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**Copiah County School District
Financial Statements
For the Year Ended
June 30, 2005**

Copiah County School District
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COPIAH COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board
Copiah County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Copiah County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2005, on our consideration of the Copiah County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 43 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 Copiah County 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 purposes of additional analysis. 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.



Patrick E. Lowery and Associates
Certified Public Accountants

December 8, 2005

COPIAH COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

COPIAH COUNTY SCHOOL DISTRICT

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COPIAH COUNTY DEPARTMENT OF EDUCATION

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RICKEY CLOPTON, SUPERINTENDENT

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The discussion and analysis of the Copiah County 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 \$1,525,315, which represents a 31% increase from fiscal year 2004. This increase is a result of the following: 1) conservative budgeting during the fiscal year in anticipation of budget cuts by the Legislature; however, the budget cuts never materialized, 2) sixteenth section revenue in the amount of \$650,729 generated primarily from sixteenth section leases and the sale of timber, and 3) a decrease in long-term debt due to principal payments on existing long-term debt in the amount of \$366,111.
- General revenues accounted for \$16,067,410 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,668,924, or 23% of total revenues.
- The District had \$19,231,604 in expenses; only \$4,668,924 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,067,410 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,835,269 in revenues and \$13,918,839 in expenditures. After net other financing uses of \$249,188, the General Fund's fund balance increased \$667,242 from the prior year. This increase is due primarily to conservative budgeting during the fiscal year in anticipation of budget cuts by the

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

Legislature. However, the budget cuts never materialized which caused an increase in the General Fund's fund balance.

- Capital assets, net of accumulated depreciation, decreased by \$82,952.
- Long-term debt decreased by \$411,352 due to principal payments made during the fiscal year on existing long-term debt and the decrease in compensated absences payable.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial

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

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.

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 and is provided in this report.

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

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 \$6,518,078 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. \$813,342 of the District's net assets (12%) 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. \$2,964,667 of the District's net assets (46%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$2,740,069 of the District's net assets (42%) reflects its unrestricted net assets.

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

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 6,609,775	\$ 5,770,323
Other assets	429,056	372,613
Capital assets, net	<u>6,702,787</u>	<u>6,785,739</u>
Total assets	<u>13,741,618</u>	<u>12,928,675</u>
Current liabilities	1,208,909	1,509,929
Long-term debt outstanding	<u>6,014,631</u>	<u>6,425,983</u>
Total liabilities	<u>7,223,540</u>	<u>7,935,912</u>
Net assets:		
Invested in capital assets, net of related debt	813,342	530,183
Restricted	2,964,667	1,149,898
Unrestricted	<u>2,740,069</u>	<u>3,312,682</u>
Total net assets	<u>\$ 6,518,078</u>	<u>\$ 4,992,763</u>

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

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents. This increase is primarily a result of revenue generated during the fiscal year from sixteenth section sources and conservative budgeting for the fiscal year by the district.
- 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.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the decrease in long-term debt related to those capital assets.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities. In the current fiscal year, 16th Section Interest Funds were reported as restricted and expendable for school based activities but were reported as unrestricted in the prior year.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the change in reporting of 16th Section Interest Funds as discussed above.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$20,736,334. The total cost of all programs and services was \$19,231,604. 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	\$ 4,668,924	\$ 5,029,118
General revenues	<u>16,067,410</u>	<u>15,123,480</u>
Total revenues	<u>20,736,334</u>	<u>20,152,598</u>
 Expenses:		
Instruction	9,866,400	9,770,092
Support services	7,008,151	6,799,689
Non-instructional	1,783,512	1,703,687
Sixteenth section	279,466	46,375
Interest and other expenses on long-term liabilities	<u>294,075</u>	<u>306,275</u>
Total expenses	<u>19,231,604</u>	<u>18,626,118</u>
 Prior period adjustments	<u>20,585</u>	<u>(18,135)</u>
 Increase in net assets	 <u>\$ 1,525,315</u>	 <u>\$ 1,508,345</u>

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

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions.
- General revenues increased from the previous fiscal year due primarily to an increase in taxes, unrestricted state grants and contributions and sixteenth section sources.

