

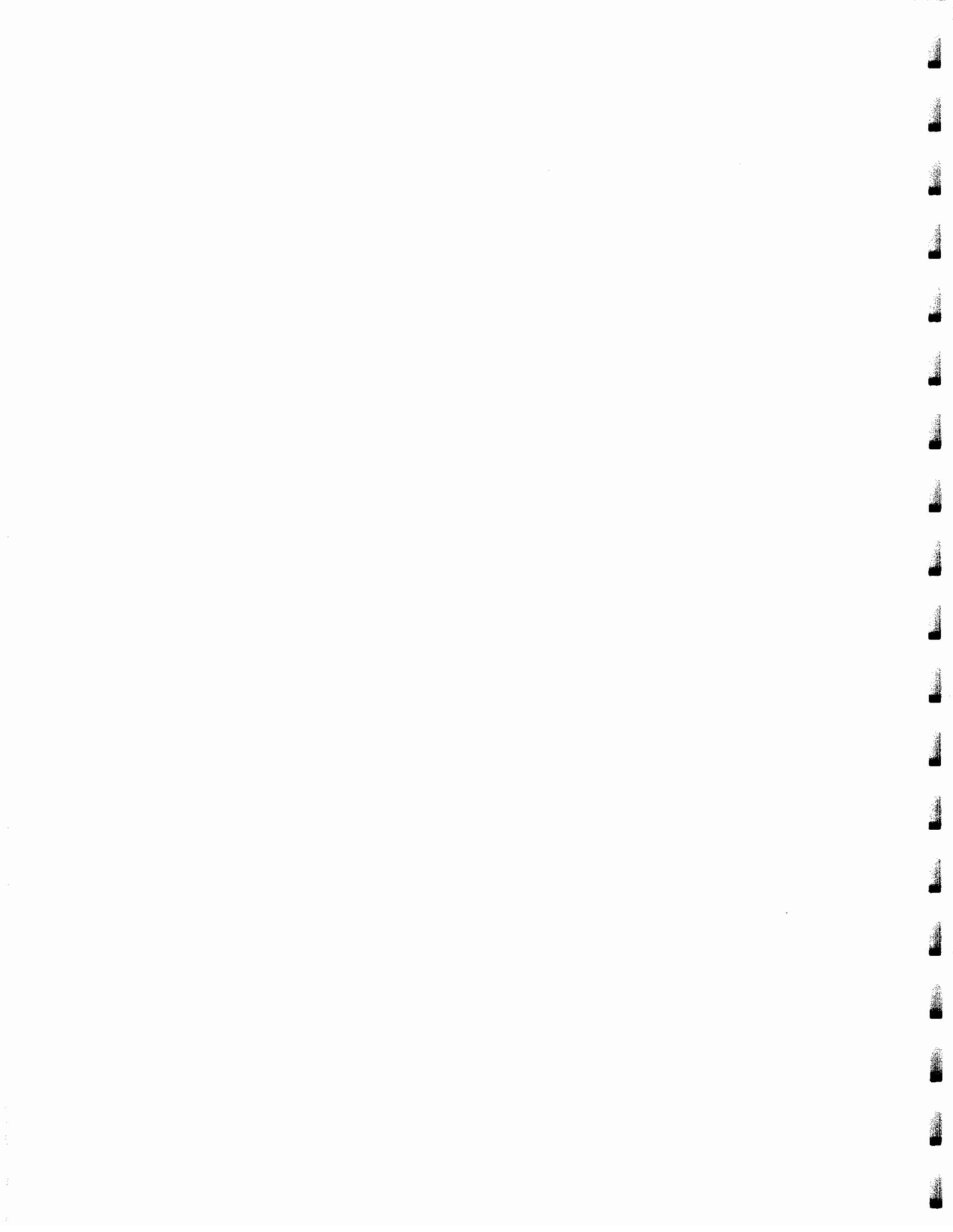


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WEST TALLAHATCHIE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2005

Robert Britt, CPA, P. A.
Clarksdale, Mississippi



WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

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

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

In my opinion, 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 West Tallahatchie School District as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2007, on my consideration of the West Tallahatchie School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 34 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Western Line 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 on these statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to be "Robert J. [unclear]", written in a cursive style.

