



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2003

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

MOUND BAYOU PUBLIC 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
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2003, which collectively comprise the Mound Bayou Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mound Bayou Public 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 Mound Bayou Public School District, as of June 30, 2003, 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.

As described in Note 2, during the year ended June 30, 2003, the district implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

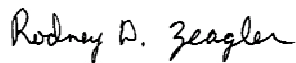
In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2004, on our consideration of the Mound Bayou Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 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 Mound Bayou Public School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

August 16, 2004

MOUND BAYOU PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

The discussion and analysis of Mound Bayou Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The School District has elected not to present comparative data.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$699,169 which represents 81% increase from fiscal year 2002.
- General revenues account for \$3,803,745 in revenue, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,434,788 or 27% of total revenues.
- The District had \$4,536,126 in expenses; only \$1,434,788 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$3,803,745 were adequate to provide for these programs.
- Among the funds, the General Fund had \$3,603,986 in revenues and \$2,985,504 in expenditures. The General Fund's fund balance increased \$560,353 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$411,735.
- Long-term debt decreased by \$18,438.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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 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 required by OMB Cir. A-133.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,566,712 as of June 30, 2003.

The largest portion of the District's net assets (\$640,787 or 41%) reflects its investment in capital assets (e.g., buildings, improvements other than buildings, mobile equipment, and furniture and equipment), 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 for the fiscal year ended June 30, 2003.

	<u>Amount</u>
Current assets	\$ 1,723,023
Capital assets, net	<u>1,351,614</u>
Total assets	<u>3,074,637</u>
Current liabilities	331,335
Long-term debt outstanding	<u>1,176,590</u>
Total liabilities	<u>1,507,925</u>
Net assets:	
Invested in capital assets, net of related debt	640,787
Restricted	601,395
Unrestricted	<u>324,530</u>
Total net assets	<u>\$ 1,566,712</u>

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

- The principal retirement of \$65,034 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2003 were \$5,238,533. The total cost of all programs and services was \$4,536,126. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2003.

	<u>Amount</u>
Revenues:	
Program revenues	\$ 1,434,788
General revenues	<u>3,803,745</u>
Total revenues	<u>5,238,533</u>
Expenses:	
Instruction	2,507,582
Support services	1,624,620
Non-instructional	<u>403,924</u>
Total expenses	<u>4,536,126</u>
Increase in net assets	<u>\$ 702,407</u>

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

	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$2,507,582	\$ (1,751,176)
Support services	1,624,620	(1,139,008)
Non-instructional	<u>403,924</u>	<u>(211,154)</u>
Total expenses	<u>\$4,536,126</u>	<u>\$ (3,101,338)</u>

- Net cost of governmental activities (\$3,101,338), was financed by general revenue, which is made up of primarily property taxes (\$416,928) and state revenue (\$3,237,486).
- Investment earnings accounted for \$15,094 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 \$1,391,688, an increase of \$649,895, due primarily to conservative spending. \$646,120 or 46% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District’s discretion. The remaining fund balance of \$745,568 or 54% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$560,353, a result of conservative spending. The fund balance of Other Governmental Funds showed an increase due primarily to conservative spending. The fund balance of the Title I program showed a decrease due primarily to the expenditure of funds recognized as revenue in the previous year. The fund balance of the debt service fund showed an increase due primarily to conservative spending.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources were increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for expenditures were decreased due primarily to adherence to conservative spending program in an effort to increase the fund balance to an acceptable level.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2003, the District's total capital assets were \$2,082,292, including school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$380,905 from the previous year. Total accumulated depreciation as of June 30, 2003 was \$730,678 and total depreciation expense for the year was \$30,830, resulting in total net assets of \$1,351,614.

Debt Administration. At June 30, 2003, the District had \$1,176,590 in qualified zone academy bonds and other long-term debt outstanding, of which \$75,071 is due within one year.

