



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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DREW SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2005

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DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

DREW SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Drew School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Drew 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.

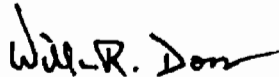
In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2006, on our consideration of the Drew School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 37 through 41 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 Drew 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 11, 2006

DREW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DREW SCHOOL DISTRICT

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

The discussion and analysis of Drew 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 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 \$1,438. This represents a 0.12% decrease from fiscal year 2004.

General revenues accounted for \$3,833,632 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,711,051 or 31% of total revenues.

The district had \$5,530,838 in expenses; only \$1,711,051 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$3,833,632 were adequate to provide for these programs.

Among major funds, the General Fund had \$3,547,844 in revenues and \$3,643,153 in expenditures. The General Fund's fund balance decreased \$43,113 over the prior year. The School Food Service Fund had \$431,439 in revenues and \$535,413 in expenditures, the Title I Fund had \$608,219 in revenues and \$588,876 in expenditures, and the Twenty-First Century Learning Grant Fund had \$285,621 in revenues and \$223,522 in expenditures. The fund balances of the Title I Fund and the Twenty-First Century Learning Grant Fund were zero.

Capital assets, net of accumulated depreciation, decreased by \$64,509. This decrease is due to depreciation expense.

Long-term debt decreased by \$79,580; this decrease is due to the repayment of the debt as required by the amortization schedules and the increase in the liability for compensated absences.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major Special Revenue Fund.

Additionally, a schedule of expenditures of federal awards is included in this report as required by OMB Circular A-133 and a schedule of instructional, administrative, and other expenditures for Government Funds is also included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,181,449 as of June 30, 2005.

Of the District's net assets, 7% 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 uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets as of June 30, 2005, and 2004, respectively.

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>%</u>
Current Assets	\$1,526,803	1,611,147	(84,344)	-5.24%
Capital Assets, Net	<u>1,166,808</u>	<u>1,231,317</u>	<u>(64,509)</u>	-5.24%
Total Assets	<u>2,693,611</u>	<u>2,842,464</u>	<u>(148,853)</u>	-5.24%
Current Liabilities	400,688	468,523	(67,835)	-14.48%
Long-Term Debt Outstanding	<u>1,111,474</u>	<u>1,191,054</u>	<u>(79,580)</u>	-6.68%
Total Liabilities	<u>1,512,162</u>	<u>1,659,577</u>	<u>(147,415)</u>	-8.88%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	76,808	81,317	(4,509)	-5.55%
Restricted	450,946	422,342	28,604	6.77%
Unrestricted	<u>653,695</u>	<u>679,228</u>	<u>(25,533)</u>	-3.76%
Total Net Assets	<u>\$ 1,181,449</u>	<u>1,182,887</u>	<u>(1,438)</u>	-0.12%

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

The decrease in long-term debt is a result of principal payments made during the current year.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005, were \$5,544,683. The total cost of all programs and services was \$5,530,838. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005, and 2004, respectively.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 85,480	75,656
Operating grants and contributions	1,625,571	1,737,956
General revenues:		
Property taxes	810,810	772,638
Grants and contributions not restricted	2,810,098	2,850,931
Other	<u>212,724</u>	<u>85,203</u>
Total revenues	<u>5,544,683</u>	<u>5,522,384</u>
Expenses:		
Instruction	2,748,930	2,799,914
Support services	2,216,120	2,239,608
Non-instructional	505,542	371,460
Sixteenth section	1,772	2,874
Interest on long-term liabilities	<u>58,474</u>	<u>60,931</u>
Total expenses	<u>5,530,838</u>	<u>5,474,787</u>
Increase in net assets	<u>13,845</u>	<u>47,597</u>
Net Assets 7/1	<u>1,182,887</u>	<u>1,219,720</u>
Prior Period Adjustments	<u>(15,283)</u>	<u>(84,430)</u>
Net Assets 6/30	<u>\$ 1,181,449</u>	<u>\$ 1,182,887</u>

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

	<u>Total Expenses</u>		<u>Net (Expense) Revenue</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>%</u>
Instruction	\$ 2,748,930	2,799,914	(2,042,774)	(1,841,622)	201,152	10.92%
Support services	2,216,120	2,239,608	(1,627,074)	(1,532,082)	94,992	6.20%
Noninstructional	505,542	371,460	(89,693)	(223,666)	(133,973)	-59.90%
Sixteenth section	1,772	2,874	(1,772)	(2,874)	(1,102)	-38.34%
Interest on long-term liabilities	<u>58,474</u>	<u>60,931</u>	<u>(58,474)</u>	<u>(60,931)</u>	<u>(2,457)</u>	<u>-4.03%</u>
Total Expenses	<u>5,530,838</u>	<u>5,474,787</u>	<u>(3,819,787)</u>	<u>(3,661,175)</u>	<u>158,612</u>	<u>4.33%</u>

Net cost of governmental activities \$3,819,787, was financed by general revenue, which is made up of primarily property taxes \$810,810 and state revenue \$2,778,324. Investment earnings accounted for \$6,120 of funding. Sixteenth Section Revenues, including leases and investment earnings accounted for \$155,904 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 \$1,143,493, which included a prior period adjustment of (\$15,283) and a decrease in reserve for inventory of \$3,382. This combined fund balance was an increase of \$755 from the prior year. \$991,675 or 87% of the fund balance constitutes unreserved and undesignated fund balance. The remaining fund balance of \$151,818 or 13% 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 \$43,113, including the effects of a \$(13,783) prior period adjustment. The fund balance of the School Food Service Fund increased \$10,117, including the effects of \$(1,500) prior period adjustment and a decrease in inventory of \$3,382. The fund balance of the Other Governmental Funds reflected an increase of \$15,086.

BUDGETARY HIGHLIGHTS

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

Budgeted amounts for expenditures were increased for unexpected costs incurred by the district in the areas of instruction and support services.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$ 2,453,589 including school buildings, buses, other school vehicles and furniture and equipment. This amount was not changed from the previous year. Total accumulated depreciation as of June 30, 2005 was \$1,286,781 and total depreciation expense for the year was \$64,509, resulting in total net capital assets of \$1,166,808.

Additional information of the District's capital assets can be found in the Notes to the Financial Statements.

Debt Administration. At June 30, 2005, the District had \$1,111,474 in limited obligation bonds and other long-term debt outstanding, of which \$60,000 is due within one year.