May 9, 2007

WEST TALLAHATCHIE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST TALLAHATCHIE SCHOOL DISTRICT

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

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

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

FINANCIAL HIGHLIGHTS

Total net assets decreased by \$ 181,538, which represents a 181.4% increase from fiscal year 2004.

General revenues account for \$6,121,409 in revenue, or 63% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3,571,155 or 37% of total revenues.

The District had \$9,511,026 in expenses; only \$3,571,155 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,121,409 plus fund balances carried over from prior years were adequate to provide for these programs.

Among major funds, the General Fund had \$6,392,690 in revenues and \$ 6,195,645 in expenditures. The General Fund's fund balance increased \$57,083 over the prior year. This increase was the result of cost cutting procedures implemented to insure a sound financial position, while providing adequate education for all district students.

Capital assets, net of accumulated depreciation, decreased by \$117,956.

Long-term debt decreased by \$226,303.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

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

The basic governmental fund financial statements can be found on pages 16-18 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 of this report.

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 21-32 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 34-36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 38-39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,751,248 as of June 30, 2005.

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 compared to the same period in 2004.

	<u>Governmental Activities</u>		Percentage Change
	<u>2005</u>	<u>2004</u>	
Current assets	1,550,220	1,429,777	8.42%
Capital assets, net	<u>3,038,144</u>	<u>3,156,100</u>	<u>-3.74%</u>
Total assets	<u>4,588,364</u>	<u>4,585,877</u>	<u>0.05%</u>
Current liabilities	293,594	246,342	19.18%
Long-term debt outstanding	<u>2,543,522</u>	<u>2,769,825</u>	<u>-8.17%</u>
Total liabilities	<u>2,837,116</u>	<u>3,016,167</u>	<u>-5.94%</u>
Net assets:			
Invested in capital assets, net of related debt	550,125	461,179	19.29%
Restricted	354,091	244,858	44.61%
Unrestricted	<u>847,032</u>	<u>863,673</u>	<u>-1.93%</u>
Total net assets	<u>1,751,248</u>	<u>1,569,710</u>	<u>11.57%</u>

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

The principal retirement of \$ 226,303 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005, were \$9,692,564. The total cost of all programs and services was \$9,511,026. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 compared to the same period in 2004.

	<u>Governmental Activities</u>		Percent Change
	<u>2005</u>	<u>2,004</u>	
Revenues:			
Program revenues	3,571,155	3,793,916	-5.87%
General Revenues	<u>6,121,409</u>	<u>5,690,598</u>	<u>7.57%</u>
Total revenues	<u>9,692,564</u>	<u>9,484,514</u>	<u>2.19%</u>

Expenses:			
Instruction	5,017,780	5,011,484	0.13%
Support services	3,463,131	3,672,326	-5.70%
Non-instructional	899,852	880,444	2.20%
Sixteenth section	4,120	6,050	-31.90%
Interest on long-term obligations	<u>126,143</u>	<u>137,220</u>	<u>-8.07%</u>
Total Expenses	<u>9,511,026</u>	<u>9,707,524</u>	<u>-2.02%</u>
Increase in net assets	<u>181,538</u>	<u>(223,010)</u>	<u>-181.40%</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 Cost of Services		Percent Change	Net Revenue (Expense)		Percent Change
	2005	2004		2005	2004	
Instruction	5,017,780	5,011,484	0.13%	(3,391,945)	(3,165,074)	7.17%
Support services	3,463,131	3,672,326	-5.70%	(2,625,371)	(2,792,347)	-5.98%
Non-instructional	899,852	880,444	2.20%	(7,879)	(28,504)	-72.36%
Sixteenth section	4,120	6,050	-31.90%	(4,120)	(6,050)	-31.90%
Interest on long-term obligatio	<u>126,143</u>	<u>137,220</u>	<u>-8.07%</u>	<u>89,444</u>	<u>78,367</u>	<u>14.13%</u>
	<u>9,511,026</u>	<u>9,707,524</u>	<u>-2.02%</u>	<u>(5,939,871)</u>	<u>(5,913,608)</u>	<u>0.44%</u>

