



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



VICKSBURG WARREN SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2005

BUCKNER, BUCKNER & BRIDGERS.  
Certified Public Accountants  
Vicksburg, Mississippi

VICKSBURG WARREN SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT .....	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information .....	2
MANAGEMENT DISCUSSION AND ANALYSIS .....	4
FINANCIAL STATEMENTS .....	13
Statement of Net Assets .....	14
Statement of Activities .....	15
Balance Sheet - Governmental Funds .....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Activities .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	19
Statement of Fiduciary Net Assets .....	20
Notes to Financial Statements .....	22
REQUIRED SUPPLEMENTARY INFORMATION .....	40
Budgetary Comparison Schedule - General Fund .....	41
Budgetary Comparison Schedule - Title IB-3 Fund .....	42
Budgetary Comparison Schedule - PL 94-142 Fund .....	43
Budgetary Comparison Schedule - 16th Section District Fund .....	44
Notes to the Required Supplementary Information .....	45
SUPPLEMENTAL INFORMATION .....	46
Schedule of Expenditures of Federal Awards .....	47
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	49

VICKSBURG WARREN SCHOOL DISTRICT

TABLE OF CONTENTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE .....	50
Independent Auditor's Report on Internal Control and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	51
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 .....	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	55
Independent Auditor's Report on Compliance with State Laws and Regulations .....	56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	57
AUDITEE'S CORRECTIVE ACTION PLAN .....	61

VICKSBURG WARREN SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board  
Vicksburg Warren School District

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

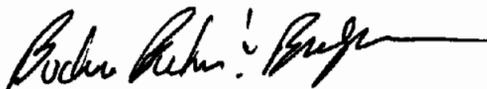
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Vicksburg Warren 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 December 15, 2005, on our consideration of the Vicksburg Warren School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 11 and the Budgetary Comparison Schedule and corresponding notes on page 41 through 45 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 Vicksburg Warren School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Buckner, Buckner & Bridgers  
Vicksburg, Mississippi  
December 15, 2005

VICKSBURG WARREN SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

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

The discussion and analysis of Vicksburg Warren 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 statement, notes to 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. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No.34, the Statement permits the omission of prior year data in the year of implementation. The School District has elected not to present comparative data.

**FINANCIAL HIGHLIGHTS**

Total net assets decreased \$377,841 which represents 1.10%  
Decrease from fiscal year 2004.

General revenues account for \$53,658,902 in revenue, or 81.02% of all revenues.  
Program specific revenues in the form of charges for services and grants and  
contributions accounted for \$12,569,035 or 18.98% of total revenues.

The District had \$66,605,778 in expenses; only \$12,569,035 of these expenses  
were offset by program specific charges for services, grants and contributions.  
General revenues of \$53,658,902 were adequate to provide for these programs.

Among major funds, the General Fund had \$51,276,123 in revenues and  
\$51,813,385 in expenditures. The General Fund's fund balance decreased  
\$2,680,008 from the prior year. This decrease resulted from the district's absorbing expenditures  
that were previously funded by the State Department of Education.

Capital assets, net of accumulated depreciation, increased by \$1,444,740.  
Long-term debt decreased by \$1,423,732.

**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 indication 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 14 -15 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 spend able resources, as well as on balances of spend able 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 government 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 government 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 17 and 19, 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 16 – 19 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 20

**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 22 – 39 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 41 – 45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures can be found on pages 47 and 49, respectively.

## **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 \$34,122,858 as of June 30, 2005.

By far the largest portion of the District's net assets (49%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	<u>Amount</u>
Current assets	\$ 18,915,788
Capital assets, net	40,415,053
<b>Total assets</b>	<u>59,330,841</u>
Current liabilities	1,140,925
Long-term debt outstanding	24,067,058
<b>Total liabilities</b>	<u>25,207,983</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	16,989,097
Restricted	7,833,607
Unrestricted	9,300,154
<b>Total net assets</b>	<u>\$34,122,858</u>

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

The principal retirement of \$1,423,732 of long-term debt.

The addition of \$1,444,740 in capital assets, primarily the purchase of school buses and building improvements.

**Change in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$66,227,937. The total cost of all programs and services was \$66,605,778. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

<b>Revenues:</b>	<u>Amount</u>
Program revenues	\$12,569,035
General revenues	53,658,902
<b>Total revenues</b>	<u>\$66,227,937</u>
<b>Expenses:</b>	
Instruction	36,356,945
Support services	24,953,914
Non-instructional	3,937,408
Sixteenth section	168,482
Facilities acquisition and construction	18,448
Interest on long-term liabilities	1,170,581
<b>Total expenses</b>	<u>66,605,778</u>
<b>Increase in net assets</b>	<u>-\$377,841</u>

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

	Total Expenses	Net (Expense) Revenue
Instruction	\$36,356,945	-30,844,953
Support services	24,953,914	-22,118,524
Non-instructional	3,937,408	238,410
Sixteenth section	168,482	-122,647
Facilities acquisition and construction	18,448	-18,448
Interest on long-term liabilities	1,170,581	-1,170,581
<b>Total expenses</b>	<b>\$66,605,778</b>	<b>-54,036,743</b>

Net cost of governmental activities \$54,036,743, was financed by general revenue, which is made up of primarily property taxes \$20,679,023 and state revenue \$30,576,071.