CURRENT ISSUES

The Mound Bayou School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased 2.02% over two years. In addition, the District system of financial planning, budgeting and internal financial controls is continuously improving. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will decline 28 students. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Mound Bayou Public School District, 201 Greene Street, Mound Bayou, MS 38762.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2003

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,370,662
Due from other governments	151,223
Other receivables, net	225
Inventories and prepaid items	8,575
Restricted assets	192,338
Capital assets, net	<u>1,351,614</u>
 Total Assets	 <u>3,074,637</u>
Liabilities	
Accounts payable and accrued liabilities	111,645
Due to other governments	203,278
Other payables	5,926
Deferred revenue	10,486
Long-term liabilities, due within one year	
Capital related liabilities	12827
Non-capital related liabilities	62244
Long-term liabilities, due beyond one year	
Capital related liabilities	912721
Non-capital related liabilities	<u>188798</u>
 Total Liabilities	 <u>1,507,925</u>
Net Assets	
Investment in capital assets, net of related debt	640,787
Restricted net assets:	
Expendable:	
School-based activities	330,633
Debt service	199,818
Unemployment benefits	70,061
Non-expendable:	
Sixteenth section	883
Unrestricted	<u>324,530</u>
 Total Net Assets	 <u>\$ 1,566,712</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 2,507,582	43,092	713,314		(1,751,176)
Support services	1,624,620		485,612		(1,139,008)
Non-instructional	403,924	32,946	159,824		(211,154)
Total Governmental Activities	\$ 4,536,126	76,038	1,358,750	0	(3,101,338)

General Revenues:

Taxes:

General purpose levies	397,059
Debt purpose levies	19,869

Unrestricted grants and contributions:

State	3,237,486
Unrestricted investment earnings	15,094
Sixteenth section sources	33,043
Other	101,194

Total General Revenues 3,803,745

Change in Net Assets 702,407

Net Assets - Beginning 867,543
 Prior period adjustments (3,238)

Net Assets - Beginning - Restated 864,305

Net Assets - Ending \$ 1,566,712

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2003

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Debt Service Fund		
ASSETS					
Cash and cash equivalents	\$ 771,785		500	599,133	1,371,418
Cash with fiscal agents			176		176
Investments			191,406		191,406
Due from other governments	24,985	65,747	443	60,048	151,223
Other receivables, net	207			18	225
Due from other funds	142,337	2,982	7,293	62,919	215,531
Inventories and prepaid items				8,575	8,575
Total Assets	\$ 939,314	68,729	199,818	730,693	1,938,554
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 93,151	5,530		12,964	111,645
Due to other funds	194,117	63,199		161,493	418,809
Other payables	5,926				5,926
Deferred revenue				10,486	10,486
Total Liabilities	293,194	68,729	0	184,943	546,866
Fund Balances:					
Reserved for:					
Inventory				8,575	8,575
Unreserved:					
Undesignated, reported in:					
General Fund	646,120				646,120
Special Revenue Funds				392,118	392,118
Capital Projects Funds				144,174	144,174
Debt Service Funds			199,818		199,818
Permanent Funds				883	883
Total Fund Balances	646,120	0	199,818	545,750	1,391,688
Total Liabilities and Fund Balances	\$ 939,314	68,729	199,818	730,693	1,938,554

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2003

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,391,688
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 \$730,678.	1,351,614
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,176,590)</u>
Total Net Assets - Governmental Activities	<u>\$ 1,566,712</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

Exhibit D

	Major Funds			Other	Total
	General Fund	Title I Fund	Debt Service Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 541,656	16	29,088	38,494	609,254
State sources	3,056,625			325,580	3,382,205
Federal sources	5,705	403,069		805,257	1,214,031
Sixteenth section sources				33,043	33,043
Total Revenues	3,603,986	403,085	29,088	1,202,374	5,238,533
Expenditures:					
Instruction	1,758,238	177,695		573,427	2,509,360
Support services	1,152,859	120,488		344,831	1,618,178
Noninstructional services	8,606	39,469		328,365	376,440
Facilities acquisition and construction	6,519				6,519
Debt service:					
Principal	59,282				59,282
Total Expenditures	2,985,504	337,652	0	1,246,623	4,569,779
Excess (Deficiency) of Revenues over Expenditures	618,482	65,433	29,088	(44,249)	668,754
Other Financing Sources (Uses):					
Operating transfers in	8,527			150,599	159,126
Operating transfers out	(65,044)	(92,943)		(1,139)	(159,126)
Other financing uses				(8,244)	(8,244)
Total Other Financing Sources (Uses)	(56,517)	(92,943)	0	141,216	(8,244)
Net Change in Fund Balances	561,965	(27,510)	29,088	96,967	660,510
Fund Balances:					
July 1, 2002	85,767	27,510	171,332	457,184	741,793
Prior period adjustments	(1,612)		(602)	(1,024)	(3,238)
July 1, 2002, as restated	84,155	27,510	170,730	456,160	738,555
Decrease in reserve for inventory				(7,377)	(7,377)
June 30, 2003	\$ 646,120	0	199,818	545,750	1,391,688