The District maintains an A+ bond rating.

Additional information of the District's long-term debt can be found in the notes to the Financial Statements.

CURRENT ISSUES

The Drew School District is financially stable. The Drew School District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls are well regarded and the District plans to continue its sound financial management to meet the challenges of the future.

The Drew School District is located in the central Delta area on Highway 49 West, in the northern part of Sunflower County. It is situated in the center of four larger towns, all of which serve as major shopping centers. They are Clarksdale, Cleveland, Indianola, and Greenwood. It is composed of 172.5 square miles of farmland. The total population is approximately 7,500. Located in the district are the towns of Rome and Drew. The district also serves the employee population of the Mississippi Department of Corrections (Parchman).

The three schools of the Drew School District are located in the town of Drew. Drew High School serves grades 9-12 and has an approximate enrollment of 203 students. Hunter Middle School serves grades 5-8 and has an approximate enrollment of 242 students. A. W. James Elementary School serves grades K-4 and has an approximate enrollment of 258 students. The total enrollment for the District approximates 703.

The majority of persons in the community have a high school diploma or less. The community is best described as a working class community. Employment opportunities in the District are the Mississippi Department of Corrections at Parchman, the School District, and extensive farming operations which include cotton, rice, beans, and catfish. Some people work at factories and other business located in Cleveland, Ruleville, Clarksdale, and Indianola.

Located in the School District are a public library, a National Guard Amory, three parks, approximately twenty churches, and two banks. There are also three institutions of higher learning within 30 miles of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Drew School District, 286 W. Park Avenue, Drew, Mississippi 38732.

DREW SCHOOL DISTRICT

FINANCIAL STATEMENTS

DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 1,182,016
Investments	11,964
Due from other governments	281,705
Other receivables, net	12,555
Inventories	13,309
Restricted assets	25,254
Capital assets, net	1,166,808
	<hr/>
Total Assets	2,693,611
	<hr/>
Liabilities	
Accounts payable and accrued liabilities	364,905
Due to other governments	1,393
Unearned revenue	17,012
Interest payable on long-term liabilities	17,378
Long-term liabilities, due within one year	
Capital related liabilities	60,000
Long-term liabilities, due beyond one year	
Capital related liabilities	1,030,000
Non-capital related liabilities	21,474
	<hr/>
Total Liabilities	1,512,162
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	76,808
Restricted net assets:	
Expendable:	
School-based activities	331,815
Debt service	53,298
Unemployment benefits	40,579
Non-expendable:	
Sixteenth section	25,254
Unrestricted	653,695
	<hr/>
Total Net Assets	\$ 1,181,449
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The notes to the financial statements are an integral part of this statement.

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

Exhibit B

					Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 2,748,930	40,793	665,363		(2,042,774)
Support services	2,216,120		589,046		(1,627,074)
Non-instructional	505,542	44,687	371,162		(89,693)
Sixteenth section	1,772				(1,772)
Interest on long-term liabilities	58,474				(58,474)
Total Governmental Activities	\$ 5,530,838	85,480	1,625,571	0	(3,819,787)
General Revenues:					
Taxes:					
General purpose levies					786,640
Debt purpose levies					24,170
Unrestricted grants and contributions:					
State					2,778,324
Federal					31,774
Unrestricted investment earnings					6,120
Sixteenth section sources					155,904
Other					50,700
Total General Revenues					3,833,632
Change in Net Assets					13,845
Net Assets - Beginning					1,182,887
Prior Period Adjustments					(15,283)
Net Assets - Beginning - Restated					1,167,604
Net Assets - Ending					\$ 1,181,449

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

DREW SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2005

Exhibit C

	Major Funds					
	General	School Food	Title I	Twenty-first	Other	Total
	Fund	Service	Fund	Century	Governmental	Governmental
		Fund		Fund	Funds	Funds
ASSETS						
Cash and cash equivalents	\$ 744,049	64,601			398,620	1,207,270
Investments					11,964	11,964
Due from other governments	33,531		74,835	74,678	96,661	279,705
Other receivables, net					12,555	12,555
Due from other funds	127,879	14,135				142,014
Advance to other funds	2,000					2,000
Inventories		13,309				13,309
Total Assets	\$ 907,459	92,045	74,835	74,678	519,800	1,668,817
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 214,762	10,291	26,795	69,544	43,513	364,905
Due to other funds	15,528	68,445	48,040	5,134	6,260	143,407
Unearned revenue					17,012	17,012
Total Liabilities	230,290	78,736	74,835	74,678	66,785	525,324
Fund Balances:						
Reserved for:						
Advances	2,000					2,000
Inventory		13,309				13,309
Debt service					70,676	70,676
Unemployment benefits					40,579	40,579
Permanent Funds					25,254	25,254
Unreserved:						
Undesignated, reported in:						
General Fund	675,169					675,169
Special Revenue Funds					316,506	316,506
Total Fund Balances	677,169	13,309	0	0	453,015	1,143,493
Total Liabilities and Fund Balances	\$ 907,459	92,045	74,835	74,678	519,800	1,668,817

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

DREW SCHOOL DISTRICT

Exhibit C-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

	Amount
Total Fund Balance - Governmental Funds	\$ 1,143,493
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,286,781.	1,166,808
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,111,474)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(17,378)</u>
Total Net Assets - Governmental Activities	\$ <u>1,181,449</u>