Net cost of governmental activities \$5,939,871, was financed by general revenue, which is made up of primarily property taxes \$1,344,191, state revenue \$4,461,563, federal revenue \$66,681, and sixteenth section revenue \$191,136.

Investment earnings accounted for \$5,099 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 \$1,300,437, an increase of \$70,726. \$933,597 or 72% 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 \$366,840 or 28% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$ 57,083 primarily the result of sound fiscal management.. The 16th Section Interest Fund had an increase in fund balance due to lease revenue exceeding transfers to the general fund. The fund balance of Other Governmental Funds showed a decrease of \$71,425 due primarily an increase in food service cost and expenditures of prior accumulated funds in the EEF Instructional Supply Fund.

BUDGETARY HIGHLIGHTS

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

The budget was amended to reflect actual expenditures at the end of the year. Any differences from actual expenditures to budget in the accompanying budgetary comparison schedules is the result of adjustments made by the auditor.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$5,942,904, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$7,098 from the previous year due to disposition of assets. Total accumulated depreciation as of June 30, 2005, was \$2,904,760 and total depreciation expense for the year was \$117,885, resulting in total net assets of \$3,038,144.

Additional information of the District's capital assets can be found in Note 5 on page 27 of this report.

Debt Administration. At June 30, 2005, the District had \$2,543,522 in general obligation bonds and other long-term debt outstanding, of which \$213,019 is 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 6 on pages 28-30 of this report.

CURRENT ISSUES

The West Tallahatchie School District is currently financial sound. Discounting unforeseen circumstances, there is no reason to believe the district will not remain financially sound far into the future. The district has been able to maintain a healthy fund balance despite rising cost without raising taxes for several years.

Latest enrollment figures indicate that student enrollment in the District will decrease by 17 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the West Tallahatchie School District, P. O. Box 129, Webb, MS 38966.

WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 1,064,555
Cash with fiscal agent	0
Investments (Note 3)	31,495
Due from other governments	370,977
Other receivables, net	50,852
Inventories and prepaid items	12,749
Restricted assets (Note 3)	19,592
Capital assets, net (Note 5)	<u>3,038,144</u>
 Total Assets	 \$ <u>4,588,364</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 116,529
Interest payable on long-term liabilities	43,811
Deferred revenue	133,254
 Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	213,019
 Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	2,275,000
Non-capital related liabilities	<u>55,503</u>
 Total Liabilities	 \$ <u>2,837,116</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 550,125
Restricted net assets:	
Expendable:	
Debt service	310,998
Unemployment benefits	23,501
Nonexpendable	
Sixteenth section	19,592
Unrestricted	<u>847,032</u>
 Total Net Assets	 \$ <u>1,751,248</u>

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Assets
				Primary Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 5,017,780	514,803	1,111,032	(3,391,945)
Support services	3,463,131		837,760	(2,625,371)
Non-instructional	899,852	41,376	850,597	(7,879)
16th Section	4,120			(4,120)
Interest on long-term liabilities	126,143		215,587	89,444
Total governmental activities	\$ <u>9,511,026</u>	<u>556,179</u>	<u>3,014,976</u>	<u>(5,939,871)</u>
Taxes:				
General purpose levies				1,237,967
Debt service levies				106,224
Unrestricted grants and contributions:				
State				4,461,563
Federal				66,681
Unrestricted investment earnings				5,099
Sixteenth section sources				191,136
Other				52,810
Loss on disposition of assets				(71)
Total General Revenues				<u>6,121,409</u>
Change in Net Assets				<u>181,538</u>
Net Assets - Beginning				1,569,710
Net Assets - Ending				\$ <u><u>1,751,248</u></u>