Investment earnings accounted for \$105,779 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 \$18,126,521, a decrease of \$ 3,267,535 due primarily to decreased funding. \$17,632,768 or 97% 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 \$493,453 or 3% 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 \$2,680,008 a result of decreased funding. The fund balance of Other Governmental Funds showed an decrease of \$1,304,595.

Other major funds with respective fund balance changes are as follows:

16th Section Fund had a fund balance increase of  
\$581,252 due to investment performance and timber cutting.

16th Section Principal Fund had a fund balance increase of  
\$135,816 due to investment earnings.

## **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 the report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$61,240,831, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,742,487 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$20,825,778 and total depreciation expense for the year was \$1,481,099, resulting in total net assets of \$40,415,053.

Additional information of the District's capital assets can be found in Note 4 on page 31 of this report.

**Debt Administration.** At June 30, 2005, the District had \$22,380,000 in general obligation bonds and \$1,687,058 other long-term debt outstanding. A total of \$ 1,480,748 principal payments will be due within one year.

The District maintains a AA- bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 33 of this report.

## **CURRENT ISSUES**

The Vicksburg Warren School District is financially stable. The District is proud of its community support of the public schools.

The District is not aware of any current issues, decisions, or conditions that would effect the financial condition or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The District, however, remains concerned about reductions in government allocations and local tax collections.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

VICKSBURG WARREN SCHOOL DISTRICT

(This page left blank intentionally)

VICKSBURG WARREN SCHOOL DISTRICT

FINANCIAL STATEMENTS

Vicksburg Warren School District  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	12,214,218
Investments	269,637
Due from other governments	2,343,341
Lease receivable, net	375,134
Other receivables, net	11,869
Inventories and prepaid items	102,457
Restricted assets	3,599,132
Capital assets, net	40,415,053
	<hr/>
Total assets	<u>59,330,841</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	390,950
Deferred revenue	398,317
Interest payable on long-term liabilities	351,658
Long-term liabilities (due within one year)	
Capital-related liabilities	1,480,748
Non-capital liabilities	
Long-term liabilities (due beyond one year)	
Capital-related liabilities	21,945,208
Non-capital liabilities	641,102
	<hr/>
Total liabilities	<u>25,207,983</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	16,989,097
Restricted net assets	
Expendable:	
School based activities	2,319,986
Debt service	936,569
Capital improvements	686,529
Forestry improvements	103,051
Unemployment benefits	188,339
Non-expendable:	
Sixteenth section	3,599,133
Unrestricted	9,300,154
	<hr/>
Total net assets	<u>34,122,858</u>

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

Vicksburg Warren School District  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes In Net Assets
Governmental Activities:					Governmental Activities Total
Instruction	36,356,945	272,941	5,239,051		(30,844,953)
Support services	24,953,914		2,835,390		(22,118,524)
Noninstructional services	3,937,408	876,219	3,299,599		238,410
Sixteenth section	168,482	45,835			(122,647)
Facilities acquisition and construction	18,448				(18,448)
Interest on long-term liabilities	1,170,581				(1,170,581)
<b>Total governmental activities</b>	<b>66,605,778</b>	<b>1,194,995</b>	<b>11,374,040</b>	<b>0</b>	<b>(54,036,743)</b>

General Revenues:

Taxes:

Property taxes - general purposes levies 20,677,847

Property taxes- debt service levies 1,176

Unrestricted grants and contributions:

State 30,576,071

Federal

Unrestricted investment earnings 105,779

Sixteenth section sources 1,032,979

Other 1,265,050

**Total general revenues 53,658,902**

Change in Net Assets (377,841)

July 1, 2003 Net Assets - as previously reported 34,545,540

Prior period adjustments (44,841)

July 1, 2004 Net Assets - restated 34,500,699

**Net Assets - Ending 34,122,858**

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

Vicksburg Warren School District  
 Balance Sheet - Governmental Funds  
 June 30, 2005