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

DREW 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	Total
	General Fund	School Food Service Fund	Title I Fund	Twenty-first Century Fund	Governmental Funds	Governmental Funds
Revenues:						
Local sources	\$ 854,549	34,705			63,856	953,110
State sources	2,660,900	1,942			170,707	2,833,549
Federal sources	32,395	394,792	608,219	285,621	281,093	1,602,120
Sixteenth section sources					155,904	155,904
Total Revenues	<u>3,547,844</u>	<u>431,439</u>	<u>608,219</u>	<u>285,621</u>	<u>671,560</u>	<u>5,544,683</u>
Expenditures:						
Instruction	2,040,936		246,170	192,770	262,623	2,742,499
Support services	1,596,659	72,642	323,288	23,285	147,296	2,163,170
Noninstructional services	945	462,771	19,418	7,467		490,601
Sixteenth section					1,772	1,772
Debt service:						
Principal	4,076				81,935	86,011
Interest	537				58,764	59,301
Other					574	574
Total Expenditures	<u>3,643,153</u>	<u>535,413</u>	<u>588,876</u>	<u>223,522</u>	<u>552,964</u>	<u>5,543,928</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(95,309)</u>	<u>(103,974)</u>	<u>19,343</u>	<u>62,099</u>	<u>118,596</u>	<u>755</u>
Other Financing Sources (Uses):						
Operating transfers in	219,418	118,973			34,466	372,857
Operating transfers out	(153,439)		(19,343)	(62,099)	(137,976)	(372,857)
Total Other Financing Sources (Uses)	<u>65,979</u>	<u>118,973</u>	<u>(19,343)</u>	<u>(62,099)</u>	<u>(103,510)</u>	
Net Change in Fund Balances	<u>(29,330)</u>	<u>14,999</u>	<u>0</u>	<u>0</u>	<u>15,086</u>	<u>755</u>
Fund Balances:						
July 1, 2004	720,282	3,192	0	0	437,929	1,161,403
Prior period adjustments	<u>(13,783)</u>	<u>(1,500)</u>				<u>(15,283)</u>
July 1, 2004, as restated	<u>706,499</u>	<u>1,692</u>	<u>0</u>	<u>0</u>	<u>437,929</u>	<u>1,146,120</u>
Decrease in reserve for inventory	<u>0</u>	<u>(3,382)</u>	<u>0</u>	<u>0</u>		<u>(3,382)</u>
June 30, 2005	<u>\$ 677,169</u>	<u>13,309</u>	<u>0</u>	<u>0</u>	<u>453,015</u>	<u>1,143,493</u>

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

DREW SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 755
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$0 and the depreciation expense amounted to \$64,509.	(64,509)
2. 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 Activities.	86,011
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	1,401
4. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(3,382)
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(6,431)</u>
Change in Net Assets of Governmental Activities	<u>\$ 13,845</u>

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

DREW SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2005

Exhibit E

		Agency Funds
Assets		
	\$	10,569
Due from other funds		<u>1,393</u>
Total Assets	\$	<u><u>11,962</u></u>
Liabilities		
Advances from other funds	\$	2,000
Due to student clubs		<u>9,962</u>
Total Liabilities	\$	<u><u>11,962</u></u>

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

DREW SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Drew since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

DREW SCHOOL DISTRICT

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This is the school district's federal reimbursable fund that provides meals to the district's students.

Title I Fund - This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

Twenty-first Century Fund - This fund is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools.

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.

DREW SCHOOL DISTRICT

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

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.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

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.

DREW SCHOOL DISTRICT

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

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

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

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

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

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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.

DREW SCHOOL DISTRICT

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

Reserved for 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.

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

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

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

Reserved for 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 authority of the city 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.

DREW SCHOOL DISTRICT

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(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 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 \$1,207,270 and \$10,569, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$1,182,016 and Restricted Assets - \$25,254. 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 \$1,390,227.

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 \$1,390,227 was exposed to custodial credit risk.

DREW SCHOOL DISTRICT

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

Investments.

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

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon treasury securities money market fund	Less than 1	\$ 11,964	AAAm
Total Investments		\$ 11,964	

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

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

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

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	\$ 127,879	15,528
School Food Service Fund	14,135	68,445
Title I Fund		48,040
Twenty-first Century Fund		5,134
Other Governmental Funds		6,260
Total Governmental Funds	142,014	143,407
Fiduciary Funds	1,393	0
Total	\$ 143,407	143,407

Due from's and due to's were to adjust deficit cash balances, and to correct posting errors.

DREW SCHOOL DISTRICT

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

B. Advances To/From Other Funds.

	Advances To	Advances From
Governmental Funds:		
General Fund	\$ 2,000	
Fiduciary Funds		2,000
Total	\$ <u>2,000</u>	<u>2,000</u>

Advances were for cash flow purposes.

C. Transfers In/Out.

	Transfer In	Transfers Out
Governmental Funds:		
General Fund	\$ 219,418	153,439
School Food Service Fund	118,973	
Title I Fund		19,343
Twenty-first Century Fund		62,099
Other Governmental Funds	<u>34,466</u>	<u>137,976</u>
Total	\$ <u>372,857</u>	<u>372,857</u>

Transfers in and out were for year-end closing entries, indirect cost, and correction of posting errors.

DREW SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 36,500					36,500
Total non-depreciable capital assets	36,500	0	0	0	0	36,500
<u>Depreciable capital assets:</u>						
Buildings	1,805,997					1,805,997
Mobile equipment	320,256					320,256
Furniture and equipment	290,836					290,836
Total depreciable capital assets	2,417,089	0	0	0	0	2,417,089
<u>Less accumulated depreciation for:</u>						
Buildings	858,519	26,796				885,315
Mobile equipment	196,507	11,612				208,119
Furniture and equipment	167,246	26,101				193,347
Total accumulated depreciation	1,222,272	64,509	0	0	0	1,286,781
Total depreciable capital assets, net	1,194,817	(64,509)	0	0	0	1,130,308
Governmental activities capital assets, net	\$ 1,231,317	(64,509)	0	0	0	1,166,808

Depreciation expense was charged to the following governmental functions:

	Amount
Support services	\$ 52,950
Non-instructional	11,559
Total Depreciation Expense	\$ 64,509

(6) Long-term Liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,150,000		60,000		1,090,000	60,000
B. Shortfall notes payable	21,935		21,935			
C. Judgments payable	4,076		4,076			
D. Compensated absences payable	15,043	6,431			21,474	
Total	\$ 1,191,054	6,431	86,011	0	1,111,474	60,000

DREW SCHOOL DISTRICT

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

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	Varies	03-17-1998	03-17-2018	\$ 1,335,000	1,090,000
Total				\$ 1,335,000	1,090,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 60,000	52,565	112,565
2007	65,000	49,145	114,145
2008	70,000	45,570	115,570
2009	70,000	42,420	112,420
2010	75,000	39,200	114,200
2011 - 2015	435,000	139,415	574,415
2016 - 2018	315,000	30,720	345,720
Total	\$ 1,090,000	399,035	1,489,035

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

B. Shortfall notes payable.

The debt was retired during the 2004-2005 fiscal year.

C. Judgments payable.

The debt was retired during the 2004-2005 fiscal year.