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2005

	Major Funds			
	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents (Note 3)	\$ 382,914	344,689	356,544	1,084,147
Cash with fiscal agents			0	0
Investments (Note 3)			31,495	31,495
Due from other governments	81,704		289,273	370,977
Other receivables, net			0	0
Due from other funds (Note 4)	18,277	20,775	128,171	167,223
Inventories and prepaid items			12,749	12,749
Total Assets	\$ 482,895	365,464	818,232	1,666,591
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 97,850	650	18,029	116,529
Due to other funds (Note 4)	98,683		17,688	116,371
Deferred Revenue			133,254	133,254
Total Liabilities	196,533	650	168,971	366,154
Fund Balances:				
Reserved for:				
Inventory			12,749	12,749
Debt Service			310,998	310,998
Unemployment benefits			23,501	23,501
Permanent fund purposes			19,592	19,592
Unreserved:				
Undesignated, reported in:				
General fund	286,362			286,362
Special Revenue funds		364,814	282,421	647,235
Capital Projects funds			0	
Total Fund Balances	286,362	364,814	649,261	1,300,437
Total Liabilities and Fund Balances	\$ 482,895	365,464	818,232	1,666,591

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,300,437
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 \$ 3,038,215 (Note 5)	3,038,144
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(2,543,522)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.	(43,811)
	<hr/>
Total Net Assets - Governmental Activities	\$ <u>1,751,248</u>

WEST TALLAHATCHIE LINE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund		
Revenues:				
Local sources	\$ 1,808,615		149,895	1,958,510
State sources	4,517,434		605,457	5,122,891
Federal sources	66,681		2,353,417	2,420,098
Sixteenth section sources		191,136		191,136
Total Revenues	6,392,730	191,136	3,108,769	9,692,635
Expenditures:				
Instruction	3,700,142		1,278,442	4,978,584
Support services	2,446,451		978,111	3,424,562
Non instructional services	24,859		851,801	876,660
16th Section		676	3,444	4,120
Debt service:				
Principal	21,902		185,000	206,902
Interest	2,291		128,790	131,081
Total Expenditures	6,195,645	676	3,425,588	9,621,909
Excess (Deficiency) of Revenues Over Expenditures	197,085	190,460	(316,819)	70,726
Other Financing Sources (Uses):				
Operating transfers in	128,885		268,847	397,732
Operating transfers out	(268,847)	(105,392)	(23,493)	(397,732)
Total Other Financing Sources (Uses)	(139,962)	(105,392)	245,354	0
Net Change in Fund Balances	57,123	85,068	(71,465)	70,726
Fund Balances:				
July 1, 2004	229,239	279,745	723,200	1,232,184
Increase in reserve for inventory			(2,473)	(2,473)
June 30, 2005	\$ 286,362	364,813	649,262	1,300,437

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

WEST TALLAHATCHIE LINE 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	\$ 70,726
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. There were no capital assets purchased and the depreciation expense amounted to \$117,885. (Note 5)	(117,885)
2. Decrease in Compensated absences is not recorded in the governmental funds, but decreases expense in the statement of activity. (Note 6)	19,401
3. Payment of interest on long-term liabilities is reported as an expenditure when paid in the governmental funds, but is accrued and expensed in the period incurred in the statement of activity. (Note 6)	4,938
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6)	206,902
5. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are increased (decreased) in the statement of activity.	(2,473)
6. Book value of assets disposed.(Note 5)	(71)
	<hr/>
Change in Net Assets of Governmental Activities	\$ <u>181,538</u>

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Net Assets

June 30, 2005

		Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$	359,100
Due from other funds (Note 4)		<u>46,874</u>
Total Assets	\$	<u>405,974</u>
Liabilities		
Accounts payable and accrued liabilities		276,686
Due to student clubs		31,562
Due to other funds (Note 4)		<u>97,726</u>
Total Liabilities	\$	<u>405,974</u>

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

WEST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending 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 entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a (5) member board of which each member was elected by the citizens of each defined district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

16th Section Interest Fund - This fund accounts for revenues from rents and leases on 16th section lands held in trust by the district. These funds can be transferred to the general fund to operate the district.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

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.

