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COLUMBIA SCHOOL DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

WRIGHT CPA GROUP, PLLC

COLUMBIA SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2005**

COLUMBIA SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
FINANCIAL STATEMENTS	
Statement of Net Assets	18
Statement of Activities	19
Balance Sheet – Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Statement of Fiduciary Obligations	24
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	45
Notes to the Required Supplementary Information	46
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	48
Schedule of Instructional, Administrative and Other Expenditures – Governmental	49
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	54
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
Independent Auditor's Report on Compliance with State Laws and Regulations	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60

**COLUMBIA SCHOOL DISTRICT
FINANCIAL AUDIT REPORT**

COLUMBIA SCHOOL DISTRICT

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WRIGHT CPA GROUP, PLLC



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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Columbia School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the Columbia School District, as of June 30, 2005, and the respective changes in the 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 March 13, 2006, on our consideration of the Columbia School Districts internal control over financial reporting and our test 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 with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 47 are not a required part of the basic financial statements but are supplementary information required by the Government 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 Columbia School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds is presented for the 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.

Wright CPA Group, PLLC

Wright CPA Group, PLLC
March 13, 2006

COLUMBIA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLUMBIA SCHOOL DISTRICT

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**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

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

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

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$720,933, which represents a 7% increase from fiscal year 2004. This increase is due primarily to conservative budgeting during the fiscal year in order to increase the District's fund balance at year end.
- General revenues accounted for \$10,610,402 in revenue, or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,559,574, or 25% of total revenues.
- The District had \$13,540,213 in expenses; only \$3,559,574 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,610,402 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,888,249 in revenues and \$9,772,978 in expenditures. After net other financing sources of \$304,026, the General Fund's fund balance, including the effect of prior period adjustments, increased \$485,138 from the prior year. At June 30, 2005, the General Fund had a negative fund balance of \$1,751,092. This negative fund balance is partially due to the reclassification of sixteenth section principal loans as advances in a prior fiscal year. The negative fund balance is also due to the deficiency of revenues and other financing sources over expenditures and other financing uses in the prior fiscal year related to school operations and the renovation and construction of school facilities.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

- Capital assets, net of accumulated depreciation, decreased by \$293,342 due to the current year depreciation of capital assets.
- Long-term debt decreased by \$372,050 due primarily to principal payments made during the fiscal year on existing long-term debt.

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 and interest and other expenses 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.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

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.

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.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is provided in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$10,486,045 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,857,567 of the District's net assets reflects its investment in capital assets (e.g., land, 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. \$9,556,898 of the District's net assets reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. The unrestricted portion of the District's net assets is a negative \$1,928,420. The District's unrestricted net assets are in the negative due primarily to the reclassification of sixteenth section principal loans as advances in a prior fiscal year. The negative unrestricted net assets are also due to the deficiency of revenues and other financing sources over expenditures and other financing uses in the prior fiscal year related to school operations and the renovation and construction of school facilities.

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.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 1,940,611	\$ 1,687,546
Other assets	6,165,545	6,155,646
Capital assets, net	<u>9,032,567</u>	<u>9,325,909</u>
Total assets	<u>17,138,723</u>	<u>17,169,101</u>
Current liabilities	300,350	679,611
Long-term debt outstanding	<u>6,352,328</u>	<u>6,724,378</u>
Total liabilities	<u>6,652,678</u>	<u>7,403,989</u>
Net assets:		
Invested in capital assets, net of related debt	2,857,567	2,770,909
Restricted	9,556,898	9,399,811
Unrestricted	<u>(1,928,420)</u>	<u>(2,405,608)</u>
Total net assets	<u>\$ 10,486,045</u>	<u>\$ 9,765,112</u>

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

- Current assets increased from the previous fiscal year due primarily to an increase in amounts due from other governments.
- Capital assets decreased from the previous fiscal year due to the current year depreciation of capital assets.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in fund balance of the General Fund.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$14,169,976. The total cost of all programs and services was \$13,540,213. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues	\$ 3,559,574	\$ 2,622,924
General revenues	<u>10,610,402</u>	<u>11,032,378</u>
Total revenues	<u>14,169,976</u>	<u>13,655,302</u>
Expenses:		
Instruction	7,601,070	7,992,772
Support services	4,697,917	4,617,511
Non-instructional	832,816	770,202
Interest and other expenses on long-term liabilities	<u>408,410</u>	<u>410,070</u>
Total expenses	<u>13,540,213</u>	<u>13,790,555</u>
Prior period adjustments	<u>91,170</u>	<u>466,810</u>
Increase in net assets	\$ <u>720,933</u>	\$ <u>331,557</u>