D. Compensated absences payable.

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

DREW SCHOOL DISTRICT

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The 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 \$279,506, \$278,054 and \$295,275, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2006	\$ 119,911
2007	119,911
2008	115,911
2009	113,911
2010	28,411
2011 - 2015	142,055
2016 - 2019	<u>87,360</u>
Total	\$ <u><u>727,470</u></u>

DREW SCHOOL DISTRICT

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

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Reclassify fund equity.	\$ 15,283
Total	\$ <u>15,283</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Reclassify fund equity.	\$ 13,783
School Food Service Fund	Reclassify fund equity.	<u>1,500</u>
Total		\$ <u>15,283</u>

(10) 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 fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank 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.

DREW SCHOOL DISTRICT

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

(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, North Bolivar School District, Quitman County School District, Mound Bayou School District, Coahoma Agricultural High School, East Tallahatchie School District and Sunflower County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts 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 will be the responsibility of the individual school district sending the students.

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.

DREW SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DREW SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 906,972	925,572	854,549	18,600	(71,023)
State sources	2,879,356	2,784,638	2,660,900	(94,718)	(123,738)
Federal sources	30,000	20,000	32,395	(10,000)	12,395
Total Revenues	<u>3,816,328</u>	<u>3,730,210</u>	<u>3,547,844</u>	<u>(86,118)</u>	<u>(182,366)</u>
Expenditures:					
Instruction	2,122,448	1,960,908	2,040,936	161,540	(80,028)
Support services	1,646,554	1,609,324	1,596,659	37,230	12,665
Noninstructional services	1,755	945	945	810	
Debt Service:					
Principal			4,076		(4,076)
Interest		24,714	537	(24,714)	24,177
Total Expenditures	<u>3,770,757</u>	<u>3,595,891</u>	<u>3,643,153</u>	<u>174,866</u>	<u>(47,262)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>45,571</u>	<u>134,319</u>	<u>(95,309)</u>	<u>88,748</u>	<u>(229,628)</u>
Other Financing Sources (Uses):					
Operating transfers in	166,770	529,883	219,418	363,113	(310,465)
Other financing uses	(11,000)	(449,316)	(153,439)	(438,316)	295,877
Total Other Financing Sources (Uses)	<u>155,770</u>	<u>80,567</u>	<u>65,979</u>	<u>(75,203)</u>	<u>(14,588)</u>
Net Change in Fund Balances	<u>201,341</u>	<u>214,886</u>	<u>(29,330)</u>	<u>13,545</u>	<u>(244,216)</u>
Fund Balances:					
July 1, 2004	1,029,253	847,127	720,282	(182,126)	(126,845)
Prior period adjustments			(13,783)		(13,783)
July 1, 2004, as restated	<u>1,029,253</u>	<u>847,127</u>	<u>706,499</u>	<u>(182,126)</u>	<u>(140,628)</u>
June 30, 2005	<u>\$ 1,230,594</u>	<u>1,062,013</u>	<u>677,169</u>	<u>(168,581)</u>	<u>(384,844)</u>

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

DREW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 School Food Service 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	\$ 31,000	29,760	34,705	(1,240)	4,945
State sources	3,000	3,000	1,942		(1,058)
Federal sources	406,000	432,000	394,792	26,000	(37,208)
Total Revenues	440,000	464,760	431,439	24,760	(33,321)
Expenditures:					
Support services	80,001	71,974	72,642	8,027	(668)
Noninstructional	359,999	461,918	462,771	(101,919)	(853)
Total Expenditures	440,000	533,892	535,413	(93,892)	(1,521)
Excess (Deficiency) of Revenues over Expenditures	0	(69,132)	(103,974)	(69,132)	(34,842)
Other Financing Sources (Uses):					
Operating transfers in			118,973		118,973
Total Other Financing Sources (Uses)	0	0	118,973	0	118,973
Net Change in Fund Balances	0	(69,132)	14,999	(69,132)	84,131
Fund Balances:					
July 1, 2004		(190)	3,192	(190)	3,382
Prior period adjustments			(1,500)		(1,500)
July 1, 2004, as restated	0	(190)	1,692	(190)	1,882
Increase (Decrease) in reserve for inventory	0	0	(3,382)	0	(3,382)
June 30, 2005	\$ 0	(69,322)	13,309	(69,322)	82,631

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

DREW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I 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:					
Federal sources	\$ 571,507	620,156	608,219	48,649	(11,937)
Total Revenues	<u>571,507</u>	<u>620,156</u>	<u>608,219</u>	<u>48,649</u>	<u>(11,937)</u>
Expenditures:					
Instruction	256,659	258,223	246,170	(1,564)	12,053
Support services	247,290	454,164	323,288	(206,874)	130,876
Noninstructional services	<u>53,441</u>	<u>31,697</u>	<u>19,418</u>	<u>21,744</u>	<u>12,279</u>
Total Expenditures	<u>557,390</u>	<u>744,084</u>	<u>588,876</u>	<u>(186,694)</u>	<u>155,208</u>
Excess (Deficiency) of Revenues over Expenditures	<u>14,117</u>	<u>(123,928)</u>	<u>19,343</u>	<u>(138,045)</u>	<u>143,271</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(14,117)</u>	<u>(19,343)</u>	<u>(19,343)</u>	<u>(5,226)</u>	
Total Other Financing Sources (Uses)	<u>(14,117)</u>	<u>(19,343)</u>	<u>(19,343)</u>	<u>(5,226)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>(143,271)</u>	<u>0</u>	<u>(143,271)</u>	<u>143,271</u>
Fund Balances:					
July 1, 2004	<u>0</u>	<u>5,223</u>	<u>0</u>	<u>5,223</u>	<u>(5,223)</u>
June 30, 2005	<u>\$ 0</u>	<u>(138,048)</u>	<u>0</u>	<u>(138,048)</u>	<u>138,048</u>

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

DREW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Twenty-first Century Fund
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$	338,226	285,621	338,226	(52,605)
Total Revenues	0	338,226	285,621	338,226	(52,605)
Expenditures:					
Instruction		205,862	192,770	(205,862)	13,092
Support services		47,341	23,285	(47,341)	24,056
Noninstructional services		9,937	7,467	(9,937)	2,470
Total Expenditures	0	263,140	223,522	(263,140)	39,618
Excess (Deficiency) of Revenues over Expenditures	0	75,086	62,099	75,086	(12,987)
Other Financing Sources (Uses):					
Operating transfers out		(91,718)	(62,099)	(91,718)	29,619
Total Other Financing Sources (Uses)	0	(91,718)	(62,099)	(91,718)	29,619
Net Change in Fund Balances	0	(16,632)	0	(16,632)	16,632
Fund Balances:					
July 1, 2004	0	2,962	0	2,962	(2,962)
June 30, 2005	\$ 0	(13,670)	0	(13,670)	13,670

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

DREW SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

(3) Individual Fund Disclosures.