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

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

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

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

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

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

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

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues.

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

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

P. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Changes in Accounting Standards

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

(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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

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 \$1,084,147 and \$359,100, respectively. The carrying amount of deposits reported in the government wide statements was: Cash and cash equivalents \$1,064,555 and Restricted Assets \$19,592. The Restricted assets represents the cash balance of the 16th section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$1,597,641

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$1,597,641 was exposed to custodial credit risk.

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.

Investments.

As of June 30, 2005, the district had the following investments, which are all in an internal investment pool.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Fund	less than 1 year	31495	None
Total Investments		<u>31495</u>	

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005 none of the district's investment balance of \$31,495 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

A. Due From/To Other Funds:

<u>Due From/To Other Funds:</u>	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	18,277	98,683
16th Section Interest Fund	20,775	
Other Governmental Funds	128,171	17,688
Fiduciary Funds	<u>46,874</u>	<u>97,726</u>
Total	<u>214,097</u>	<u>214,097</u>

Interfund loans are necessary to provide cash to reimbursable programs at year end, since the actual cash is not received until after June 30.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	128,885	268,847
16th Section Interest Fund		105,392
Other Governmental Funds	<u>268,847</u>	<u>23,493</u>
 Total	 <u>\$397,732</u>	 <u>\$397,732</u>

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to other governmental funds to offset program cost which were not reimbursed by state or federal funds. 16th Section Interest funds were transferred by board order to the general fund for operating purposes.

(5) Capital Assets.

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

	<u>Balance 7-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-05</u>
Land	15,491			15,491
Total Non Depreciated Assets	<u>15,491</u>	<u>0</u>	<u>0</u>	<u>15,491</u>
Buildings	4,442,627			4,442,627
Mobile equipment	1,310,264			1,310,264
Furniture and equipment	181,620		7,098	174,522
Total Depreciable Assets	<u>5,934,511</u>	<u>0</u>	<u>7,098</u>	<u>5,927,413</u>
Less accumulated depreciation for:				
Buildings	1,534,008	60,856		1,594,864
Mobile equipment	1,119,363	38,841		1,158,204
Furniture and equipment	140,531	18,188	7,027	151,692
Total accumulated depreciation	<u>2,793,902</u>	<u>117,885</u>	<u>7,027</u>	<u>2,904,760</u>
Net depreciable assets	<u>3,140,609</u>	<u>(117,885)</u>	<u>71</u>	<u>3,022,653</u>
Governmental activities capital assets net	<u>3,156,100</u>	<u>(117,885)</u>	<u>71</u>	<u>3,038,144</u>

Depreciation was charged to the following functions:

	<u>Amount</u>
Instruction	55,008
Support services	42,158
Non-instructional	<u>20,719</u>
 Total depreciation expense	 <u>117,885</u>

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

(6) Long-term Liabilities.