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 five major District functional activities: instruction, support services, non-instructional, sixteenth section 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 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	\$ 9,866,400	\$ (8,106,217)	\$ 9,770,092	\$ (7,695,590)
Support services	7,008,151	(5,746,810)	6,799,689	(5,395,519)
Non-instructional	1,783,512	(183,887)	1,703,687	(208,857)
Sixteenth section	279,466	(231,691)	46,375	9,241
Interest on long-term liabilities	294,075	(294,075)	306,275	(306,275)
Total expenses	\$ 19,231,604	\$ (14,562,680)	\$ 18,626,118	\$ (13,597,000)

- The net cost of governmental activities for fiscal year 2005 in the amount of \$14,562,680 was financed by general revenue, which is made up of primarily property taxes of \$3,065,593 and state revenue of \$12,095,833.
- Investment earnings accounted for \$43,655 of funding.
- 16th Section sources accounted for \$595,748 of funding, resulting primarily from revenue generated from the sale of timber, leases and pro-rata revenue received from other school districts.

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.

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

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 \$5,934,040. The net change in fund balance for the fiscal year was an increase of \$1,183,524 due primarily to revenue generated during the fiscal year from sixteenth section sources and conservative budgeting for the fiscal year by the district. \$4,809,823, or 81%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$1,124,217, or 19%, 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, forestry improvements, 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 \$667,242 due primarily to conservative budgeting during the fiscal year in anticipation of budget cuts by the Legislature. However, the budget cuts never materialized which caused an increase in the General Fund's fund balance. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$393,899 resulting from the excess of revenues generated from the sale of timber, leases and pro-rata revenue from other districts over expenditures during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$122,383 due to the excess of revenues over expenditures in various funds.

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 instruction expenditures in the General Fund were decreased due to several positions not being filled due to anticipated budget cuts and some previous positions being moved that qualified to be paid from other funds.
- Budgeted amounts for support services expenditures in the General Fund were decreased due to several large projects not being completed in areas of attorney fees, building projects and transportation.
- Budgeted amounts for transfers in and transfers out of the General Fund were decreased. Funds received in the Special Education Fund (1130) and the Alternative School Fund (1140) were originally budgeted as transfers but the actual revenue received during the fiscal year was coded to a revenue code.
- Budgeted amounts for sixteenth section sources in the 16th Section Interest Fund were increased due to an unexpected oil, gas and mineral lease received during the fiscal year.

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

- Budgeted amounts for sixteenth section expenditures in the 16th Section Interest Fund were increased to reflect the amounts paid to other school districts on shared sections.

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, 2005, the District's total capital assets, before depreciation, were \$12,338,954, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$213,491 from the previous year. During the fiscal year, the district purchased five buses and several other items of mobile equipment and furniture and equipment. The district also disposed of a school bus and several pieces of computer equipment. Total depreciation expense for the year was \$327,375. Total accumulated depreciation as of June 30, 2005 was \$5,636,167, resulting in total net assets of \$6,702,787.

Debt Administration. At June 30, 2005, the District had \$6,014,631 in limited obligation bonds and other long-term debt outstanding, of which \$379,867 is due within one year. During the fiscal year, the district made principal payments on existing long-term debt in the amount of \$366,111.

CURRENT ISSUES

The Copiah County 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 not increased or decreased significantly from the previous fiscal year. The District's system of financial planning, budgeting and internal financial controls are well regarded. 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 has not increased or decreased 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 Copiah County School District, 254 W. Gallatin, Hazlehurst, MS 39083.