Individual funds that were required to be budgeted but were not budgeted are as follows:

<u>Individual Fund</u>	<u>Amount</u>
Vocational education III Tech-prep fund	\$ 288
Teacher induction fund	3,260

The unbudgeted funds are in violation of state law. However, the school district has no liability associated with this violation.

DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 23,635
Child nutrition cluster:		
School breakfast program	10.553	133,034
National school lunch program	10.555	224,894
Total child nutrition cluster		357,928
Total U.S. Department of Agriculture		381,563
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company: The schools and libraries program of the Universal Service Fund	32.XXX	31,774
Total Federal Communications Commission		31,774
<u>U.S. Department of Education</u>		
Direct program:		
Twenty-first century community learning centers	84.287	285,621
Total		285,621
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	621
Total		621
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	608,219
Safe and drug-free schools and communities - state grants	84.186	6,531
State grants for innovative programs	84.298	496
Education technology state grants	84.318	12,990
Teacher quality enhancement grants	84.336	3,260
Rural education	84.358	18,047
Improving teacher quality - state grants	84.367	84,940
Total		734,483
Passed-through Mississippi Institutions of Higher Learning:		
Gaining Early Awareness and Readiness for Undergraduate (GEAR-UP)	84.334	10,809
Special education cluster:		
Special education - grants to states	84.027	133,902
Special education - preschool grants	84.173	5,395
Total special education cluster		139,297
Total passed-through Mississippi Department of Education		873,780
Total U.S. Department of Education		1,160,022
Total for All Federal Awards		\$ 1,584,168

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.

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,073,583	2,447,259	776,745	849,579
Other	<u>1,470,345</u>	<u>295,240</u>	<u>182,039</u>	<u>993,066</u>
Total	\$ <u>5,543,928</u>	<u>2,742,499</u>	<u>958,784</u>	<u>1,842,645</u>
Total number of students	<u>703</u>			
Cost per student	\$ <u><u>7,886</u></u>	<u><u>3,901</u></u>	<u><u>1,364</u></u>	<u><u>2,621</u></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); and Support Services - Business (2500s).

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

DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

DREW SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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*

Superintendent and School Board
Drew School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2005, which collectively comprise the Drew School District's basic financial statements and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 05-01, 05-02, 05-03, 05-04, 05-05, 05-06, 05-07 and 05-08.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider Findings 05-01, 05-02, 05-03, 05-04 and 05-05 to be material weaknesses.

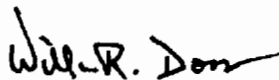
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the Schedule of Findings and Questioned Costs as Finding 05-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated October 11, 2006, 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 11, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Drew School District

Compliance

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

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

In our opinion, Drew 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 Drew 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 the internal control over compliance in accordance with OMB Circular A-133.

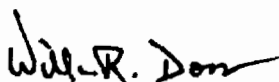
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 05-09, 05-10, 05-11 and 05-12.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 11, 2006

DREW SCHOOL DISTRICT

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

DREW SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Drew School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2005, which collectively comprise Drew School District's basic financial statements and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instances of noncompliance. The noncompliance is reported in finding number 05-06 in the 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*. The district reported \$27,723 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. Our findings and recommendations and your responses are as follows:

1. Finding

Section 29-3-121, Miss. Code Ann. (1972), states that it shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year.

The district failed to prepare its list of educable children by December 31 as required by Section 29-3-121, Miss. Code Ann. (1972), which can result in revenue being distributed inaccurately. The district submitted its list of educable children on June 7, 2005.

Recommendation

The district should comply with Section 29-3-121, Miss. Code Ann. (1972), by filing the list of educable children by December 31 of each year.

School District's Response

The district will comply by filing the list of educable children by December 31 of each year.

2. Finding

Section 37-7-333, Miss. Code Ann. (1972), states that school boards shall advertise and accept bids for depositories, no less than once every three years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing.

The minutes of the school board reflected that the school board received bids from Delta Southern Bank and Union Planters Bank. The minutes made no mention of Delta Southern Bank being authorized to serve as a school depository.

According to the minutes, the school board voted to maintain its regular checking accounts at Union Planters Bank for a period not to exceed three years and to obtain quotes whenever necessary for interest bearing accounts. However, no quotes were obtained for interest-bearing accounts. The district had \$799,900 in a money market account and \$67,583 in certificates of deposit at Delta Southern Bank at June 30, 2005.

The district did not comply with the board approval relating to Section 37-7-333, Miss. Code Ann. (1972), in that they maintained funds in interest-bearing accounts at Delta Southern Bank, which was not an approved depository.

Recommendation

We recommend that the district limit its banking to the banks approved by the school board pursuant to Section 37-7-333, Miss. Code Ann. (1972), which requires the school board to advertise and accept bids for depositories, no less than once every three years, when the board determines that it can obtain a more favorable rate of interest and a lower administrative processing fee. The minutes should reflect all banks that are approved as depositories in addition to the details of how the funds should be allocated to the banks.

School District's Response

The minutes will reflect that all banks are approved as depositories.

3. Finding

Section 29-3-117, Miss. Code Ann. (1972), states that all expendable sixteenth section revenues to which a school district shall become entitled from annual rents, interest and other sources shall be paid into the maintenance or building fund of the school district entitled thereto on order of the board of education.

The school board gave blanket approval of all transfers to the superintendent. However, sixteenth section transfers must be specifically approved by board order before they occur. A transfer in the amount of \$133,566 was made from the Sixteenth Section Interest Fund to the District Maintenance Fund without first obtaining board approval.

Recommendation

The district should comply with Section 29-3-117, Miss. Code Ann. (1972), by obtaining a board order specifically approving transfers of all expendable sixteenth section revenues before any transfers are made.

School District's Response

All transfers of sixteenth section transfers will be specifically approved before the transfers are made.