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2003

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 660,510
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 purchases amounted to \$15,070 and the depreciation expense amounted to \$30,830.	(15,760)
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.	59,282
3. 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.	(7,377)
4. 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>5,752</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 702,407</u></u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2003

Exhibit E

		Agency Funds
Assets		<u> </u>
Cash and cash equivalents	\$	670
Due from other funds		<u>203,353</u>
Total Assets	\$	<u><u>204,023</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	199,957
Due to other funds		75
Due to student clubs		<u>3,991</u>
Total Liabilities	\$	<u><u>204,023</u></u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government."

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is the school district's federally funded program offering remedial mathematics, language arts and reading instruction to eligible students under a school-wide structured project.

Debt Service Fund - This is the school district's fund that collects ad valorem receipts and makes transfers to the Qualified Zone Academy Bond escrow agent to retire the debt upon its maturity.

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.

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

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

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

I. Capital Assets.

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than 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. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. See Note 6 for details.

K. Interfund Transactions and Balances.

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

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

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

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

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

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended June 30, 2003, the school district implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the school district's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

	General Fund	Title I Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2002					
As Originally Presented	\$ 85,767	27,510	171,332	338,251	622,860
GASB Statement No. 34 Adjustments and Restatements:					
Changes in fund structure				118,933	118,933
Restated Fund Balance, June 30, 2002	<u>\$ 85,767</u>	<u>27,510</u>	<u>171,332</u>	<u>457,184</u>	<u>741,793</u>
GASB Interpretation 6:					
Compensated absences payable					(23,605)
GASB Statement No. 34 Adjustment:					
Capital assets					1,763,349
Long-term liabilities					(1,171,423)
Overstatement of capital assets					(395,975)
Understatement of long-term liabilities					<u>(46,596)</u>
Governmental Activities Net Assets, June 30, 2002				\$	<u><u>867,543</u></u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(3) Cash and Cash Equivalents, Cash with Fiscal Agents, 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 was \$1,372,088, and the bank balance was \$1,660,010.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$176.

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the school district's name.

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district's name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
Federal National Mortgage Association notes	\$	<u>191,406</u>		<u>191,406</u>	<u>194,922</u>
Subtotal	\$	<u><u>0</u></u>	<u><u>191,406</u></u>	<u><u>0</u></u>	<u><u>191,406</u></u>
Total Investments				\$ <u><u>191,406</u></u>	<u><u>194,922</u></u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

Investments are carried at cost. The difference between cost and fair market value is not material to the financial statements.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 142,337	194,117
Title I Fund	2,982	63,199
Debt Service Fund	7,293	
Other governmental funds	62,919	161,493
Fiduciary Funds	<u>203,353</u>	<u>75</u>
Total Funds	<u>\$ 418,884</u>	<u>418,884</u>

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 8,527	65,044
Title I Fund		92,943
Other governmental funds	<u>150,599</u>	<u>1,139</u>
Total Funds	<u>\$ 159,126</u>	<u>159,126</u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(5) Capital Assets.

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

	Balance 7-1-2002	Additions	Retirements	Adjustments	Balance 6-30-2003
<u>Depreciable capital assets:</u>					
Buildings	\$ 1,635,628			(71,971)	1,563,657
Improvements other than buildings		6,519		49,994	56,513
Mobile equipment	291,850			(4,500)	287,350
Furniture and equipment	535,719	8,551		(369,498)	174,772
Total depreciable capital assets	<u>2,463,197</u>	<u>15,070</u>	<u>0</u>	<u>(395,975)</u>	<u>2,082,292</u>
<u>Less accumulated depreciation for:</u>					
Buildings	642,828	19,645			662,473
Improvements other than buildings		2,261			2,261
Mobile equipment	25,634	3,662			29,296
Furniture and equipment	31,386	5,262			36,648
Total accumulated depreciation	<u>699,848</u>	<u>30,830</u>	<u>0</u>	<u>0</u>	<u>730,678</u>
Total depreciable capital assets, net	<u>1,763,349</u>	<u>(15,760)</u>	<u>0</u>	<u>(395,975)</u>	<u>1,351,614</u>
Governmental activities capital assets, net	<u>\$ 1,763,349</u>	<u>(15,760)</u>	<u>0</u>	<u>(395,975)</u>	<u>1,351,614</u>