COPIAH COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

COPIAH COUNTY SCHOOL DISTRICT

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Copiah County School District
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 5,752,793
Due from other governments	803,687
Inventories	53,295
Restricted assets	429,056
Capital assets, net (Note 4)	<u>6,702,787</u>
 Total Assets	 \$ <u><u>13,741,618</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 394,967
Due to other governments	697,857
Deferred revenue	11,967
Interest payable on long-term liabilities	104,118
 Long-term liabilities, due within one year (Note 5)	
Capital related liabilities	376,111
Non-capital related liabilities	3,756
 Long-term liabilities, due beyond one year (Note 5)	
Capital related liabilities	5,513,334
Non-capital related liabilities	<u>121,430</u>
 Total Liabilities	 \$ <u><u>7,223,540</u></u>
Net Assets	
Investment in capital assets, net of related debt	\$ 813,342
Restricted net assets:	
Expendable:	
School - based activities	1,997,863
Debt service	260,810
Forestry improvements	98,086
Unemployment benefits	58,059
Non-expendable:	
Sixteenth section	549,849
Unrestricted	<u>2,740,069</u>
 Total Net Assets	 \$ <u><u>6,518,078</u></u>

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

Copiah County School District
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 9,866,400	284,574	1,475,609	-	(8,106,217)
Support services	7,008,151	-	1,261,341	-	(5,746,810)
Non-instructional	1,783,512	366,094	1,233,531	-	(183,887)
Sixteenth section	279,466	47,775	-	-	(231,691)
Interest on long-term liabilities	294,075	-	-	-	(294,075)
Total governmental activities	\$ 19,231,604	698,443	3,970,481	-	(14,562,680)

General Revenues:

Taxes:

General purpose levies 2,942,994

Debt purpose levies 122,599

Unrestricted grants and contributions:

State 12,095,833

Federal 53,806

Unrestricted investment earnings 43,655

Sixteenth section sources 595,748

Other 212,775

Total General Revenues 16,067,410

Change in Net Assets 1,504,730

Net Assets - Beginning 4,992,763

Prior Period Adjustments (Note 8) 20,585

Net Assets - Beginning - Restated 5,013,348

Net Assets - Ending \$ 6,518,078

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

Copiah County School District
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	<u>Major Funds</u>			
		16th Section	Other	Total
	<u>General</u>	<u>Interest</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,419,690	1,677,643	1,049,213	6,146,546
Investments (Note 2)	-	-	35,303	35,303
Due from other governments	241,155	1,352	561,051	803,558
Due from other funds (Note 3)	197,306	-	-	197,306
Advance to other funds (Note 3)	-	-	161,531	161,531
Inventories	-	-	53,295	53,295
Total Assets	\$ 3,858,151	1,678,995	1,860,393	7,397,539
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 254,725	-	140,242	394,967
Due to other funds (Note 3)	576,640	-	318,394	895,034
Advances from other funds (Note 3)	161,531	-	-	161,531
Deferred revenue	-	-	11,967	11,967
Total Liabilities	992,896	-	470,603	1,463,499
Fund Balances:				
Reserved for:				
Advances	-	-	161,531	161,531
Inventory	-	-	53,295	53,295
Unreserved:				
Undesignated, reported in:				
General fund	2,865,255	-	-	2,865,255
Special Revenue funds	-	1,678,995	421,718	2,100,713
Debt Service funds	-	-	364,928	364,928
Permanent funds	-	-	388,318	388,318
Total Fund Balances	2,865,255	1,678,995	1,389,790	5,934,040
Total Liabilities and Fund Balances	\$ 3,858,151	1,678,995	1,860,393	7,397,539

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

Copiah County School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,934,040
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,636,167. (Note 4)	6,702,787
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds as follows.	
Long-term liabilities (Note 5)	(6,014,631)
Accrued interest on debt	<u>(104,118)</u>
Total Net Assets - Governmental Activities	\$ <u><u>6,518,078</u></u>