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions, specifically funds related to Educational Enhancement, Title I, Title II and Special Education.
- General revenues decreased from the previous fiscal year due primarily to a decrease in unrestricted state grants and contributions and sixteenth section sources.
- Instruction expenses decreased from the previous fiscal year due primarily to conservative budgeting during the fiscal year in order to increase the District's fund balance at year end.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004, the cost of four major District functional activities: instruction, support services, non-instructional and interest and other expenses 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

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 7,601,070	\$ (5,662,702)	\$ 7,992,772	\$ (6,741,423)
Support services	4,697,917	(3,994,036)	4,617,511	(3,992,295)
Non-instructional	832,816	84,509	770,202	(23,843)
Interest on long-term liabilities	408,410	(408,410)	410,070	(410,070)
Total expenses	\$ 13,540,213	\$ (9,980,639)	\$ 13,790,555	\$(11,167,631)

- The net cost of governmental activities for fiscal year 2005 in the amount of \$9,980,639 was financed by general revenue, which is made up of primarily property taxes of \$3,458,209 and state revenue of \$6,572,306.
- Investment earnings accounted for \$168,543 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 fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$7,896,785. The net change in fund balance for the fiscal year was an increase of \$526,360 due primarily to conservative budgeting during the fiscal year in order to increase the District's fund balance at year end. The portion of the fund balance reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet is a negative \$1,760,240. The negative portion reported in the General Fund is a result of the reclassification of sixteenth section principal loans as advances in a prior year and the deficiency of revenues and other financing sources over expenditures and other financing uses in the prior fiscal year related to school operations and the construction and renovation of school facilities. The negative portion reported in the Special Revenue Funds is primarily a result of the reclassification of sixteenth section principal loans as advances in a prior year in the Uniform Millage Assistance Fund. The negative fund balance of the Uniform Millage Assistance Fund has been netted against the fund balances of other Special Revenue Funds on the Governmental Funds Balance

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

Sheet. \$9,657,025 of the fund balance is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$419,297 due primarily to conservative budgeting during the fiscal year in order to increase the District's fund balance at year end. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was a decrease of \$28,839. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$135,902 due primarily to conservative budgeting during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased to reflect actual funds received from state sources during the fiscal year. The original budget was overstated.
- Budgeted amounts for support services expenditures in the General Fund were decreased due to conservative budgeting during the fiscal year in order to increase the District's fund balance at year end.

The district amended the final budget to agree with actual amounts per the accounting records at the end of the fiscal year. Variances between the final amended budget and the actual amounts reported in the basic financial statements are a result of audit adjustments.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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, before depreciation, were \$12,791,519, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. The district did not purchase or dispose of any capital assets

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

during the fiscal year. Total depreciation expense for the year was \$293,342. Total accumulated depreciation as of June 30, 2005 was \$3,758,952, resulting in total net assets of \$9,032,567.

Debt Administration. At June 30, 2005, the District had \$6,352,328 in general and limited obligation bonds and other long-term debt outstanding, of which \$402,950 is due within one year. During the fiscal year, the district made principal payments in the amount of \$380,000 on existing long-term debt.

CURRENT ISSUES

The General Fund of the Columbia School District had a negative fund balance of \$1,751,092 at June 30, 2005. This negative fund balance is partially due to the reclassification of sixteenth section principal loans as advances in a prior fiscal year. The negative fund balance is also due to the deficiency of revenues and other financing sources over expenditures and other financing uses in the prior fiscal year related to school operations and the renovation and construction of school facilities.

The millage rate did not increase or decrease significantly from the previous fiscal year.

Latest enrollment figures indicate that student enrollment in the District did not increase or decrease significantly from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Columbia School District, 613 Bryan Avenue, Columbia, MS 39429.