Adjustments were made in several capital assets accounts to properly reflect assets previously reported below the capital asset threshold limit.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 6,525
Support services	6,442
Non-instructional	<u>17,863</u>
Total Depreciation Expense	<u>\$ 30,830</u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(6) Long-term liabilities.

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

	Balance 7-1-2002	Additions	Reductions	Adjustments	Balance 6-30-2003	Amounts due within one year
A. Qualified zone academy bonds payable \$	855,000				855,000	
B. Judgments payable			46,455	279,644	233,189	62,244
C. Other loans payable	108,790		12,827	(25,415)	70,548	12,827
D. Compensated absences payable	23,605		5,752		17,853	
E. Due to other LEA's	207,633			(207,633)		
Total	\$ <u>1,195,028</u>	<u>0</u>	<u>65,034</u>	<u>46,596</u>	<u>1,176,590</u>	<u>75,071</u>

An adjustment was necessary to reflect a \$47,368 overtime lawsuit settlement to current and/or former employees. An adjustment in the amount of \$24,643 was necessary to properly reflect the amount owed to Cleveland School District as a result of a legal claim being finalized. Also, judgements payable was previously reported as due to other LEA's. Finally, an adjustment in the amount of \$25,415 was necessary to reduce other loans payable previously overstated.

A. Qualified zone academy bonds payable.

As more fully explained in Note 10, debt has been issued by the school district that qualifies as qualified zone academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds, Series 2000	N/A	09-12-00	07-01-10	\$ <u>855,000</u>	<u>855,000</u>
Total				\$ <u>855,000</u>	<u>855,000</u>

B. Judgments payable.

Mound Bayou Public School District originally filed civil litigation against Cleveland School District on July 21, 1999, in the matter of a payroll loan to Mound Bayou Public School District made by Bolivar County School District. The litigation was finally appealed to the Supreme Court of Mississippi in November, 2001, and a final judgement finding for Cleveland School District was affirmed on May 23, 2002, in the amount of \$232,276.

A settlement totaling \$47,368 in the litigation styled *Sharon Jones, and all Others Similarly Situated vs. Mound Bayou School District* was reached on May 29, 2003, in U.S. District Court for the Northern District of Mississippi, Western Division; Civil Action Number: 2:00CV178SB. The settlement is to be paid in three annual installments beginning in August, 2003.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Cleveland School District	N/A	05-23-02	03-15-07	\$ 232,276	185,821
FLSA overtime settlement	N/A	05-29-03	07-31-05	<u>47,368</u>	<u>47,368</u>
Total				\$ <u>279,644</u>	<u>233,189</u>

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

The debt will be retired from the District Maintenance Fund.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Total</u>
2004	\$ 62,244	62,244
2005	62,244	62,244
2006	62,245	62,245
2007	<u>46,456</u>	<u>46,456</u>
Total	\$ <u>233,189</u>	<u>233,189</u>

C. Other loans payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
U.S. EPA loan	Interest free	11-30-91	11-30-09	\$ <u>230,883</u>	<u>70,548</u>
Total				\$ <u>230,883</u>	<u>70,548</u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

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

Year Ending		
<u>June 30</u>	<u>Principal</u>	<u>Total</u>
2004	\$ 12,827	12,827
2005	12,827	12,827
2006	12,827	12,827
2007	12,827	12,827
2008	12,827	12,827
2009-2013	<u>6,413</u>	<u>6,413</u>
Total	<u>\$ 70,548</u>	<u>70,548</u>

This debt will be retired from the District Maintenance Fund.