Exhibit C

	Major Funds					OTHER Govern- mental Funds	Total Governmental Funds
	General Fund	Title 1B-3 Fund	PL 84-142 Fund	18th Sec.District Fund	18th Sec. Principal Fund		
<b>ASSETS</b>							
Cash and cash equivalents	2,937,164			5,569,337	3,599,132	3,707,717	15,813,350
Investments						289,637	289,637
Due from other governments	918,947	192,788	168,981			1,082,625	2,343,341
Lease receivable, net				185,831		189,303	375,134
Other receivables, net	277					279	556
Due from other funds	643,904						643,904
Advances to other funds					129,457		129,457
Inventories and prepaid items	29,551					72,906	102,457
<b>Total assets</b>	<b>4,529,843</b>	<b>192,788</b>	<b>168,981</b>	<b>5,755,168</b>	<b>3,728,589</b>	<b>5,302,487</b>	<b>19,677,836</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	155,615		1,197	74,229		159,909	390,950
Due to other funds	1,922	182,704	167,784			270,181	632,591
Advances from other funds	129,457						129,457
Deferred revenue	2,100	84		209,540		186,593	398,317
<b>Total liabilities</b>	<b>289,094</b>	<b>192,788</b>	<b>168,981</b>	<b>283,769</b>	<b>0</b>	<b>616,883</b>	<b>1,551,315</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Advances					129,457		129,457
Inventory						72,906	72,906
Unemployment Benefits						186,339	186,339
Forestry Improvements						103,051	103,051
<b>Undesignated / unreserved</b>							
<b>Reported in:</b>							
General fund	4,240,749						4,240,749
Special revenue funds				5,471,399		2,698,419	8,169,818
Capital project funds						1,623,069	1,623,069
Debt service funds							0
Permanent funds					3,599,132		3,599,132
<b>Total fund balances</b>	<b>4,240,749</b>	<b>0</b>	<b>0</b>	<b>5,471,399</b>	<b>3,728,589</b>	<b>4,685,784</b>	<b>18,126,521</b>
<b>Total liabilities &amp; fund balances</b>	<b>4,529,843</b>	<b>192,788</b>	<b>168,981</b>	<b>5,755,168</b>	<b>3,728,589</b>	<b>5,302,487</b>	<b>19,677,836</b>

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

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2005

	<u>Amount</u>
Total fund balances - governmental funds	18,126,521
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 20,825,778.	40,415,053
2. Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable on long term liabilities	-351,658
Limited obligation bonds payable	-12,835,000
Certificates of participation payable	-9,545,000
Instalment purchases loans payable	-1,045,956
Compensated absences payable	-641,102
Total net assets - governmental activities	<u><u>34,122,858</u></u>

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

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

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title 1B-3 Fund	PL 94-142 Fund	16th Sec. District Fund	16th Sec. Principal Fund	Other Govern- mental Funds	
<b>REVENUES</b>							
Local sources	21,961,686					1,017,223	22,978,909
Intermediate sources							0
State sources	28,949,029					2,596,872	31,545,901
Federal sources	365,408	1,100,543	1,711,539			7,226,720	10,404,210
Sixteenth section sources				630,154	170,240	278,420	1,078,814
Total revenues	<u>51,276,123</u>	<u>1,100,543</u>	<u>1,711,539</u>	<u>630,154</u>	<u>170,240</u>	<u>11,119,235</u>	<u>68,007,834</u>
<b>EXPENDITURES</b>							
Instruction	29,792,256	491,081	783,382			4,511,112	35,577,831
Support services	21,016,550	595,069	922,776			2,156,626	24,691,021
Noninstructional services	567,026		6,381			3,288,606	3,861,013
Sixteenth section						168,482	168,482
Facilities acquisition and construction	123,505					2,480,327	2,503,832
Debt Service:							
Principal	252,260					1,150,000	1,402,260
Interest	61,788					1,129,789	1,191,577
Total expenditures	<u>51,813,385</u>	<u>1,086,150</u>	<u>1,711,539</u>	<u>0</u>	<u>0</u>	<u>14,884,942</u>	<u>69,496,016</u>
Excess (deficiency) of revenues over expenditures	(537,262)	14,393	0	630,154	170,240	(3,765,707)	(3,488,182)
<b>OTHER FINANCING SOURCES (USES)</b>							
Insurance loss recoveries	219,877						219,877
Sale of transportation equipment							0
Sale of other property	600					170	770
Transfers in	3,127,333					2,734,616	5,861,949
Transfers out	(5,490,556)	(14,393)		(48,902)	(34,424)	(273,674)	(5,861,949)
Payment to refunded bond escrow agent							
Total other financing sources and uses	<u>(2,142,746)</u>	<u>(14,393)</u>	<u>0</u>	<u>(48,902)</u>	<u>(34,424)</u>	<u>2,461,112</u>	<u>220,647</u>
Net change in fund balances	<u>(2,680,009)</u>	<u>0</u>	<u>0</u>	<u>581,252</u>	<u>135,816</u>	<u>(1,304,595)</u>	<u>(3,267,535)</u>
<b>Fund balances:</b>							
July 1, 2004, as previously reported	6,920,757	0	0	4,890,147	3,592,773	5,990,153	21,393,830
Prior period adj. & reclassifications							0
July 1, 2004, as restated	<u>6,920,757</u>	<u>0</u>	<u>0</u>	<u>4,890,147</u>	<u>3,592,773</u>	<u>5,990,153</u>	<u>21,393,830</u>
Increase (decrease) in reserve for inventory						226	226
June 30, 2005	<u>4,240,749</u>	<u>0</u>	<u>0</u>	<u>5,471,399</u>	<u>3,728,589</u>	<u>4,685,764</u>	<u>18,125,521</u>