**Columbia School District
Statement of Net Assets
June 30, 2005**

ASSETS	
Cash and Cash Equivalents	\$1,233,372
Due from other governments	671,307
Inventories	35,932
Restricted Assets	6,165,545
Capital Assets, net	<u>9,032,567</u>
Total Assets	<u>\$17,138,723</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$196,027
Deferred Revenue	13,344
Interest Payable on Long Term Debt	90,979
Long Term Liabilities (due with one year)	
Capital Related liabilities	395,000
Non-capital liabilities	5,320
Long Term Liabilities (due beyond one year)	
Capital Related liabilities	5,780,000
Non-capital liabilities	<u>172,008</u>
Total Liabilities	<u>\$ 6,652,678</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,857,567
Restricted Net Assets	
Expendable:	
School Based Activities	26,784
Debt Service	512,094
Unemployment Benefits	88,131
Non-Expendable:	
Sixteenth Section	8,929,889
Unrestricted	<u>(1,928,420)</u>
Total Net Assets	<u>\$10,486,045</u>

The notes are an integral part of these statements.

Exhibit B

**Columbia School District
Statement of Activities
For the Year Ended June 30, 2005**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities
Governmental Activities:					
Instruction	\$7,601,070	\$106,649	\$1,831,719	\$-	\$(5,662,702)
Support Services	4,697,917	-	703,881	-	(3,994,036)
Noninstructional services	832,816	242,440	674,885	-	84,509
Interest and other expenses on long-term debt	408,410				(408,410)
Total Governmental Activities	13,540,213	349,089	3,210,485	-	(9,980,639)
General Revenues:					
Taxes:					
Property taxes - general purposes					2,802,851
Property taxes - debt service					655,358
Unrestricted grants and contributions					
State					6,572,306
Federal					17,279
Unrestricted investment earnings					168,543
Sixteenth Section sources					304,206
Other					89,859
Total General Revenues					10,610,402
Change in Net Assets					629,763
Net Assets - Beginning					9,765,112
Prior Period Adjustments					91,170
Net Assets - Restated					9,856,282
Net Assets - Ending					\$10,486,045

The notes are an integral part of these statements.

**Columbia School District
Balance Sheet – Governmental Funds
For the Year Ended June 30, 2005**

Major Funds

	General Fund	16 th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$398,021	6,119,002	835,351	7,352,374
Cash with fiscal agent	-	-	46,543	46,543
Due from other governments	217,046	-	454,261	671,307
Due from other funds	-	331,352	-	331,352
Advances to other funds	-	2,479,535	-	2,479,535
Inventories	-	-	35,932	35,932
Total assets	\$615,067	8,929,889	1,372,087	10,917,043
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$165,973	-	30,054	196,027
Due to other funds	-	-	331,352	331,352
Advances from other funds	2,200,186	-	279,349	2,479,535
Deferred revenue	-	-	13,344	13,344
Total liabilities	\$2,366,159	-	654,099	3,020,258
Fund balances:				
Reserved for:				
Advances	-	2,479,535	-	2,479,535
Inventory	-	-	35,932	35,932
Unemployment benefits	-	-	88,131	88,131
Debt service purposes	-	-	603,073	603,073
Permanent fund purposes	-	6,450,354	-	6,450,354
Unreserved, undesignated, reported in:				
General fund	(1,751,092)	-	-	(1,751,092)
Special revenue funds	-	-	(9,148)	(9,148)
Total fund balances	(1,751,092)	8,929,889	717,988	7,896,785
Total liabilities & fund balances	\$615,067	\$8,929,889	\$1,372,087	\$10,917,043

The notes are an integral part of these financial statements.

**Columbia School District
Reconciliation of Balance Sheet – Governmental Funds to
Statement of Net Assets
June 30, 2005**

Total fund balance – governmental funds	Amounts
	\$7,896,785
 Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	12,791,519
Less Accumulated Depreciation	<u>(3,758,952)</u>
	<u>9,032,567</u>
 Liabilities not due and payable in the current period are not reported in the funds, as follows:	
Long – term liabilities	(6,352,328)
Accrued interest on debt	<u>(90,979)</u>
	<u>(6,443,307)</u>
 Total Net Assets	 <u>\$10,486,045</u>

The notes are an integral part of these financial statements.

