u>-</u>	<u>(64,626)</u>
Expenditures:					
Instruction	35,410	37,085	33,563	1,675	3,522
Support Services	75,959	81,741	76,428	5,782	5,313
Total Expenditures	<u>111,369</u>	<u>118,826</u>	<u>109,991</u>	<u>7,457</u>	<u>8,835</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>14,797</u>	<u>7,340</u>	<u>(48,451)</u>	<u>(7,457)</u>	<u>(55,791)</u>
Other Financing Sources (Uses):					
Inception of capital leases					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>14,797</u>	<u>7,340</u>	<u>(48,451)</u>	<u>(7,457)</u>	<u>(55,791)</u>
Fund Balances:					
July 1, 2004	14,797	55,790	48,451	40,993	(7,339)
Prior Period Adjustments		-	-	-	-
July 1, 2004, as restated	<u>14,797</u>	<u>55,790</u>	<u>48,451</u>	<u>40,993</u>	<u>(7,339)</u>
Increase (Decrease in Inventory			-		
June 30, 2005	\$ <u>29,594</u>	<u>63,130</u>	<u>-</u>	<u>33,536</u>	<u>(63,130)</u>

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

SHAW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Funds
 For the Year Ended June 30, 2005

Exhibit 7

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 125,435	139,541	139,541	14,106	-
	125,435	139,541	139,541	14,106	-
Expenditures:					
Sixteenth Section	9,000	6,018	5,973	(2,982)	45
Total Expenditures	9,000	6,018	5,973	(2,982)	45
Excess (Deficiency) of Revenues Over Expenditures	116,435	133,523	133,568	17,088	45
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(89,000)	-	-	-	-
Total Other Financing Sources (Uses)	(89,000)	-	-	-	-
Net Change in Fund Balances	27,435	133,523	133,568	17,088	45
Fund Balances:					
July 1, 2004	27,435	189,462	55,939	162,027	(133,523)
Prior Period Adjustments		-	-	-	-
July 1, 2004, as restated	27,435	189,462	55,939	162,027	(133,523)
Increase (Decrease in Inventory)			-		
June 30, 2005	\$ 54,870	322,985	189,507	179,115	(133,478)

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

Shaw 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 major special revenue funds consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

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

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$19,392
Child Nutrition Cluster:		
School Breakfast Program	10.553	112,517
National School Lunch Program	10.555	232,356
Total child nutrition cluster		<u>344,873</u>
Total passed-through the MDE		<u>364,265</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		364,265
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	533,632
Vocational Education - Basic Grant to States	84.048	14,341
Safe and Drug Free Schools and Communities - State Grants	84.186	1,222
State Grants for Innovative Programs	84.298	1,219
Education Technology State Grants	84.318	112,888
Rural Education	84.358	28,612
Special Education Cluster:		
Special Education - Grants to States	84.027	61,540
Special Education - Preschool Grants	84.173	<u>6,668</u>
Total special education cluster		<u>68,208</u>
Total passed-through the MDE		<u>760,122</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		760,122
TOTAL FOR ALL FEDERAL AWARDS		<u>\$1,124,387</u>

Notes to Schedule

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

Shaw School District

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

Schedule 2

Expenditures	Total	Instruction	Administrative	Other
Salaries and fringe benefits \$	4,215,405	2,877,931	572,182	765,293
Other	1,491,492	377,458	251,039	862,994
Total	\$ 5,706,897	3,255,389	823,220	1,628,287
Total number of students *	735			
Cost per student	\$ 7,764	4,429	1,120	2,215

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

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

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

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

October 5, 2005
Superintendent and School Board
Shaw School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shaw School District as of and for the year ended June 30, 2005, and have issued my report thereon dated October 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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



J. E. Fortenberry, III, PC

Certified Public Accountant

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

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

October 5, 2005
Superintendent and School Board
Shaw School District

Compliance

I have audited the compliance of the Shaw 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

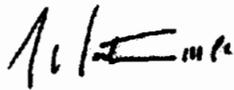
In my opinion, Shaw School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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



J.E. Fortenberry, III, PC

Certified Public Accountant

J.E. FORTENBERRY, III, PC

Certified Public Accountant

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

October 5, 2005

Superintendent and School Board
Shaw School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shaw School District as of and for the year ended June 30, 2005, which collectively comprise Shaw School District's basic financial statements and have issued my report thereon dated October 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my 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 \$31,619.41 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.



J.E. Fortenberry, III, PC

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Shaw School District

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material 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. | Cluster: Child Nutrition
CFDA # 10.553
CFDA # 10.555 | |
| b. | Title I - grants to local educational agencies
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.