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

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

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	-3,267,535
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds reported capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases amounted to \$ 2,930,376 and depreciation expense amounted to \$ 1,481,099 and net book value of capital assets sold during the year was \$ 4,537.	1,444,740
2. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activity.	1,402,260
3. Governmental funds recognize expenditures when paid from expendable available financial resources, while in the statement of activities, expenditures are recognized when incurred. The changes in the following accounts have a direct effect in the difference in the change between governmental fund balance and the change reflected in the statement of net assets.	
Compensated absences	21,472
Accrued interest on bonds	20,996
Inventory adjustment	226
	<hr/>
Change in net assets of governmental activities	<u><u>-377,841</u></u>

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

Vicksburg Warren School District  
Statement of Net Assets - Fiduciary Funds  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	3,268,345
Due from other governments	
	<hr/>
<b>Total Assets</b>	<u>3,268,345</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,061,894
Due to other funds	11,313
Due to student clubs	195,138
	<hr/>
<b>Total Liabilities</b>	<u>3,268,345</u>
<b>Net Assets</b>	
<b>Total Net Assets</b>	<u><u>0</u></u>

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

VICKSBURG WARREN SCHOOL DISTRICT

(This page left blank intentionally)

Vicksburg Warren 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 districts' 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 was elected by 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 reporting government 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.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be 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-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 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 of being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is 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 IA Fund - This is a special revenue fund used to account for the proceeds of specific programs designed to provide targeted assistance in helping children meet the State's student performance standards.

EEF Building/Bus Fund - This is a special revenue fund used to account for proceeds provided by the State for the purchase of school buses and capital improvements.

16th Section District Fund - This is an expendable trust fund which is accounted for in a manner which is essentially the same manner as governmental funds.

16th Section Principal Fund - This is a non expendable trust fund, used to account for the funds which cannot be expended.

Capital Projects District - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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 Project Funds - Capital Project 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. The primary revenue source is revenue received from the State of Mississippi under the authority of Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Mississippi Code Annotated, ( 1972 ). Other revenue consists of local property taxes levied specifically for debt service.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the 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.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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.

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.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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	
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 - 10 years
Furniture and equipment	5,000	3 - 7 years
Leased property under capital leases	*	*

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities 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 (5) for details).

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulation 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.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" of "Invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Reserve 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.

Reserve for unemployment benefits - An account that represents that portion of fund balance which is legally restricted and not available for spending for any purpose other than the settlement of unemployment benefits.

Reserve for forestry improvements - An account that represents that portion of fund balance which is legally restricted and not available for spending for any purpose other than forestry improvements.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2004

(2) Changes in Accounting Standards

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

(3) Cash and Cash Equivalents and Investments.

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 \$ 15,813,350 and \$ 3,268,345, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$ 12,214,218 and restricted assets - \$ 3,599,132. The restricted assets represent the cash balance of the sixteenth section principal fund ( Permanent Fund ) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$ 21,649,186.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$ 21,649,186 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank - business money market	N/A	\$269,637	Not Rated
<b>Total Investments</b>		<u>\$269,637</u>	

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

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

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances.

A.	Due From / To Other Funds		<u>Due From</u>	<u>Due To</u>
	Major funds:			
	General fund	\$ 643,904		1,922
	Title 1A			121,198
	Non major funds:			509,471
	Fudiciary funds:			<u>11,313</u>
	Total funds	\$ <u>643,904</u>		<u>643,904</u>

All interfund loans were made from the General Fund to offset deficit cash balances.

B.	Advances To / From Other Funds:		<u>Advances To</u>	<u>Advances From</u>
	Major funds:			
	16th Section Principal fund	\$ 129,457		
	General fund			<u>129,457</u>
	Total funds	\$ <u>129,457</u>		<u>129,457</u>

The sixteenth section principal loans payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from sixteenth section trust fund ( Permanent trust ) in accordance with Section 29-3-113, Miss. Code Ann., 1972 ). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
30-Jun				
2006	\$	23,901	5,178	29,079
2007		24,857	4,222	29,079
2008		25,851	3,228	29,079
2009		26,885	2,194	29,079
2010		<u>27,963</u>	<u>1,119</u>	<u>29,082</u>
Total	\$	<u>129,457</u>	<u>15,941</u>	<u>145,398</u>

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

C.	Transfers In/Out.		
		<u>Transfer-In</u>	<u>Transfer-Out</u>
	Major funds:		
	General fund	\$ 3,127,334	5,490,556
	Title IA		184,944
	16th Section District fund		48,902
	16th Section Principal fund		34,423
	Capital projects fund	806,575	
	Non-major funds:	<u>1,928,040</u>	<u>103,124</u>
	Total funds	<u>\$ 5,861,949</u>	<u>5,861,949</u>

Transfers in and out were made for funding salaries, indirect cost, and expendable Sixteenth Section Principal Funds.

(5) Capital Assets.