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$270,257, \$269,648 and \$277,825, respectively, which equaled the required contributions for each year.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
Error in recording prior year audit adjustments.	\$ (3,238)
Total	\$ <u>(3,238)</u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Error in recording prior year audit adjustment.	\$ (1,612)
Debt Service Fund	Error in recording prior year audit adjustment.	(602)
Other governmental funds	Error in recording prior year audit adjustments.	<u>(1,024)</u>
Total		\$ <u>(3,238)</u>

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three 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 90 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 Trustmark National Bank in Jackson. The funds in the trust account are used to pay any claim up to \$175,000. For a claim exceeding \$175,000, MSBAWCT has insurance which will pay the excess up to \$1,000,000. 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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(10) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Duncan Williams, Inc., has entered into such an arrangement dated September 12, 2000. The note was issued for the purpose of paying the costs of renovating, repairing, and rehabilitating a Qualified Zone Academy within the district and paying the costs of such borrowing with Duncan Williams, Inc. assisting in the underwriting.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1, 2010. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2004	\$ 54,000
2005	54,000
2006	54,000
2007	54,000
2008	54,000
2009-2013	<u>356,000</u>
Total	<u>\$ 626,000</u>

(11) Alternative School Consortium.

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 458,061	546,512	541,656	88,451	(4,856)
State sources	2,967,661	3,056,625	3,056,625	88,964	
Federal sources		849	5,705	849	4,856
Total Revenues	<u>3,425,722</u>	<u>3,603,986</u>	<u>3,603,986</u>	<u>178,264</u>	<u>0</u>
Expenditures:					
Instruction	1,869,717	1,758,238	1,758,238	111,479	
Support services	1,406,588	1,199,639	1,152,859	206,949	46,780
Noninstructional services	25,821	8,606	8,606	17,215	
Facilities acquisition and construction		6,519	6,519	(6,519)	
Debt service:					
Principal	12,827	12,827	59,282		(46,455)
Total Expenditures	<u>3,314,953</u>	<u>2,985,829</u>	<u>2,985,504</u>	<u>329,124</u>	<u>325</u>
Excess (Deficiency) of Revenues over Expenditures	<u>110,769</u>	<u>618,157</u>	<u>618,482</u>	<u>507,388</u>	<u>325</u>
Other Financing Sources (Uses):					
Operating transfers in	113,027	198,566	8,527	85,539	(190,039)
Operating transfers out	(170,913)	(255,083)	(65,044)	(84,170)	190,039
Total Other Financing Sources (Uses)	<u>(57,886)</u>	<u>(56,517)</u>	<u>(56,517)</u>	<u>1,369</u>	<u>0</u>
Net Change in Fund Balances	<u>52,883</u>	<u>561,640</u>	<u>561,965</u>	<u>508,757</u>	<u>325</u>
Fund Balances:					
July 1, 2002	87,944	87,944	85,767		(2,177)
Prior period adjustments		1,853	(1,612)	1,853	(3,465)
July 1, 2002, as restated	<u>87,944</u>	<u>89,797</u>	<u>84,155</u>	<u>1,853</u>	<u>(5,642)</u>
June 30, 2003	<u>\$ 140,827</u>	<u>651,437</u>	<u>646,120</u>	<u>510,610</u>	<u>(5,317)</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	16	16	16	
Federal sources	596,246	403,069	403,069	(193,177)	
Total Revenues	<u>596,246</u>	<u>403,085</u>	<u>403,085</u>	<u>(193,161)</u>	<u>0</u>
Expenditures:					
Instruction	467,323	177,695	177,695	289,628	
Support services	48,863	120,488	120,488	(71,625)	
Noninstructional services	8,000	39,469	39,469	(31,469)	
Total Expenditures	<u>524,186</u>	<u>337,652</u>	<u>337,652</u>	<u>186,534</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>72,060</u>	<u>65,433</u>	<u>65,433</u>	<u>(6,627)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(82,493)</u>	<u>(92,943)</u>	<u>(92,943)</u>	<u>(10,450)</u>	
Total Other Financing Sources (Uses)	<u>(82,493)</u>	<u>(92,943)</u>	<u>(92,943)</u>	<u>(10,450)</u>	<u>0</u>
Net Change in Fund Balances	<u>(10,433)</u>	<u>(27,510)</u>	<u>(27,510)</u>	<u>(17,077)</u>	<u>0</u>
Fund Balances:					
July 1, 2002	<u>27,510</u>	<u>27,510</u>	<u>27,510</u>	<u>0</u>	<u>0</u>
June 30, 2003	\$ <u><u>17,077</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(17,077)</u></u>	<u><u>0</u></u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2003