4. Finding

Section 37-61-9(4), Miss. Code Ann. (1972), states that there shall be imposed limitations on budgeted expenditures for certain administration costs in an amount not greater than \$150,000 plus four percent of the expenditures of all school districts each year.

During our examination of the budget, we noted that the district's administrative costs exceeded the limitation by \$113,726. The district's actual administrative costs were \$483,360. The administrative cost limitation was \$369,634.

Recommendation

We recommend the district comply with Section 37-61-9(4), Miss. Code Ann. (1972), which limits the budget on administrative expenditures.

School District's Response

The Drew School District is a small district where several administrators are already performing dual or triple duties. The administrative costs are above the limitations on budgeted expenditures, but are not excessive and do not adversely affect the operations of the district nor preclude the district from a quality deliverance of educational services to the students of the district.

5. Finding

Section 37-9-18, Miss. Code Ann. (1972), requires the district to furnish to the school board a monthly financial statement of receipts and disbursements, by fund, on or before the last day of the following month.

The district failed to furnish to the school board a monthly financial statement of receipts and disbursements for all months of the fiscal year.

Recommendation

The district should comply with Section 37-9-18, Miss. Code Ann. (1972), which requires the district to furnish to the school board a monthly financial statement of receipts and disbursements, by fund, on or before the last day of the following month. We recommend that the board minutes indicate the submission of financial statements.

School District's Response

The school board will be furnished with a monthly financial statement.

6. Finding

Section 31-7-13(viii), Miss. Code Ann. (1972), states that authorization of single source items shall be noted on the minutes of the school board.

A purchase in the amount of \$4,500 failed to be documented as a single source item for computer software and was not noted as a single source item in the minutes of the school board.

Recommendation

The district should comply with Section 31-7-13(viii), Miss. Code Ann. (1972), by noting all single source purchases in the minutes of the school board.

School District's Response

The district will insure that all single source purchases receive board approval.

7. Finding

Section 37-61-19, Miss. Code Ann. (1972), requires that a fund be budgeted before any expenditures are incurred in that fund.

We found that expenditures were incurred in two funds that had not been budgeted.

Recommendation

The district should comply with Section 37-61-19, Miss. Code Ann. (1972), which requires a fund be budgeted before any expenditures are incurred in that fund.

School District's Response

All funds will be budgeted before any expenditure is made.

8. Finding

Article 4, Section 96 of the Mississippi Constitution prohibits donations to any public employee.

We found that the school district purchased incentives for which there was no legal authority. The district deposited funds received from a utility rebate check in the amount of \$500 for rebates on phone service in a student club fund. The district then purchased shirts and tote bags for employees for special recognition out of these funds. Due to the rebates being public funds, revenues and expenditures of the district were understated.

Expenditures of public funds for unlawful purposes diminishes the public trust.

Recommendation

We recommend that the district only purchase items that are authorized by law. Also, utility rebate checks should be recognized as public funds and should be deposited within the General Fund. We recommend that the party responsible for approving this transaction refund the district in the amount of \$500.

School District's Response

The district will only purchase items authorized by law. The monies have been repaid.

9. Finding

During our test work, we noted that the school district issued payroll advances in the amount of \$3,550 to four employees. Some of these advances were paid back to the school district in installments. The advance checks were written on the additional check writing system used by the district and were not approved by the school board.

Article 4, Section 96 of the Mississippi Constitution prohibits any advances to any public employee for wages for services not rendered. In addition, we find no authority for the district to make loans to individuals.

The district administration has breached the public's trust in not safeguarding the assets of the district.

Recommendation

We recommend that the district immediately cease making payroll advances or loans to employees and recover any outstanding advances immediately.

School District's Response

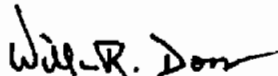
The district has discontinued making payroll advances.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 11, 2006

DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | Yes |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Title I grants to local educational agencies
CFDA #84.010 | |
| b. | Child nutrition cluster
CFDA #10.553
CFDA #10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

DREW SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

Material Noncompliance/Material Weakness

05-01. Finding

Section 37-9-14(3), Miss. Code Ann. (1972), requires an order of the school board approving payment of all pay certificates for expenditures of each school district. Ensuring that all approvals are obtained for all pay certificates is important in establishing a strong internal control system.

We found that controls were not in place to insure that all pay certificates were being included in the claims docket and approved by the school board. Checks in the amount of \$1,010,755 were manually written or generated from an additional computer system maintained by the district. These checks were not included in the claims docket and thus were not approved by the school board. However, these transactions were subsequently recorded in the district's primary accounting system.

Per inquiry, we found that the district was using the additional system to expedite the issuance of payments without obtaining board approval.

This procedure resulted in material amounts of expenditures being paid without approval by the school board. The financial statements reflected these expenditures even though they were not approved.

Recommendation

The district should implement policies and procedures to insure all disbursements are included in the claims docket and approved by the school board. We recommend that the school district discontinue use of the extra check writing system immediately.

Material Weaknesses

05-02. Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguard its assets.

During our tests of internal controls, it came to our attention that the business manager performed and was responsible for the following functions in the cash receipts/revenue and disbursements cycles which indicated a lack of segregation of duties:

- Receipted cash.
- Coded receipts by fund and function.
- Transported deposits to the banking institutions.
- Posted receipts into the financial accounting system.
- Reconciled the bank balances to the general ledger system.
- Generated purchase orders.
- Signed checks.

The district administration has not recognized the need to segregate these duties among members in the business office staff to reduce the risk that inappropriate transactions could occur and not be detected.

DREW SCHOOL DISTRICT

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

Without proper segregation of duties, the district increases the risk that unauthorized or inappropriate transactions could be processed and district personnel not detect irregularities during the normal course of their duties on a timely basis.

Recommendation

The district should revise its systems of cash receipts/revenue and disbursement functions whereby duties would be divided to the greatest extent possible.

05-03. Finding

Management is responsible for insuring that all revenue is correctly earned, recorded, and deposited in order to safeguard the assets of the district.

The district had inadequate internal controls with regard to safeguarding receipts. The following weaknesses were noted:

- A. Receipts were not written consecutively from receipt books per location.
- B. Receipt numbers were not written on deposit slips.
- C. Receipt number 14497 was for payment for a duplicate W-2 in the amount of \$5. The district does not have a board policy concerning copy fees, therefore, has no authority to charge the fees.
- D. One sixteenth section lease receipt in the amount of \$24,500 was not deposited in a timely manner. Payment was received on January 3, 2005, but was not deposited until January 10, 2005.