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

	<u>Balance</u>			<u>Completed</u>		<u>Balance</u>
	<u>7-1-2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Construction</u>	<u>Adjustments</u>	<u>6-30-2005</u>
<u>Non-depreciable capital</u>						
Land	983,055					983,055
Construction in progress	88,460	2,480,327				2,568,787
Total non-depreciable	<u>1,071,515</u>	<u>2,480,327</u>	0	0	0	<u>3,551,842</u>
<u>Depreciable Capital Assets</u>						
Buildings	49,008,500					49,008,500
Building improvements	703,240	105,057				808,297
Improvements other than buildings	833,798					833,798
Mobile equipment	5,092,930	184,381	34,403			5,242,908
Furniture and equipment	1,788,361	160,611	108,645		-44,841	1,795,486
Total depreciable capital	<u>57,426,829</u>	<u>450,049</u>	<u>143,048</u>		<u>-44,841</u>	<u>57,688,989</u>
<u>Less accumulated</u>						
Buildings	14,879,094	913,117				15,792,211
Building Improvements	43,578	37,610				81,188
Improve other than bldg	417,424	24,692				442,116
Mobile equipment	2,895,699	327,815	30,963			3,192,551
Furniture & equipment	<u>1,247,395</u>	<u>177,865</u>	<u>107,548</u>			<u>1,317,712</u>

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Total accumulated depreciation	19,483,190	1,481,099	138,511	20,825,778
Total depreciable capital assets, net	37,943,639	-1,031,050	4,537	36,863,211
Governmental activities capital assets, net	39,015,154	1,449,277	4,537	40,415,053

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 825,713
Support services	548,155
Noninstructional services	107,231
Total depreciation expense	<u>\$ 1,481,099</u>

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

	Remaining Commitment	Required Future Financing
Bomar Avenue window renovation	37,000	0
Warren Central High School band hall	115,277	0
Total	<u>152,277</u>	<u>0</u>

Vicksburg Warren 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 government activities:

	Balance 07-01-2004	Additions	Reductions	Adjustments	Balance 06-30-2005	Amounts due within one year
A. Limited obligation bonds payable	\$ 13,525,000		690,000		12,835,000	730,000
B. Certificates of participation payable	10,005,000		460,000		9,545,000	485,000
C. Installment purchases loans payable	1,298,216		252,260		1,045,956	265,748
D. Compensated absences payable	662,574		21,472		641,102	0
<b>Total</b>	<b>25,490,790</b>		<b>1,423,732</b>		<b>24,067,058</b>	<b>1,480,748</b>

A. Limited obligation bonds payable.

Limited obligation bonds payable 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
State aid capital improvement bonds, Series 1998	Variable	02-01-1998	02-01-2018	14,910,000	12,835,000
<b>Total</b>				<b>\$ 14,910,000</b>	<b>12,835,000</b>

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

Year Ending June 30	Principal	Interest	Total
2006	730,000	613,095	1,343,095
2007	770,000	571,485	1,341,485
2008	815,000	527,595	1,342,595
2009	850,000	490,920	1,340,920
2010	890,000	452,670	1,342,670

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011-2015	5,105,000	1,604,120	6,709,120	
2016-2018	3,675,000	350,620	4,025,620	
Total	<u>12,835,000</u>	<u>4,610,505</u>	<u>17,445,505</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 by the debt service fund.

B. Certificates of participation payable.

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificates of participation series 1998	5.40%	12-01-1998	12-01-2018	2,500,000	2,000,000
Certificates of participation series 1999	4.6%-4.75%	04-01-1999	04-01-2019	9,500,000	7,545,000
				<u>12,000,000</u>	<u>9,545,000</u>

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

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	485,000	455,309	940,309	
2007	510,000	432,064	942,064	
2008	535,000	407,629	942,629	
2009	560,000	382,004	942,004	
2010	595,000	355,054	950,054	
2011-2015	3,435,000	1,320,014	4,755,014	
2016-2019	3,425,000	407,616	3,832,616	
Total	<u>9,545,000</u>	<u>3,759,690</u>	<u>13,304,690</u>	

This debt will be retired by the debt service fund.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

C. Installment purchases loan payable.

The school district has entered into an installment purchase agreement. Property under this installment purchase agreement is composed of energy conservation equipment and an energy management system.

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	265,748	48,300	314,048
2007	279,957	34,091	314,048
2008	294,925	19,123	314,048
2009	205,326	4,039	314,048
2009			
<hr/>			
Total	<u>1,045,956</u>	<u>105,553</u>	<u>1,256,192</u>

This debt will be retired by the general fund.

D. Compensated absences payable.

As more fully explained in Note 1(P), 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.

(7) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employee's 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 \$ 3,786,988, \$ 3,496,370 and \$ 3,199,182, respectively, which equaled the required contributions for each year.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(8) Other Commitments.

Commitments under construction contracts are described in Note 4.