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

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 2,823,244	\$ -	\$ 1,097,622	\$ 3,920,866
State sources	7,047,726	-	372,692	7,420,418
Federal sources	17,279	-	2,362,373	2,379,652
Sixteenth section sources		449,040	-	449,040
Total revenues	<u>9,888,249</u>	<u>449,040</u>	<u>3,832,687</u>	<u>14,169,976</u>
EXPENDITURES				
Instruction	5,836,072	-	1,612,609	7,448,681
Support services	3,870,893	-	683,691	4,554,584
Noninstructional services		-	828,832	828,832
Facilities acquisition and construction		-	16,205	16205
Debt Service:				
Principal	-	-	380,000	380,000
Interest	66,013	-	345,926	411,939
Other		-	3,375	3,375
Total expenditures	<u>9,772,978</u>	<u>-</u>	<u>3,870,638</u>	<u>13,643,616</u>
Excess (deficiency) of revenues over expenditures	<u>115,271</u>	<u>449,040</u>	<u>(37,951)</u>	<u>526,360</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,095,308	-	477,921	2,573,229
Transfers out	(1,791,282)	(477,879)	(304,068)	(2,573,229)
Total other financing sources and uses	<u>304,026</u>	<u>(477,879)</u>	<u>173,853</u>	<u>-</u>
Net change in fund balances	<u>419,297</u>	<u>(28,839)</u>	<u>135,902</u>	<u>526,360</u>
Fund balances:				
July 1, 2004, as previously reported		8,958,405	539,289	7,261,464
Prior period adj. & reclassifications	(2,236,230)	65,841	323	25,006
July 1, 2004, as restated	<u>(2,170,389)</u>	<u>8,958,728</u>	<u>564,295</u>	<u>7,352,634</u>
Increase (decrease) in reserve for inventory		-	17,791	17,791
June 30, 2005	<u>\$ (1,751,092)</u>	<u>\$ 8,929,889</u>	<u>\$ 717,988</u>	<u>\$ 7,896,785</u>

The notes are an integral part of these financial statements.

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

	<u>Amounts</u>
Net change in fund balances	\$ 526,360
Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities. (-)	(293,342)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (+)	(380,000)
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:</p>	
Compensated Absences Increases	(7,950)
Accrued interest on debt Decreases	6,904
An increase (+) / decrease (-) in the reserve for inventory is reported as a direct increase / decrease to the fund balance in the governmental funds but is a decrease / increase in noninstructional service expenses in the Statement of Activities.	<u>17,791</u>
Change in net assets of governmental activities	<u>\$ 629,763</u>

The notes are an integral part of these financial statements.

**Columbia School District
Statement of Fiduciary Net Assets
June 30, 2005**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 23,568
Due from other governments	<u>12,914</u>
Total Assets	<u><u>36,482</u></u>
LIABILITIES	
Due to student clubs	<u>36,482</u>
Total Liabilities	<u><u>\$ 36,482</u></u>

The notes are an integral part of these financial statements.

Columbia School District

Notes to Financial Statements

COLUMBIA 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 Columbia 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 non-exchange revenues.

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

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 identified 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.

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

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

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 for those required to be accounted for in another fund.

Uniform Millage Fund – This fund is used to account for funds received under the Uniform Millage Assistance Grant Program.

Sixteenth Section Principal Fund – This is a permanent fund derived from certain uses of school trust land.

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.

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

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

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

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

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 consist 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 or other obligation 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 the 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.

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

I. Capital Assets

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

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

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

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

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

K. Interfund Transactions and Balances

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

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

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

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

L. Equity Classifications

Government-wide Financial Statements:

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

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 attributed 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.

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

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.

M. Property Taxes

Ad valorem property taxes are levied by the governing authorities of the county and the city on behalf of the school district based upon an order adopted by 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 the 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 reported only the compensated absence liability payable from expendable available financial resources.

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

(2) Cash and Cash Equivalents and Cash with Fiscal Agents

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 government 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 institutions 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 \$7,352,374 and \$23,568, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,233,372 and Restricted Assets \$6,165,545. The Restricted assets represents the cash balance of the 16th section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$7,764,659.