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

Exhibit D

	Major Funds		Other	Total
	General Fund	16th Section Interest Fund	Governmental Funds	Governmental Funds
Revenues:				
Local sources	\$ 3,370,240	6,706	550,854	3,927,800
State sources	11,377,944	-	979,946	12,357,890
Federal sources	87,085	-	3,675,145	3,762,230
Sixteenth section sources	-	595,749	54,980	650,729
Total Revenues	14,835,269	602,455	5,260,925	20,698,649
Expenditures:				
Instruction	7,936,061	-	1,822,070	9,758,131
Support services	5,850,801	-	1,251,488	7,102,289
Noninstructional services	113,009	-	1,621,569	1,734,578
Sixteenth section	880	217,841	60,745	279,466
Facilities acquisition and construction	10,882	-	-	10,882
Debt service:				
Principal	-	-	366,111	366,111
Interest	7,206	-	294,147	301,353
Total Expenditures	13,918,839	217,841	5,416,130	19,552,810
Excess (Deficiency) of Revenues				
Over Expenditures	916,430	384,614	(155,205)	1,145,839
Other Financing Sources (Uses):				
Other financing sources	37,685	-	-	37,685
Operating transfers in	694,762	9,285	311,797	1,015,844
Operating transfers out	(981,635)	-	(34,209)	(1,015,844)
Total Other Financing Sources (Uses)	(249,188)	9,285	277,588	37,685
Net Change in Fund Balances	667,242	393,899	122,383	1,183,524
Fund Balances:				
July 1, 2004, as previously reported	2,198,013	1,285,096	1,261,294	4,744,403
Prior period adjustments and reclassifications (Note 8)	-	-	20,585	20,585
July 1, 2004, as restated	2,198,013	1,285,096	1,281,879	4,764,988
Increase (Decrease) in reserve for inventory	-	-	(14,472)	(14,472)
June 30, 2005	\$ 2,865,255	1,678,995	1,389,790	5,934,040

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,183,524
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 these expenditures over the life of the assets. Capital asset purchases amounted to \$281,836 and the depreciation expense amounted to \$327,375. (Note 4)	(45,539)
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 activity. (Note 5)	366,111
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the following item:	
Losses on sales of capital assets	(37,413)
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	45,241
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the statement of activities recognizes interest as it accrues regardless of when it becomes due.	7,278
6. 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>(14,472)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,504,730</u></u>

Copiah County School District
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$	46,191
Due from other funds (Note 3)		<u>697,857</u>
Total Assets	\$	<u><u>744,048</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	699,908
Due to other funds (Note 3)		129
Due to student clubs		<u>44,011</u>
Total Liabilities	\$	<u><u>744,048</u></u>

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

COPIAH COUNTY 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 a "primary government." The school district is governed by a 5 member board with each member elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the 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.

COPIAH COUNTY SCHOOL DISTRICT

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. 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.

16th Section Interest Fund - This fund accounts for the transactions resulting from the generation of revenue from the 16th section land within that individual township that is legally required to be placed in a 16th section interest fund.

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

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.

COPLAH COUNTY SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

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

COPLAH COUNTY 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 buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

COPIAH COUNTY SCHOOL DISTRICT

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

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other 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 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 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.

COPIAH COUNTY SCHOOL DISTRICT

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,146,546 and \$46,191, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$5,752,793 and Restricted Assets \$429,056. 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 \$4,040,753.

Custodial Credit Risk-Deposits. Custodial risk is the risk that in the event of a depository failure, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement, the Mississippi State Treasurer's office is acting on behalf of the school district.

COPIAH COUNTY SCHOOL DISTRICT

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

Investments.

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U S Government Securities	Less than 1	35,303	AA
		<hr/>	
Subtotal		35,303	
		<hr/>	
Total Investments		\$ 35,303	
		<hr/> <hr/>	

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

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

(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>
Major funds:		
General fund	\$ 197,306	576,640
Other Governmental Funds		318,394
Fiduciary Funds	697,857	129
	<hr/>	<hr/>
Total Funds	\$ 895,163	895,163
	<hr/> <hr/>	<hr/> <hr/>

The purpose of the interfund receivables and payables are to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

COPIAH COUNTY SCHOOL DISTRICT

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

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Major funds:		
General fund	\$	161,531
Other Governmental funds	<u>161,531</u>	
Total Funds	\$ <u>161,531</u>	<u>161,531</u>

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

Sixteenth section principal loans payable.

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	15,955	7,206	23,161
2007		13,117	5,917	19,034
2008		13,117	5,917	19,034
2009		13,117	5,917	19,034
2010		13,117	5,917	19,034
2011 – 2015		55,489	24,997	80,486
2016 – 2020		37,619	16,963	54,582
Total	\$	<u>161,531</u>	<u>72,834</u>	<u>234,365</u>

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 694,762	981,635
Other Governmental Funds	321,082	34,209
Total Funds	\$ <u>1,015,844</u>	<u>1,015,844</u>

The purposes of interfund transfers are to transfer federal program indirect costs to the General fund and to close out federal programs at year end. These transfers are consistent with the activities of the fund making the transfer.