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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

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	\$ <u>41,422</u>
Child nutrition cluster:		
School breakfast program	10.553	150,598
National school lunch program	10.555	139,861
Summer food service program for children	10.559	24,718
Total child nutrition cluster		<u>315,177</u>
Total U.S. Department of Agriculture		<u>356,599</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Impact aid - facilities maintenance	84.040	5,705
Twenty-first century community learning centers	84.287	80,208
Total		<u>85,913</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	425,900
Vocational education - basic grants to states	84.048	19,080
Safe and drug-free schools and communities - state grants	84.186	3,690
Innovative education program strategies	84.298	5,092
Education technology state grants	84.318	5,769
Title I accountability grants	84.348	47,419
Rural education achievement program	84.358	12,077
Improving teacher quality - state grants	84.367	73,995
Total		<u>593,022</u>
Special education cluster:		
Special education - grants to states	84.027	196,420
Special education - preschool grants	84.173	12,189
Total		<u>208,609</u>
Total passed-through Mississippi Department of Education		<u>801,631</u>
Total U.S. Department of Education		<u>887,544</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	6,000
Total U.S. Department of Health and Human Services		<u>6,000</u>
Total for All Federal Awards		<u>\$ 1,250,143</u>

NOTES TO SCHEDULE

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2003, and have issued our report thereon dated August 16, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated August 16, 2004, which is included in this report.

Internal Control Over Financial Reporting

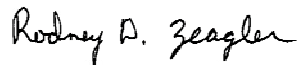
In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 opinion, could adversely affect the school district's ability to 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 03-1 through 03-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions 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.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

August 16, 2004



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
Mound Bayou Public School District

Compliance

We have audited the compliance of the Mound Bayou Public 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, 2003. 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, Mound Bayou Public 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, 2003.

Internal Control Over Compliance

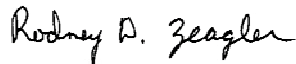
The management of the Mound Bayou Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school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

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

August 16, 2004

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

MOUND BAYOU PUBLIC 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
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2003, and have issued our report thereon dated August 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

During our examination of surety bonds, we noted one school principal was not bonded.

Recommendation

The district should comply with Section 37-9-31, Miss. Code Ann. (1972), which requires school principals be bonded in the amount of \$25,000, and the bond recorded in the office of the chancery clerk.

School District's Response

The principal's bond was not on file because of a mistake. The bonding company had the error removed and a bond was issued shortly thereafter.

2. Finding

The superintendent did not provide the board a financial statement of receipts and disbursements for the first six months of the fiscal year.

Recommendation

The district should comply with Section 37-9-18, Miss. Code Ann. (1972), which requires the superintendent to present to the school board a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month covering the prior month.

School District's Response

The superintendent provided the board with financial statements in the past. However, the minutes did not accurately reflect that this procedure was followed. The minutes now have the financial reports listed on the agenda for each board meeting.

3. Finding

The district failed to provide documentation showing that valid depository bids had been obtained since July 1, 1999.

Recommendation

The district should comply with Section 37-7-333, Miss. Code Ann. (1972), which requires school boards to advertise and accept bids for depositories no less than once every three years.

School District's Response

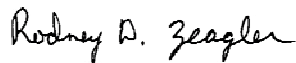
Due to error in communication with the bank, the superintendent was told that the bank had secured a four year bid. However, the district inadvertently violated the law and now knows that only three years are accepted as depository bids.

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.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

August 16, 2004

MOUND BAYOU PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | 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? | No |
| 6. | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Child nutrition cluster
CFDA #10.553
CFDA #10.555
CFDA #10.559 | |
| b. | Title I - grants to local educational agencies
CFDA #84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 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? | Yes |

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses

03-1. Finding

The following internal control weaknesses were noted during our examination of the district's activity fund revenues.

- A. In some instances, club sales were recorded as general activity fund receipts.
- B. Monthly detailed transmittal listings of receipts were not prepared or available.
- C. In some instances, receipts were not available to support bank deposits.
- D. In some instances, receipts were dated after the deposit was made.
- E. In some instances, deposits were not made in a timely manner.