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

Credit Risk: State law allows for the investment of excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository. Excess funds may also be offered for investment in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity. The district has no investment policy that would further limit it's investment choices.

Concentration of Credit Risk: The district places no limit on the amount the district may invest in any one issuer. As of September 30, 2005, 100% of the district's investments were in Certificate of Deposits.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$46,543.

(3) 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>	<u>Description</u>
Major Funds:			
16 th Section Principal	\$ 331,352		Interfund Loan
Other governmental funds		<u>331,352</u>	Interfund Loan
Total Funds	<u>\$ 331,352</u>	<u>331,352</u>	
B. Advances To/From Other Funds:	<u>Advances To</u>	<u>Advances From</u>	<u>Description</u>
Major Funds:			
General fund	\$	2,479,535	Transportation, Etc.
Other major fund(s)			
Sixteenth Section Principal Fund	<u>2,479,535</u>		Transportation, Etc.
Total Funds	<u>\$ 2,479,535</u>	<u>2,479,535</u>	

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

A. Sixteenth section principal loans payable.

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

Year Ending June 30, 2005	Principal	Interest	Total
2006	\$ 380,874	99,181	480,055
2007	396,110	83,946	480,056
2008	263,845	68,102	331,947
2009	149,175	57,548	206,723
2010	155,142	51,581	206,723
2011-2015	829,067	159,705	988,772
2016-2019	305,322	18,439	323,761
	<u>\$ 2,479,535</u>	<u>538,502</u>	<u>3,018,037</u>

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

B. Transfers In/Out

	Transfer In	Transfer Out	Purpose
Major Funds			
General fund	\$ 2,095,308	1,791,282	Operational Expense
Other major fund(s)		477,879	Transfer Earnings
Other governmental funds	<u>477,921</u>	<u>304,068</u>	Operational Expense
Total	<u>\$ 2,573,229</u>	<u>2,573,229</u>	

(4) Capital Assets

(4) Capital Assets

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

	Balance 7/1/2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 727,266					727,266
Construction in progress						-
Total non-depreciable capital assets	<u>\$ 727,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,266</u>
<u>Depreciable capital assets:</u>						
Buildings	\$ 10,369,450					10,369,450
Building improvements						-
Improvements other than buildings	121,118					121,118
Mobile equipment	1,243,424					1,243,424
Furniture and equipment	330,261					330,261
Leased property under capital leases						-
Total depreciable capital assets	<u>\$ 12,064,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,064,253</u>
<u>Less accumulated depreciation:</u>						
Buildings	\$ 2,607,106	175,136				2,782,242
Building improvements						-
Improvements other than buildings	39,783	3,965				43,748
Mobile equipment	551,260	93,719				644,979
Furniture and equipment	267,461	20,522				287,983
Leased property under capital leases						-
Total accumulated depreciation	<u>\$ 3,465,610</u>	<u>293,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,758,952</u>
Total depreciable capital assets, net	<u>\$ 8,598,643</u>	<u>(293,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,305,301</u>
Governmental activities capital assets, net	<u>\$ 9,325,909</u>	<u>(293,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,032,567</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 140,846
Support services	132,647
Non-instructional	<u>19,849</u>
Total depreciation expense	<u>\$ 293,342</u>

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

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

Adjustments: Adjustments were made to the book assets omitted from prior year inventory.

(5) Long-term liabilities

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

	Balance 7/1/2004	Additions	Reductions	Adjustments	Balance 6/30/2005	Amounts due within one year
A General obligated bonds payable	\$5,035,000		300,000		4,735,000	315,000
B Limited obligation bonds Payable	1,520,000		80,000		1,440,000	80,000
C Compensated absences payable	169,378	7,950			177,328	7,950
Total	<u>\$6,724,378</u>	<u>7,950</u>	<u>380,000</u>		<u>6,352,328</u>	<u>402,950</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$6,000,000 GO Bond Series 1999	Variable	3/15/99	3/15/17	<u>\$6,000,000</u>	<u>\$4,735,000</u>

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

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$315,000	208,650	523,650
2007	330,000	190,695	520,695
2008	355,000	171,885	526,885
2009	375,000	151,650	526,650
2010	395,000	134,400	529,400
2011-2015	2,315,000	417,200	2,732,200
Thereafter	<u>650,000</u>	<u>30,600</u>	<u>680,600</u>
Total	\$ 4,735,000	1,305,080	6,040,080

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain condition, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 8.7 % of property assessments as of October 1, 2004. This debt will be retired from Bond Issue Fund.

B. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State and Capital Improvement Series 1998	Variable	10/1/97	2/1/18	<u>\$1,830,000</u>	<u>\$1,440,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 80,000	67,780	147,780
2007	85,000	63,243	148,243
2008	90,000	58,430	148,430
2009	95,000	53,818	148,818
2010	100,000	49,380	149,380
2011-2015	565,000	171,504	736,504
Thereafter	425,000	32,062	457,062
Total	\$ 1,440,000	496,217	1,936,217

The state aid capital improvements 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 improvements bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Bond Fund.

C. 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.

(6) 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' 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.

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

Fund 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 \$786,178, \$744,426, and \$691,028, respectively, which equaled the required contributions for each year.

(7) Other Commitments

The school district has several operating leases for the following:

1. Fixtures
2. Cafeteria equipment

Lease expenditures for the year ended June 30, 2005, amounted to \$29,374. Future lease payments for these leases are as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2006	<u>30,376</u>
Total	<u>\$30,376</u>

(8) Deficit Fund Balance of Individual Funds

The District maintenance fund and the Uniform millage fund have a deficit fund balance in the amount of \$1,751,092 and \$ 266,262. The deficit fund balance of the district maintenance fund is in violation of state law. However, the school district has no liability associated with this violation.

(9) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To correct prior year accruals	<u>\$ 91,170</u>
Total	<u>\$ 91,170</u>

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

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

<u>Major Funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
16 th Section Principal Fund	To correct prior accruals	\$ 323
General Fund	To correct prior accruals	65,841
Other Governmental Funds	To correct prior accruals	<u>25,006</u>
	Total	<u>\$ 91,170</u>

(10) Risk Management

The school district is exposed to various risks of loss related torts; theft of, damage to and destruction of assets; errors and omission; 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 Bancorp South in Jackson. The funds in the trust account are used to pay any claim up to \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were depleted 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.

COLUMBIA SCHOOL DISTRICT
Note to Financial Statements
For the Year Ended June 30, 2005

(11) Uncertainties

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Columbia School Districts nor the School District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Columbia School District shares with other school districts, Columbia School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Columbia School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Columbia School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts complied and filed lists of children as state law requires in neither the current year or in preceding years, neither the amounts of liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

(12) Subsequent Events

On August 29, 2005, South Mississippi was struck by Hurricane Katrina causing major damage throughout the area. The Columbia School District suffered damage from the storm; however, management believes insurance will be adequate to repair the damages.

COLUMBIA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**Columbia School District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 2,807,863	\$ 2,892,435	\$ 2,823,244	\$ 84,572	\$ (69,191)
State sources	7,250,234	7,047,726	7,047,726	(202,508)	-
Federal sources	30,000	17,279	17,279	(12,721)	-
Total revenues	10,088,097	9,957,440	9,888,249	(130,657)	(69,191)
EXPENDITURES					
Instruction	6,199,542	6,205,147	5,836,072	(5,605)	369,075
Support services	4,018,054	3,821,554	3,870,893	196,500	(49,339)
Debt service:					
Principal	208,311	208,311	-	-	208,311
Interest	97,002	97,002	66,013	-	30,989
Total expenditures	10,522,909	10,332,014	9,772,978	190,895	559,036
Excess (deficiency) of revenues over expenditures	(434,812)	(374,574)	115,271	60,238	489,845
OTHER FINANCING SOURCES (USES)					
Transfers in	1,758,585	1,953,535	2,095,308	194,950	141,773
Transfers out	(1,602,007)	(1,649,203)	(1,791,282)	(47,196)	(142,079)
Other financing uses	-	(2,588)	-	(2,588)	2,588
Total other financing sources and uses	156,578	301,744	304,026	145,166	2,282
Net change in fund balances	(278,234)	(72,830)	419,297	205,404	492,127
Fund balances:					
July 1, 2004, as previously reported			(2,236,230)		
Prior period adj. & reclassifications			65,841		
July 1, 2004, as restated			(2,170,389)		
June 30, 2005			\$ (1,751,092)		