COPIAH COUNTY SCHOOL DISTRICT

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

(4) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 156,772					156,772
Total non-depreciable capital assets	<u>156,772</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>156,772</u>
<u>Depreciable capital assets:</u>						
Buildings	9,277,574					9,277,574
Building improvements						
Improvements other Than buildings	112,900					112,900
Mobile equipment	1,967,438	262,502	45,345			2,184,595
Furniture and equipment	610,779	19,334	23,000			607,113
Leased property under capital leases						
Total depreciable capital Assets	<u>11,968,691</u>	<u>281,836</u>	<u>68,345</u>	<u>0</u>	<u>0</u>	<u>12,182,182</u>
<u>Less accumulated depreciation for:</u>						
Buildings	(3,600,710)	(144,444)				(3,745,154)
Building improvements						
Improvements other Than buildings	(20,100)	(4,516)				(24,616)
Mobile equipment	(1,239,871)	(124,793)	8,162			(1,356,502)
Furniture and equipment	(479,043)	(53,622)	22,770			(509,895)
Leased property under capital leases						
Total accumulated depreciation	<u>(5,339,724)</u>	<u>(327,375)</u>	<u>30,932</u>	<u>0</u>	<u>0</u>	<u>(5,636,167)</u>
Total depreciable capital assets, net	<u>6,628,967</u>	<u>(45,539)</u>	<u>37,413</u>	<u>0</u>	<u>0</u>	<u>6,546,015</u>
Governmental activities capital assets, net	<u>\$ 6,785,739</u>	<u>(45,539)</u>	<u>37,413</u>	<u>0</u>	<u>0</u>	<u>6,702,787</u>

COPIAH COUNTY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 137,663
Support services	137,957
Non-instructional	<u>51,755</u>
 Total depreciation expense	 \$ <u><u>327,375</u></u>

(5) Long-term liabilities.

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

	<u>Balance</u>				<u>Balance</u>	<u>Amounts due</u>
	<u>7-1-2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>6-30-2005</u>	<u>within one</u>
						<u>year</u>
A. Limited obligation bonds						
Payable	4,685,000		255,000		4,430,000	260,000
B. Three mill notes payable	1,265,000		50,000		1,215,000	55,000
C. Transportation equipment						
loans payable	305,556		61,111		244,445	61,111
D. Compensated absences payable	<u>170,427</u>		<u>45,241</u>		<u>125,186</u>	<u>3,756</u>
 Total	 \$ <u><u>6,425,983</u></u>	 <u>0</u>	 <u>411,352</u>	 <u>0</u>	 <u>6,014,631</u>	 <u>379,867</u>

A. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest</u>	<u>Issue</u>	<u>Maturity</u>	<u>Amount</u>	<u>Amount</u>
	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Issued</u>	<u>Outstanding</u>
State aid capital					
Improvement, Series 1998	Varies	03/01/1998	08/01/2017	\$ 5,880,000	4,430,000
 Total				 <u>\$ 5,880,000</u>	 <u>4,430,000</u>

COPIAH COUNTY 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	\$ 260,000	203,440	463,440
2007	270,000	192,260	462,260
2008	275,000	174,600	449,600
2009	290,000	162,170	452,170
2010	300,000	149,040	449,040
2011 – 2015	1,750,000	515,597	2,265,597
2016 – 2020	1,285,000	81,292	1,366,292
Total	\$ 4,430,000	1,478,399	5,908,399

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill-ten year notes		10/1/2000	10/1/2020	\$ 1,400,000	1,215,000
Total				\$ 1,400,000	1,215,000

COPIAH COUNTY 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	\$ 55,000	63,421	118,421
2007	60,000	60,431	120,431
2008	60,000	57,311	117,311
2009	65,000	54,061	119,061
2010	65,000	50,681	115,681
2011 – 2015	360,000	199,880	559,880
2016 – 2020	450,000	90,787	540,787
2021 – 2025	100,000	2,800	102,800
Total	\$ 1,215,000	579,372	1,794,372

This debt will be retired from the 1.4 m note Debt Service Fund.