Inadequate internal controls surrounding revenue collection could result in theft of assets and improper revenue recognition.

Recommendation

We recommend that the district implement policies and procedures to insure that assets are adequately safeguarded and revenue is properly recognized and recorded. Further, we recommend that the district implement policies on fees to be charged.

05-04. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling monthly bank statements to the general ledger. In addition, good internal controls dictate the district prepare timely bank reconciliations to insure account balances are accurate.

At June 30, 2005, the district had seven bank accounts of which only three were adequately reconciled. We found the following weaknesses in four bank accounts:

- A. The book balance per the bank reconciliation did not agree with the general ledger book balance at June 30, 2005.
- B. Several bank accounts had unaccounted for differences which were not resolved.
- C. The payroll clearing bank account did not have a month end date of June 30, which made it difficult to reconcile mid-month.
- D. Five different funds comprise the student activities bank account. Even though the combined balance of the different funds totaled the amount on the bank reconciliation, the individual accounts did not balance to the general ledger by fund.

DREW SCHOOL DISTRICT

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

- E. One check in the amount of \$1,300 for reimbursement for overpayment on a sixteenth section lease was not posted to the general ledger.
- F. The bank accounts were not reconciled in a timely manner in order to prepare financial information to be given to the board on a monthly basis.

Incorrect and untimely bank reconciliations could result in not accurately presenting the financial condition of the district.

Recommendation

The district should insure that bank statements are being reconciled to the general ledger monthly. Any differences should be investigated and resolved. In addition, the district should require a month end cut off for all bank accounts in preparing its depository bids.

05-05. Finding

Each school board is responsible for determining which employees will be entrusted with the duties of purchasing and signature functions regarding expenditures. The administration is required to follow the directives of the governing board.

During testing performed on expenditures, the following internal control weaknesses were noted:

- A. Board policy stated that all employees who sign checks will be authorized to sign checks by the school board. Bank signature cards indicated that four employees were authorized to sign checks. However, the board minutes reflected authorization only for the superintendent to co-sign checks along with one other signer authorized by the board. The other signers were not named in the board minutes.
- B. The payroll clerk was authorized on the bank signature card to sign payroll checks, and the accounts payable clerk was authorized on the bank signature card to sign accounts payable checks.
- C. Blank checks were not adequately safeguarded. Blank checks and the money market account checkbooks were not kept in a secure location.
- D. Board policy states that all purchasing agents will be board approved. During our audit, no approval was found in the board minutes for any of the purchasing agents.

Inadequate internal controls surrounding the expenditures and disbursements cycle could result in theft of assets and improper expenditure recognition.

Recommendation

We recommend that the district implement policies and procedures to insure that approval of employees authorized to sign checks and be purchasing agents is recorded in the board minutes. Proper segregation of duties should be considered in selecting employees for each roll. In addition, checks should be safeguarded to the greatest extent possible.

DREW SCHOOL DISTRICT

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

Reportable Conditions Not Considered to be Material Weaknesses

05-06. Finding

Establishing financial control over expenditures and the related payment cycle is required to maintain a proper internal control system.

During our testing of 25 payment warrants issued from Education Enhancement Funds, we noted that two checks in the amount of \$388 and \$303 did not have any supporting documentation for the purchase, such as a purchase order, invoice, receipts, etc.

Inadequate internal controls surrounding the expenditures and disbursements cycle could result in theft of assets and improper expenditure recognition.

Recommendation

We recommend that the district implement policies and procedures to insure that all expenditures have adequate supporting documentation before checks are disbursed.

05-07. Finding

Safeguarding of assets and reliable financial reporting are paramount duties of management.

The AWJ Jackets student club fund had a negative cash balance at June 30, 2005. These funds were held in a pooled bank account with general activity funds. The district does not have the statutory authority to loan money from general activity funds to the student club fund. Further, without approval from the other student clubs, the district does not have the authority to loan other clubs' money. This situation represents an internal control weakness over the custody of agency fund assets. The district had recorded three funds as student clubs that were not in fact student clubs. These funds were a PTA club, a central office club, and an employee of the month club.

Due to inadequate internal controls, club accounts were not monitored to insure that loans were not made among student clubs without authorization. The district should also insure that all student clubs are actually student clubs. Employee groups are not considered student clubs.

Inadequate internal controls surrounding activity funds could result in misappropriation of student clubs or donations of public funds.

Recommendation

The district should implement policies and procedures that would insure that club funds are properly recognized and that the assets are properly segregated to safeguard each club's assets.

05-08. Finding

Government Accounting Standards Board Statement No. 34 requires that all debt service activities be reported in Debt Service Funds if those funds are legally mandated or if financial resources are being accumulated for principal and interest payments maturing in future years.

DREW SCHOOL DISTRICT

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

The district did not accurately account for a shortfall note that was issued in a prior fiscal year. The ad valorem tax revenue and debt service expenditures associated with this shortfall note were recorded in the District Maintenance Fund.

Recording transactions in an incorrect fund can result in a material misstatement of the financial statements of the district.

Recommendation

We recommend that the district record activity related to shortfall notes in a Debt Service Fund.

Section 3: Federal Award Findings and Questioned Costs

Reportable Conditions Not Considered To Be Material Weaknesses

- 05-09. Program: Title I grants to local educational agencies; passed-through the Mississippi Department of Education - CFDA #84.010

Compliance requirement: Allowable costs/cost principles

Finding

Management is required to insure that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with applicable cost principles.

We found that \$10,119 of Title I checks were manually written or generated from an additional computer system maintained by the district that were not included in the claims docket and thus were not approved by the school board.

This procedure resulted in the payment of Title I expenditures that were not approved by the school board as discussed in Finding 05-01.

Recommendation

The district should implement policies and procedures to insure all disbursements are included in the claims docket and approved by the school board.

- 05-10. Program: Child nutrition cluster; passed-through the Mississippi Department of Education - CFDA #s 10.553 and 10.555

Compliance requirement: Allowable costs/cost principles

Finding

Management is required to insure that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with applicable cost principles.