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

	Balance 7-1-04	Additions	Reductions	Balance 6-30-05	Due within one year
A. Limited obligation bonds payable	\$2,145,000		\$110,000	\$2,035,000	\$115,000
B. Three mill notes payable	215,000		50,000	165,000	50,000
C. Certificates of participation	290,000		25,000	265,000	25,000
D. Obligations under energy efficiency lease	44,921		21,902	23,019	23,019
E. Compensated absences payable	74,904		19,401	55,503	N/A
Total	<u>\$2,769,825</u>	<u>\$0</u>	<u>\$226,303</u>	<u>\$2,543,522</u>	<u>\$213,019</u>

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Bonds, Series 1998	Variable	3/1/98	3/1/18	\$2,505,000	\$2,035,000

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

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

Year Ending June 30,

	Principal	Interest	Total
2006	115,000	95,740	210,740
2007	125,000	89,645	214,645
2008	130,000	84,020	214,020
2009	135,000	78,170	213,170
2010	140,000	71,960	211,960
2010-2015	805,000	256,024	1,061,024
2016-2019	585,000	56,525	641,525
Total	<u>2,035,000</u>	<u>732,084</u>	<u>2,767,084</u>

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

This debt will be retired from the MAEP debt service fund.

B. Three mill-ten year notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
West Tallahatchie School District Three Mill Notes, Series 1997	5.25%	8/1/97	8/1/07	\$ 475,000	\$165,000

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

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

Year Ending June 30,	Principal	Interest	Total
2006	50,000	7,350	57,350
2007	55,000	4,594	59,594
2008	60,000	1,575	61,575
Total	<u>165,000</u>	<u>13,519</u>	<u>178,519</u>

This debt will be retired from the Three Mill Debt Service Fund.

C. Certificates of participation payable

As more fully explained in Note 10, 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>
West Tallahatchie School Improvement Corporation Certificates of Participation	5.10-6.50%	3/1/93	3/1/13	\$500,000	\$265,000

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

Year Ending June 30,	Principal	Interest	Total
2006	25,000	15,480	40,480
2007	30,000	14,105	44,105
2008	30,000	12,395	42,395
2009	30,000	10,670	40,670
2010	35,000	8,930	43,930
2010-2015	115,000	14,065	129,065
Total	<u>265,000</u>	<u>75,645</u>	<u>340,645</u>

This debt will be retired from the EEF Buildings and Buses Fund.

D. Obligations under energy efficiency lease.

An energy efficiency lease agreement dated January 8, 1996, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor. The agreement authorized the borrowing of \$ 185,908 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years. The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

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

Year Ending June 30,	Principal	Interest	Total
2006	23,019	1,174	24,193
Total	<u>23,019</u>	<u>1,174</u>	<u>24,193</u>

WEST JALLAHATCHIE SCHOOL DISTRICT

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

This debt will be retired from the District Maintenance Fund.

E. 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).

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 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 \$502,634, \$495,176 and \$417,972, respectively, which equaled the required contribution for each year.

(8) Sixteenth Section Funds.

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

Year Ending June 30,

2006	164,804
2007	164,804
2008	159,804
2009	<u>159,804</u>

Total	<u><u>649,216</u></u>
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(9) Risk Management.

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

Participation in Public Entity Risk Pool.

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

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

(10) Trust Certificates.

A trust agreement dated March 1, 1993, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorizes the issuance of certificates of participation (school facilities construction project) in the principal amount of \$500,000. Approximately \$468,276 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$31,724 was used to pay 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 certificates of participation. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the certificates of participation. The lease rental payments by the school district will be used by the trustee to pay principal and interest due on the trust certificates.

It is not anticipated that 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 school district. See Note 4 for details regarding the debt service requirements 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 are deemed, in essence, 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 were consolidated as part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

(11) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, North Bolivar School District, Quitman County School District, Coahoma Agricultural High School District, and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school district to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program is the responsibility of West Tallahatchie School District.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements. The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Delta Alternative School.