C. Transportation equipment loans payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Equipment Notes Series 2002	3.82%	09/01/2002	08/31/2008	\$ 366,667	244,445
Total				\$ 366,667	244,445

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 61,111	9,364	70,475
2007	61,111	7,023	68,134
2008	61,111	4,681	65,792
2009	61,112	2,340	63,452
Total	\$ 244,445	23,408	267,853

This debt will be retired from the Education Enhancement Building & Buses Fund.

COPIAH COUNTY SCHOOL DISTRICT

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

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.

(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 and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$1,055,174, \$955,524, and \$940,744, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

COPLAH COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Amount
2006	\$ 52,694
2007	31,249
2008	20,816
2009	4,233
2010	3,869
2011 – 2015	16,405
2016 – 2020	14,547
2021 – 2025	14,547
2026-2030	14,255
2031-2035	12,959
Thereafter	<u>5,557</u>
Total	\$ <u>191,131</u>

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Reclassify fund equity – an adjustment to correct a prior year error in recording an asset or liability:	
a) Other Governmental Funds	20,585
	<u> </u>
Total	\$ <u><u>20,585</u></u>

Exhibit D- Statement of Revenue, Expenditures and changes in Fund Balance

<u>Explanation(s)</u>	<u>Amount</u>
1. Reclassify fund equity – an adjustment to correct a prior year error in recording an asset or liability:	
a) Other Governmental Funds	20,585
	<u> </u>
Total	\$ <u><u>20,585</u></u>

COPIAH COUNTY SCHOOL DISTRICT

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

(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. 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. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

COPIAH COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

COPIAH COUNTY SCHOOL DISTRICT

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Copiah County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,345,606	3,376,240	3,370,240	30,634	(6,000)
State sources	11,648,325	11,387,944	11,377,944	(260,381)	(10,000)
Federal sources	80,000	87,085	87,085	7,085	-
Total Revenues	<u>15,073,931</u>	<u>14,851,269</u>	<u>14,835,269</u>	<u>(222,662)</u>	<u>(16,000)</u>
Expenditures:					
Instruction	8,921,470	8,121,061	7,936,061	800,409	185,000
Support services	6,586,684	6,015,801	5,850,801	570,883	165,000
Noninstructional services	153,861	191,435	113,009	(37,574)	78,426
Sixteenth section	4,000	50,880	880	(46,880)	50,000
Facilities acquisition and construction	60,000	10,882	10,882	49,118	-
Debt service:					
Principal	22,000	-	-	22,000	-
Interest	10,000	7,206	7,206	2,794	-
Total Expenditures	<u>15,758,015</u>	<u>14,397,265</u>	<u>13,918,839</u>	<u>1,360,750</u>	<u>478,426</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(684,084)</u>	<u>454,004</u>	<u>916,430</u>	<u>1,138,088</u>	<u>462,426</u>
Other Financing Sources (Uses):					
Other financing sources	35,000	37,685	37,685	2,685	-
Operating transfers in	1,961,375	688,762	694,762	(1,272,613)	6,000
Operating transfers out	(2,522,600)	(981,635)	(981,635)	1,540,965	-
Total Other Financing Sources (Uses)	<u>(526,225)</u>	<u>(255,188)</u>	<u>(249,188)</u>	<u>271,037</u>	<u>6,000</u>
Net Change in Fund Balances	<u>(1,210,309)</u>	<u>198,816</u>	<u>667,242</u>	<u>1,409,125</u>	<u>468,426</u>
Fund Balances:					
July 1, 2004, as previously reported			2,198,013		
Prior period adj & reclassifications			-		
July 1, 2004, as restated			<u>2,198,013</u>		
June 30, 2005			\$ <u>2,865,255</u>		