DREW SCHOOL DISTRICT

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

During our test work, we noted the following problems:

- A. Six purchase orders were dated after the invoice date.
- B. Two purchases were not supported by an invoice or receipts for hotel lodging.
- C. One invoice was not signed to indicate receipt of services prior to payment for repairs.
- D. One purchase exceeded the amount approved on the purchase order for supplies ordered.
- E. Sales tax was paid on two purchases which was not required to be paid by state law.
- F. Manual checks in the amount of \$530 were not approved by the school board.

Weaknesses surrounding the purchasing and expenditure cycles could cause the district to fail in safeguarding the assets of the district.

Recommendation

The district should implement policies and procedures to insure that internal controls are implemented regarding processing purchase orders and that adequate documentation is in place before disbursement is made from federal funds.

- 05-11. Program: Child nutrition cluster; passed-through the Mississippi Department of Education - CFDA #s 10.553 and 10.555

Compliance requirement: Reporting

Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which requires that the monthly claim forms be received by the 7th day of the month following the reporting month.

Three out of 11 reports were not submitted by the 7th of the following month.

Recommendation

The district should implement policies and procedures to insure compliance with the reporting requirements.

- 05-12. Program: Child nutrition cluster; passed-through the Mississippi Department of Education - CFDA #s 10.553 and 10.555

Compliance requirement: Program income

Finding:

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection and daily reconciliations.

We found no separation of these duties regarding the receipt of daily food sales at any of the school district's three cafeterias.

DREW SCHOOL DISTRICT

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

By requiring more than one staff member to be responsible for this reporting reduces the risk that fraud and errors could occur and not be detected within a timely period.

Recommendation

We recommend that the district follow the recommendation of the oversight agency by requiring more than one individual's involvement in the cash collection and daily reconciliation functions.

DREW SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

DREW SCHOOL DISTRICT

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DREW SCHOOL DISTRICT

OFFICE OF SUPERINTENDENT

SUPERINTENDENT

Dennis Silas
662-745-6657
662-745-6658
FAX: 662-745-6630

286 West Park Avenue
Drew, Mississippi 38737

BOARD OF TRUSTEES

John Q. West, President
Sheryl Nelson
Jim Harmon
Tom Davis
John Thigpen

January 25, 2007

Linda Reeves, Director
Education Audit Section
Office of the State Auditor
Post Office Box 956
Jackson, MS 39205

Dear Ms. Reeves:

As required by Section .315(c) of OMB Circular A-133, the Drew 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:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
05-01	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Madalyn Johnson, Business Manager, 662-745-6657</p> <p>b. Corrective Action Planned:</p> <ol style="list-style-type: none">1. All disbursements will be included in the claims docket which will be approved by the school board. All checks will be written through the Accounts Payable system.2. The extra check writing system has been discontinued. <p>c. Anticipated Completion Date: Immediately.</p>
05-02	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Madalyn Johnson, Business Manager, 662-745-6657</p> <p>b. Corrective Action Planned: Duties have been reassigned so that the cash receipt function has been divided.</p> <p>c. Anticipated Completion Date Immediately.</p>
05-03	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Madalyn Johnson, Business Manager, 662-745-6657</p> <p>b. Corrective Action Planned</p> <ol style="list-style-type: none">1. The district will order pre-numbered receipt books for each location.

2. Receipt numbers will be written on deposit slips.
 3. The district has discontinued charges to employees for duplicate W-2 forms.
 4. Deposits will be made within two (2) days of receipt.
- c. Anticipated Completion Date:
Immediately.
- 05-04 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657
- b. Corrective Action Planned
1. Bank reconciliations will be reconciled in a more timely manner. All differences will be investigated and resolved.
 2. The cut-off date of the payroll account has been changed to month-end.
- c. Immediately. District policy already addresses both these issues and will be monitored to insure compliance.
- 05-05 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657
- b. Corrective Action Planned:
1. One person's name could not be found in the board minutes. Since the audit, the board has approved all check signers.
 2. The payroll clerk has been taken off the payroll account as an authorized signer, and the accounts payable clerk has been removed as an authorized signer of the accounts payable account.
 3. Checks have been moved to a secure location in the Business Manager's office.
 4. All purchasing agents have subsequently been approved by the board.
- c. Anticipated Completion Date:
Immediately.
- 05-06 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657
- b. Corrective Action Planned:
All disbursements will be documented with purchase order, requisition, invoice, and packing slip. However in this case, the district feels that the missing documentation is a case of papers being filed incorrectly.
- c. Anticipated Completion Date:
Immediately. Board policy already addresses both theses issues and will be monitored to insure compliance.
- 05-07 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657

- b. Corrective Action Planned:
The AWJ Jacket fund balance has been brought to a positive balance. Non-student clubs have been discontinued.
- c. Anticipated Completion Date:
Immediately. Board policy already addresses both theses issues and will be monitored to insure compliance.
- 05-08 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657
- b. Corrective Action Planned:
A debt service fund will be used to record activity related to shortfall note.
- c. Anticipated Completion Date:
Immediately.
- 05-09 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657
- b. Corrective Action Planned:
All disbursements will be included in the claims docket which will be approved by the school board. All checks will be written through the Accounts Payable system.
- c. Anticipated Completion Date:
Immediately.
- 05-10 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Madalyn Johnson, Business Manager, 662-745-6657
- b. Corrective Action Planned:
1. Purchase orders will be issued before invoices.
2. The receipt of all goods and services shall be documented on the packing slip or invoice by a signature and date by the individual receiving the goods or services.
- c. Anticipated Completion Date:
Immediately. Board policy already addresses both theses issues and will be monitored to insure compliance.
- 05-11 a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Dennis Johnson, Food Service Supervisor, 662-745-6657
- b. Corrective Action Planned:
Monthly claim forms will be submitted by the 7th day of the following month.
- c. Anticipated Completion Date:
Immediately.
- 05-12 a. Name(s) of Contact Person(s) Responsible for Corrective Action:

Madalyn Johnson, Business Manager, 662-745-6657

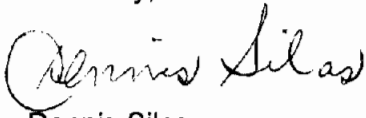
b. Corrective Action Planned:

Changes in the cash collection procedures have been implemented. These changes include the use of cash register check down procedures and the requirement that the daily cash sales be brought to the central office instead of going directly to the bank.

c. Anticipated Completion Date:

Immediately.

Sincerely,

A handwritten signature in black ink that reads "Dennis Silas". The signature is written in a cursive style with a large, looped initial "D".

Dennis Silas
Superintendent