Operating Leases:

The school district has several operating leases for the following:

1. Twenty-one Cannon copiers.
2. Five Cannon imagerunners.

Lease expenditures for the year ended June 30, 2005, amounted to \$ 176,722. Future lease payments for these leases are as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2006	19,440
2007	5,222
Total	<u><u>24,662</u></u>

(9) 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 payments to be made to the school district for the use of school trust lands. These future payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30</u>	<u>Amount</u>
2006	118,769
2007	66,919
2008	33,262
2009	28,762
2010	16,442
2011-2015	49,686
2016-2020	46,327
Total	<u><u>360,167</u></u>

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(10) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Capital Assets</u>	<u>Amount</u>
To correct prior year recording errors in General Fixed Assets	-44,841
Total	-44,841

(11) Litigation.

On June 3, 2004, a Complaint was filed in Warren County Chancery Court by Davis Island Land Co, LLC, against the the State of Mississippi to quiet title to property they claim to own adjacent to Section 16, Township 14 North, Range 1 East, Warren County, Mississippi. It is the same property as in the prior litigation filed by Davis Island Land Co., LLC in Federal Court which the school district won and was appealed to the Fifth Circuit and which the school district won there also on the statute of limitations issue. Briefs have been filed and the district is awaiting a decision..

On January 6, 2003, a parent filed suit against the Vicksburg Warren School District for allowing an from the parent for a period of thirty days. The district has insurance coverage for this matter and the trial date has been set for March 06, 2006.

On February 13, 2004, a student filed suit in Warren County Circuit Court against the school district for injuries he received on December 13, 2002, when he was beaten by another student while riding the school bus. The discorery.

The district has several instances of claims that have been filed relating to various school bus accidents. It is anticipated that these matters will be handled by the District's insurance carrier.

(12) Subsequent Events.

On August 29, 2005, Hurricane Katrina passed through the State of Mississippi. Vicksburg Warren School District suffered minor damage to some of its facilities during this hurricane. An estimate of the amount of loss to the district is not determinable at this time.

(13) 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 fiscal years.

Vicksburg Warren School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(14) Trust Certificates.

A trust agreement dated December 1, 1998, was executed by and between the school district and Hancock Bank of Jackson, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,500,000. Approximately \$ 2,304,093 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment ( the "project"); the remainder of approximately \$ 105,907 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. ( 1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

VICKSBURG WARREN SCHOOL DISTRICT

(This page left blank intentionally)

VICKSBURG WARREN SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Vicksburg Warren School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2005

	Schedule 1				
	Budget		Actual GAAP Basis	Variances Positive ( Negative)	
	Original	Amounts Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	21,671,025	22,088,102	21,961,686	417,077	-126,416
State sources	28,737,606	28,949,030	28,949,029	211,424	-1
Federal sources	50,000	239,000	365,408	189,000	126,408
<b>Total revenues</b>	<b>50,458,631</b>	<b>51,276,132</b>	<b>51,276,123</b>	<b>817,501</b>	<b>-9</b>
<b>EXPENDITURES</b>					
Instruction	30,414,361	29,792,278	29,792,256	622,083	22
Support services	21,047,924	21,010,483	21,016,550	37,441	-6,067
Noninstructional services	581,223	567,024	567,026	14,199	-2
Facilities acquisition and construction		123,506	123,505	-123,506	1
Principal	252,060	252,260	252,260	-200	0
Interest	61,788	61,788	61,788	0	0
<b>Total expenditures</b>	<b>52,357,356</b>	<b>51,807,339</b>	<b>51,813,385</b>	<b>550,017</b>	<b>-6,046</b>
Excess (deficiency) of revenues over expenditures	-1,898,725	-531,207	-537,262	1,367,518	-6,055
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance loss recoveries		220,194	219,877	219,877	-317
Sale of transportation equipment				0	0
Sale of other property		600	600	600	0
Transfers in	2,620,996	3,127,018	3,127,333	506,022	315
Transfers out	-4,789,839	-5,490,557	-5,490,556		0
<b>Total other financing sources and uses</b>	<b>-2,168,843</b>	<b>-2,142,745</b>	<b>-2,142,746</b>	<b>26,097</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>-4,067,568</b>	<b>-2,673,952</b>	<b>-2,680,008</b>	<b>1,393,615</b>	<b>-6,055</b>
<b>Fund balances:</b>					
July 1, 2004, as previously reported	6,350,399	6,920,757	6,920,757	570,358	0
Prior period adj. & reclassifications					0
July 1, 2004, as restated	6,350,399	6,920,757	6,920,757	570,358	0
June 30, 2005	2,282,631	4,246,805	4,240,749	1,964,174	-6,056

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

Vicksburg Warren School District  
 Budgetary Comparison Schedule for the Title IB-3 Fund  
 For the Year Ended June 30, 2005