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

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

Notes to the Required Supplementary Information

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

COLUMBIA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Columbia School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Federal Expenditures
US Department of Agriculture		
Passes-through Mississippi Department of Education:		
Non-cash assistance		
Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 4,414
Food donation	10.550	58,641
Child Nutrition cluster:		
School Breakfast program	10.553	184,174
National School Lunch program	10.555	<u>463,843</u>
Total Child Nutrition Cluster		<u>648,017</u>
Total US Department of Agriculture		<u>711,072</u>
US Department of Education		
Passed-through Mississippi Department of Education:		
Title I – grant to local educational agencies	84.010	594,631
Improving teacher quality – state grants	84.367	93,532
Educational technology state grants	84.318	64,064
State grants for innovative programs	84.298	6,050
Safe and drug-free schools and communities state grants	84.186	13,205
Teacher quality enhancement, Title II, Part A	84.336	5,000
Rural education	84.358	64,957
Eisenhower professional state grants	84.281	<u>104,872</u>
Total		<u>946,311</u>
Special Education Cluster:		
Special education-grants to states	84.027	528,188
Special education-preschool grants	84.173	<u>59,110</u>
Total Special Education Cluster		<u>587,298</u>
Total U.S. Department of Education		<u>1,533,609</u>
US Department of Labor		
Passed-through Mississippi Development Authority:		
Workforce Investment Act-youth activities	17.259	<u>121,783</u>
Total for all Federal Programs		<u>\$2,366,464</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 pass-through entities did not assign identifying numbers to the school district.
3. The expenditure amounts did not include transfers out.

Columbia 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	\$ 9,557,259	6,372,487	1,399,737	1,785,035
Other	<u>4,086,357</u>	<u>1,076,194</u>	<u>188,365</u>	<u>2,821,798</u>
Total	<u>\$13,643,616</u>	<u>7,448,681</u>	<u>1,588,102</u>	<u>4,606,833</u>
Total number of students	1,893			
Cost Per Student	<u>\$ 7,207</u>	<u>3,935</u>	<u>839</u>	<u>2,433</u>

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

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

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

Other – includes all activities not included above and includes expenditures for the following functions: support services – O & M of Plant Services (2600's); Support Services – Student Transportation Services (2700's); Support Services – Central (2800's); Non-instructional Services (3000's); Facilities Acquisition and Construction (5000's) and Debt Service (6000's).

COLUMBIA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

WRIGHT CPA GROUP, PLLC

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INDEPENDENT AUDITORS' 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*

March 13, 2006

Superintendent and School Board
Columbia School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Columbia School District as of and for the year ended June 30, 2005, which collectively comprise the Columbia School District's basic financial statements, and have issued our report thereon dated March 13, 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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 *Governmental Auditing Standards*.

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

Wright CPA Group, PLLC

March 13, 2006

COLUMBIA SCHOOL DISTRICT

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

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INDEPENDENT AUDITORS' 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
Columbia School District

Compliance

We have audited the compliance of the Columbia 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, Columbia 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 Columbia 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 best 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 matter 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 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. 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. However this report is a matter of public record and its distribution is not limited.

Wright CPA Group, PLLC

March 13, 2006

COLUMBIA SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAW AND REGULATIONS

Superintendent and School Board
Columbia School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Columbia School District as of and for the year ended June 30, 2005, which collectively comprise the Columbia School District's basic financial statements, and have issued our report thereon dated March 13, 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 37-6-33(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 preformed 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 preformed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

The results of procedures preformed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations: The District Maintenance Fund and Uniform Millage Fund have deficit fund balances in the amount of \$1,751,092 and \$266,262. The district has no liability associated with this violation. The District is working to reduce these deficits.

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.

March 13, 2006

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COLUMBIA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COLUMBIA SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|-------------|
| 4. Types 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 | |
| b. Special Education Cluster: | |
| CFDA# 84.173 | |
| CFDA# 84.027 | |
| c. Title 1 – Grants to Local Educational Agencies | |
| CFDA# 84.010 | |

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

- | | |
|--|-----------|
| 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? | No |

Section 2: Financial Statement Findings

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

No

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.

No