Statement of Revenues and Changes in Fund Balance
For the Year ending June 30, 2005

Revenues	
Local Sources	
Tuition from other LEA's within the state	
Coahoma County School District	74,221
Coahoma Agricultural High School	74,221
Drew School District	74,221
North Bloivar School District	74,221
Quitman County School District	74,221
Sunflower County School District	74,221
West Tallahatchie School District	74,221
Total Revenue	<u>519,547</u>
Expenditures	
Salaries	390,631
Employee benefits	117,838
Purchased property service	27,821
Other purchased services	2,260
Supplies	7,697
Property	10,925
Total Expenditures	<u>557,172</u>
Excess of Revenues over (under) Expenditures	(37,625)
Other Financing Sources(Uses):	
Operating transfer in	<u>37,625</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>0</u>
Fund Balance:	
July 1, 2004	<u>0</u>
June 30, 2005	<u><u>0</u></u>

WEST TALLAHATCHIE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Schedule I

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,787,827	1,787,082	1,808,575	(745)	21,493
State sources	4,542,329	4,517,434	4,517,434	(24,895)	0
Federal sources	60,000	66,681	66,681	6,681	0
Total Revenues	6,390,156	6,371,197	6,392,690	(25,640)	21,493
Expenditures:					
Instruction	3,766,248	3,703,964	3,700,142	(62,285)	3,822
Support services	2,484,496	2,441,751	2,446,451	(42,745)	(4,700)
Noninstructional services	3,833	24,859	24,859	21,027	0
Debt service:					
Principal	25,539	25,539	21,902	0	3,637
Interest	3,354	3,354	2,291	0	1,063
Total Expenditures	6,283,470	6,199,467	6,195,645	(84,003)	3,822
Excess (Deficiency) of Revenues Over Expenditures	106,686	171,730	197,045	(109,643)	25,315
Other Financing Sources (Uses):					
Operating transfers in	150,000	128,885	128,885	(21,115)	0
Operating transfers out	(225,000)	(268,847)	(268,847)	43,847	0
Total Other Financing Sources (Uses)	(75,000)	(139,962)	(139,962)	22,732	0
Net Change in Fund Balances	31,686	31,768	57,083	(86,911)	25,315
Fund Balances:					
July 1, 2004	219,026	219,026	229,279	0	10,253
June 30, 2005	250,712	250,794	286,362	82	35,568

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Schedule 2

Budgetary Comparison Schedule

16th Section Interest Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
16th Section Sources	\$ 180,000	191,136	191,136	11,136	0
Total Revenues	180,000	191,136	191,136	11,136	0
Expenditures:					
16th Section Expenditures	1,000	676	676	(324)	0
Total Expenditures	1,000	676	676	(324)	0
Excess (Deficiency) of Revenues Over Expenditures	179,000	190,460	190,460	11,460	0
Other Financing Sources (Uses):					
Operating transfers out	(125,000)	(105,392)	(105,392)	19,608	0
Total Other Financing Sources (Uses)	(125,000)	(105,392)	(105,392)	19,608	0
Net Change in Fund Balances	54,000	85,068	85,068	31,068	0
Fund Balances:					
July 1, 2004	279,745	279,745	279,745	0	0
June 30, 2005	333,745	364,813	364,813	31,068	0

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

WEST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ending June 30, 2005

Notes to the Required Supplementary Information

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

WEST TALLAHATCHIE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WEST TALLAHATCHIE SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Schedule 3

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Federal Domestic <u>Assistance Numbe</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	30,976
Child Nutrition Cluster:		
School Breakfast Program	10.553	149,995
National School Lunch Program	10.555	419,603
Summer food service program for children	10.559	<u>47,827</u>
Total Nutrition Cluster		<u>617,425</u>
Child and adult care food program	10.558	<u>7,307</u>
Total Passed through Mississippi Department of Education		<u>655,708</u>
Total U.S. Department of Agriculture		<u>655,708</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company	32.XXX	58,560
The schools and libraries program of the universal service fund		
Total Federal Communication Commission		<u>58,560</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Twenty-First Century Community Learning Centers	84.287	<u>117,405</u>
Total direct programs		<u>117,405</u>
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to state	84.027	224,663
Special education - preschool grants	84.173	<u>3,785</u>
Total Special Education Cluster		228,448