	Budget Original	Amounts Final	Actual GAAP Basis	Variances Positive ( Negative )	
				Original to Final	Final to Actual
<b>REVENUES</b>					
Federal sources	1,003,480	1,100,544	1,100,543	97,064	-1
Total revenues	<u>1,003,480</u>	<u>1,100,544</u>	<u>1,100,543</u>	<u>97,064</u>	<u>-1</u>
<b>EXPENDITURES</b>					
Instruction	355,521	491,080	491,081	-135,559	-1
Support services	626,514	595,071	595,069	31,443	2
Non-instructional services				0	0
Total expenditures	<u>982,035</u>	<u>1,086,151</u>	<u>1,086,150</u>	<u>-104,116</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	21,445	14,393	14,393	-7,052	0
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in				0	0
Transfers out	-21,445	-14,393	-14,393	7,052	0
Payment to refunded bond escrow agent					
Total other financing sources and uses	<u>-21,445</u>	<u>-14,393</u>	<u>-14,393</u>	<u>7,052</u>	<u>0</u>
Net change in fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balances:</b>					
July 1, 2004, as previously reported	0	0	0	0	0
July 1, 2004, as restated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2005	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Vicksburg Warren School District  
 Budgetary Comparison Schedule for the PL 94-142 Fund  
 For the Year Ended June 30, 2005

	Schedule 1				
			Actual GAAP Basis	Variances	
	Budget Original	Amounts Final		Positive ( Negative) Original to Final	Final to Actual
<b>REVENUES</b>					
Federal sources	1,574,661	1,711,539	1,711,539	136,878	0
Total revenues	<u>1,574,661</u>	<u>1,711,539</u>	<u>1,711,539</u>	<u>136,878</u>	<u>0</u>
<b>EXPENDITURES</b>					
Instruction	783,432	783,382	783,382		
Support services	791,229	922,776	922,776	-131,547	0
Non instructional services		5,381	5,381	-5,381	0
Total expenditures	<u>1,574,661</u>	<u>1,711,539</u>	<u>1,711,539</u>	<u>-136,878</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	0	0	0	0	0
<b>OTHER FINANCING SOURCES (USES)</b>					
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:					
July 1, 2004, as previously reported	0				0
Prior period adj. & reclassifications					
July 1, 2004, as restated	<u>0</u>			<u>0</u>	<u>0</u>
June 30, 2005	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Vicksburg Warren School District  
 Budgetary Comparison Schedule for the 16th Section District Fund  
 For the Year Ended June 30, 2005

	Budget Original	Amounts Final	Actual GAAP Basis	Variances Positive ( Negative )	
				Original to Final	Final to Actual
<b>REVENUES</b>					
Sixteenth section sources	750,902	630,155	630,154	-120,747	
Total revenues	<u>750,902</u>	<u>630,155</u>	<u>630,154</u>	<u>-120,747</u>	
<b>EXPENDITURES</b>					
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	750,902	630,155	630,154	-120,748	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>-40,000</u>	<u>-48,902</u>	<u>-48,902</u>	<u>-8,902</u>	<u>0</u>
Total other financing sources and uses	<u>-40,000</u>	<u>-48,902</u>	<u>-48,902</u>	<u>-8,902</u>	<u>0</u>
Net change in fund balances	<u>710,902</u>	<u>581,253</u>	<u>581,252</u>	<u>-129,650</u>	<u>0</u>
Fund balances:					
July 1, 2004, as previously reported	4,898,465	4,890,147	4,890,147	-8,318	
Prior period adjustments					
July 1, 2004, as restated	<u>4,898,465</u>	<u>4,890,147</u>	<u>4,890,147</u>	<u>-8,318</u>	<u>0</u>
June 30, 2005	<u>5,609,367</u>	<u>5,471,400</u>	<u>5,471,399</u>	<u>-137,967</u>	<u>-1</u>

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

Vicksburg Warren 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 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.

VICKSBURG WARREN SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Vicksburg Warren 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 Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
Non-cash assistance:		
Food distribution	10.550	228,196
Child nutrition cluster:		
School breakfast program	10.553	817,859
National school lunch program	10.555	<u>1,857,526</u>
Total child nutrition cluster		<u>2,675,385</u>
Total U.S. Department of Agriculture		<u>2,903,581</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Impact aid - facilities maintenance	84.040	<u>5,242</u>
Total		<u>5,242</u>
Passed-through Mississippi Department of Education:		
Title 1 - grants to local educational agencies	84.010	3,650,878
Vocational education - basic grants to states	84.048	108,245
Safe and drug-free schools and communities - state grants	84.186	120,424
Education of homeless children & youth	84.196	25,575
Title IVB 21st century community learning centers	84.287	177,384
Innovative education program strategies	84.298	85,536
Technology literacy challenge fund grants	81.318	128,497
Comprehensive school reform demonstration	84.332	7,251
Transition to teaching	84.350	4,320
Rural education achievement program	84.358	122,006
English language acquisition grants	84.365	2,090
Title IIA improving teacher quality - state grants	84.367	<u>621,772</u>
Total		<u>5,053,978</u>