Recommendation

The district should implement policies and procedures to insure that compliance with policies and procedures prescribed by the school board and in the *Financial Accounting Manual for Mississippi Public School Districts* for activity funds is maintained.

03-2. Finding

During our review of the district's computer systems, we noted the following weaknesses in access controls:

- A. User accounts were not disabled after a set number of unsuccessful attempts.
- B. User passwords were not set to expire. We noted one user who had access to the system but was no longer employed by the school district.
- C. User accounts did not have a minimum password length.
- D. User passwords could only be assigned and changed by the system administrator.
- E. One user had access to accounts payable and payroll functions which created a separation of duties weakness.

The *Control Objectives for Information and Related Technology* (CobiT), a generally accepted standard for good information technology security and control practices, as well as industry best practices, requires the existence of adequate access controls. The lack of control over passwords could result in inadequate security over access to the financial system of the district.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2003

Recommendation

The district should strengthen controls over its computer systems. Management should set and implement adequate password standards. Users should be locked out after a set number (usually three) of login attempts have been made. Passwords should be changed by the user. Passwords should have a minimum length of five or six characters, be set to expire on a 60 to 90 day interval and be aged periodically. Also, management should evaluate employees' computer access in relation to their responsibilities in order to insure a proper separation of duties.

03-3. Finding

The accounting software allows users to edit or delete critical data (receipts, purchase orders claims and warrants) until the month is closed out. We found that the district's accounting software was set to allow thirteen (13) months to remain open at one time. Editing or deleting of critical data should not be allowed without providing a clear audit trail.

Recommendation

The district should implement policies and controls to insure that changes to original critical data are only made through the journal entry process. The district's software should be set to allow only two (2) months to remain open at one time.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

201 Greene Street

Mound Bayou, Mississippi 38762

PHONE: (662) 741-2555

FAX: (662) 741-2726

SUPERINTENDENT
William Crockett



September 7, 2004

Financial and Compliance Audit Division

As required by Section _____ .315(b) of OMB Circular A-133, the Mound Bayou Public 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, 2003:

Finding

Corrective Action Plan Details

03-1

- a. Name of Contact Person Responsible for Corrective Action

Name: Mr. William Crockett
Title: Superintendent
Phone Number: (662) 741-2555

- b. Corrective Action Planned:

The district has implemented and trained staff in the use of activity fund worksheets and transmittal reports as outlined in the Financial Accounting Manual for Mississippi Public School Districts for activity funds. The district has also trained staff on proper procedure for depositing and receipting of funds.

- c. Anticipated Completion Date:

June 30, 2004.

03-2

- a. Name of Contact Person Responsible for Corrective Action

Name: Mr. William Crockett
Title: Superintendent
Phone Number: (662) 741-2555

b. Corrective Action Planned:

The district has contacted its software vendor and all changes will be made according to the guidelines that the state has implemented. Please see attached letter from vendor to the Office of the State Auditor.

c. Anticipated Completion Date:

June 30, 2005.

03-03

a. Name of Contact Person Responsible for Corrective Action

Name: Mr. William Crockett
Title: Superintendent
Phone Number: (662) 741-2555

b. Corrective Action Planned:

The district has contacted its software vendor and all changes will be made according to the guidelines that the state has implemented. Please see attached letter from vendor to the Office of the State Auditor.

c. Anticipated Completion Date:

June 30, 2005.

Sincerely,



William Crockett,
Superintendent

MOUND BAYOU PUBLIC SCHOOL DISTRICT

201 Greene Street

Mound Bayou, Mississippi 38762

PHONE: (662) 741-2555

FAX: (662) 741-2726

SUPERINTENDENT

William Crockett



August 16, 2004

Financial and Compliance Audit Division

As required by Section _____ .315(b) of OMB Circular A-133, the Mound Bayou Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003:

Finding	Status
2002-4	Increased breakfast to \$1.50 and lunch to \$2.50. This increase in the cost of adult meals should alleviate the district in having a net loss in lunch or breakfast in the Food Service Program.

Sincerely,

A handwritten signature in black ink that reads "William Crockett". The signature is written in a cursive style.

William Crockett,
Superintendent