Title 1 grants to local educational agencies	84.010	940,039
Vocational education basic grants to states	84.048	23,675
Safe and drug free schools and communities- state grants	84.186	10,898
Twenty-First Century Community Learning Centers	84.287	207,795
Education technology state grants	84.318	12,720
Comprehensive school reform demonstration	84.332	13,600
Rural education	84.358	20,682
Improving teacher quality - state grants	84.367	<u>122,448</u>
 Total Passed through Mississippi Department of Education		<u>1,580,305</u>
 Total U.S. Department of Education		<u>1,697,710</u>
 Total for All Federal Awards		<u>2,411,978</u>

NOTES TO SCHEDULE

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

West Tallahatchie School District

Schedule 4

Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds

For the Year Ended June 30, 2005

Functions/Programs	Total	Instructional	Administrative	Other
Salaries and fringe benefits	\$ 7,056,570	\$ 4,509,225	\$ 1,105,537	\$ 1,441,808
Other expenditures	<u>2,454,456</u>	<u>508,555</u>	<u>242,783</u>	<u>1,703,118</u>
Total	\$ <u>9,511,026</u>	\$ <u>5,017,780</u>	\$ <u>1,348,320</u>	\$ <u>3,144,926</u>
Total number of students:	1,953			
Cost per student:	\$ <u>4,870</u>	\$ <u>2,569</u>	\$ <u>690</u>	\$ <u>1,610</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 functional codes

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s);

Support Services - School Administration (2400s); Support Services - Business (2500s)

WEST TALLAHATCHIE SCHOOL DISTRICT

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Tallahatchie School District as of and for the year ended June 30, 2005, which collectively comprise the West Tallahatchie School District's basic financial statements as listed in the table of contents and have issued my report thereon dated May 2, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and,

accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted a certain immaterial instance of noncompliance that I have reported to management of the school district in a separate letter dated May 9, 2007, which is included in this report.

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.

A handwritten signature in black ink, appearing to be 'C. H. D. C. A.', written in a cursive style.

May 9, 2007

WEST TALLAHATCHIE SCHOOL DISTRICT

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

Compliance

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

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

In my opinion, the West Tallahatchie 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 West Tallahatchie School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my

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

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

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

A handwritten signature in cursive script, appearing to read "C. P. ... CPA".

May 9, 2007

WEST TALLAHATCHIE SCHOOL DISTRICT

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Tallahatchie School District as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the West Tallahatchie School District, and have issued my report thereon dated May 9, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$36,199 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. My finding and recommendation and your response are as follows:

Finding

Section 37-59-43 , Mississippi Code Annotated (1972) required interest earned by any fund in excess of \$100 be recorded in the investing fund. The district maintains a pooled account for most of its funds. No allocation of interest was made to funds which, if invested separately, would have earned more than \$100.

Recommendation

The district should comply with Section 37-59-43 , Mississippi Code Annotated (1972) and record interest in the investing fund in any instance in which a fund earns more than \$100 in interest.

School District's Response

The district will comply with state law and allocate interest to funds within the district's pooled bank account when such earnings exceed \$100.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

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.

A handwritten signature in black ink, appearing to be 'G. H. C. A.', is written over the text of the report.

May 9, 2007

WEST TALLAHATCHIE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE SCHOOL DISTRICT

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

Section 1: Summary of Auditor's results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | Unqualified |
| 2. Material noncompliance relating to the general purpose 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 opinion issues 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? | No |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. The major programs were: | |
| Child Nutrition Cluster | |
| School Breakfast Program | - CFDA 10.553 |
| National School Lunch Program | - CFDA 10.555 |
| Summer Food Service Program for Children | - CFDA 10.559 |
| Title I Grants to Local Educational Agencies | - CFDA 84.010 |
| Twenty-first Century Community Learning Centers | - CFDA 84.287 |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000. |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

The result of my test did not disclose any findings and questioned cost related to the federal awards.