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Special education cluster:		
Special Education - grants to states	84.027	1,795,327
Special Education - preschool grants	84.173	<u>82,577</u>
Total		1,877,904
Total passed-through Mississippi Department of Education		<u>6,937,124</u>
Total U.S. Department of Education		<u>6,937,124</u>
U.S. Department of Health and Human Services Passed-through Mississippi Department of Health and Human Services		
Medicade Direct/SBAC	93.XXX	<u>91,692</u>
Total U.S. Department of Health and Human Services		<u>91,692</u>
<u>Other Federal Assistance</u>		
Direct Program:		
Reserve Officer's Training Corps	12.XXX	<u>126,407</u>
Total Other Federal Assistance		<u>126,407</u>
Total for All Federal Awards		<u>10,058,804</u>

NOTES TO SCHEDULE

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

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

Schedule 2

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 49,022,965	30,372,794	4,767,534	13,882,637
Other	<u>20,473,051</u>	<u>5,205,037</u>	<u>842,008</u>	<u>14,426,006</u>
Total	\$ <u>69,496,016</u>	<u>35,577,831</u>	<u>5,609,542</u>	<u>28,308,643</u>
Total number of students	8,342			
Cost per student	\$ <u>8,331</u>	<u>4,265</u>	<u>672</u>	<u>3,394</u>

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

Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. ( all the 1000 function 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 on the ADA report submission for month 9, which is the final submission for the fiscal year.

VICKSBURG WARREN SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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*

December 15, 2005

Superintendent and School Board  
Vicksburg Warren School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June, 30, 2005, and have issued our report thereon dated December 15, 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 a material weakness. 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. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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



Buckner, Buckner and Bridgers  
Vicksburg, Mississippi  
December 15, 2005

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

December 15, 2005

Superintendent and School Board  
Vicksburg Warren School District

Compliance

We have audited the compliance of the Vicksburg Warren 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 accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major 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, Vicksburg Warren 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.

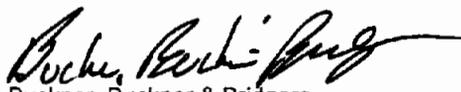
### Internal Control Over Compliance

The management of the Vicksburg Warren 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our opinion, could adversely affect the school district's ability to administer a major federal program in accordance with Schedule of Findings and Questioned Costs as Finding 05-01.

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 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. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the findings referred to above is a material weakness.

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.



Buckner, Buckner & Bridgers  
Vicksburg, Mississippi  
December 15, 2005

VICKSBURG WARREN SCHOOL DISTRICT

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

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

December 15, 2005

Superintendent and School Board  
Vicksburg Warren School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June 30, 2005, which collectively comprise the Vicksburg Warren School District's basic financial statements and have issued our report thereon dated December 15, 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.

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 state laws and regulations. However, providing an opinion on compliance with 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 \$ 99,631, 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 specified parties. However, this report is a matter of public record and its distribution is not limited.



Buckner, Buckner & Bridgers  
Vicksburg, Mississippi  
December 15, 2005

VICKSBURG WARREN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Vicksburg Warren School District

Schedule of Findings and Questioned Cost  
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 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?   | Yes         |
| 6. Any audit finding(s) reported as required by Section ____.510 of Circular A-133?  | Yes         |
| 7. Federal programs identified as major programs:  |             |
| a. Child nutrition cluster:  |             |
| CFDA #10.553   |             |
| CFDA #10.555   |             |
| b. Title I - grants to local educational agencies  |             |
| CFDA # 84.010  |             |
| c. Special education cluster:  |             |
| CFDA #84.027   |             |
| CFDA #84.173   |             |
| d. Improving teacher quality - state grants  |             |
| CFDA #84.367   |             |
| 8. The dollar threshold to distinguish between type A and type B programs:   | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?  | No          |
| 10. Prior fiscal year findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | Yes         |

Vicksburg Warren School District

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

Section 2: Financial Statement Findings

No Financial Statement Findings.

Section 3: Federal Award Findings and Questioned Costs

Reportable Conditions Not Considered to be Material Weaknesses

05-01

Finding

Program: Special Education - grants to states, Passed-through the  
Mississippi Department of Education.

Compliance requirement: Cash Management

Excess cash balances were present in 2 separate months during the year.

Recommendation

That the district insure that the supervisors in charge of federal programs work more closely with the accounting department to insure that funds are being spent and reimbursement request are being filed in a timely manner.

VICKSBURG WARREN SCHOOL DISTRICT

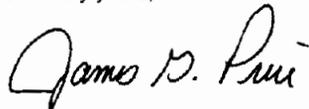
AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR AUDIT FINDINGS

Financial & Compliance Audit Division

As required by Section \_\_\_\_ .315C of Circular A-133, the Vicksburg Warren School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

Finding	Corrective Action Plan Details
05-01	<p>a. Maureen J. Gunkel, Director of Accounting ( 601 ) 631-2811</p> <p>b. The district accounting office will provide additional training to program directors relating to the procedures for the calculation and request for reimbursement on their respective programs. Special attention will be paid to the timeliness of filing reimbursements.</p> <p>c. This procedure was implemented in December 2004.</p>

Sincerely yours,



James G. Price  
Superintendent