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

Copiah County School District
 Budgetary Comparison Schedule
 16th Section Interest
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,000	6,706	6,706	706	-
16th section sources	326,600	595,749	595,749	269,149	-
Total Revenues	332,600	602,455	602,455	269,855	-
Expenditures:					
Sixteenth section	5,500	217,841	217,841	(212,341)	-
Total Expenditures	5,500	217,841	217,841	(212,341)	-
Excess (Deficiency) of Revenues Over Expenditures	327,100	384,614	384,614	57,514	-
Other Financing Sources (Uses):					
Operating transfers in	11,000	9,285	9,285	(1,715)	-
Total Other Financing Sources (Uses)	11,000	9,285	9,285	(1,715)	-
Net Change in Fund Balances	338,100	393,899	393,899	55,799	-
Fund Balances:					
July 1, 2004, as previously reported			1,285,096		
June 30, 2005			\$ 1,678,995		

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

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.

COPIAH COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 82,209
Child nutrition cluster:		
School breakfast program	10.553	310,122
National school lunch program	10.555	767,696
Summer food service program for children	10.559	39,068
Total child nutrition cluster		<u>1,116,886</u>
Total U.S. Department of Agriculture		<u>1,199,095</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,200,451
Vocational education - basic grants to states	84.048	46,939
Safe and drug-free schools and communities - state grants	84.186	12,580
Twenty-first century community learning centers	84.287	162,205
State Grants for innovative programs	84.298	17,366
Education Technology State Grants	84.318	27,816
Teacher Quality Enhancement Grants	84.336	7,920
Grants for state assessments and related activities	84.369	101
Reading first program	84.357	272,634
Rural education	84.358	4,288
Improving teacher quality - state grants	84.367	249,448
Total		<u>2,001,748</u>
Special education cluster:		
Special education - grants to states	84.027	363,353
Special education - preschool grants	84.173	15,494
Total		<u>378,847</u>
Total passed-through Mississippi Department of Education		<u>2,380,595</u>
Total U.S. Department of Education		<u>2,380,595</u>

U.S. Department of Health and Human Services

Passed-through Mississippi Department of Health and Human Services:

Consolidated Knowledge Development and Application (KD&A) Program	93.230	86,041
Total U.S. Department of Health and Human Services		<u>86,041</u>

Other Federal Assistance

Direct program:

Reserve Officers' Training Corps	12.XXX	18,764
Total Other Federal Assistance		<u>18,764</u>

Total for All Federal Awards \$ 3,684,495

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.

Copiah County 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	\$ 14,120,387	9,084,860	1,471,533	3,563,994
Other	<u>5,432,423</u>	<u>673,271</u>	<u>645,826</u>	<u>4,113,326</u>
Total	\$ <u>19,552,810</u>	<u>9,758,131</u>	<u>2,117,359</u>	<u>7,677,320</u>
Total number of students *	2,954			
Cost per student \$	6,619	3,303	717	2,599

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

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

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

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

COPIAH COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

COPIAH COUNTY SCHOOL DISTRICT

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

December 8, 2005

Superintendent and School Board
Copiah County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copiah County School District as of and for the year ended June 30, 2005, which collectively comprise the Copiah County School District's basic financial statements and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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 noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not 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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates
Certified Public Accountants

December 8, 2005

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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
Copiah County School District

Compliance

We have audited the compliance of the Copiah County 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.

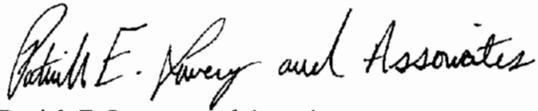
In our opinion, Copiah County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Copiah County 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 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 noted no 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.



Patrick E. Lowery and Associates
Certified Public Accountants

December 8, 2005

COPIAH COUNTY SCHOOL DISTRICT

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

COPIAH COUNTY SCHOOL DISTRICT

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

Superintendent and School Board
Copiah County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copiah County School District as of and for the year ended June 30, 2005, which collectively comprise Copiah County School District's basic financial statements and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain 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 \$99,970 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates
Certified Public Accountants

December 8, 2005

COPIAH COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COPIAH COUNTY SCHOOL DISTRICT

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COPIAH COUNTY 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. | 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. | CFDA # 84.010 Title I Grants to Local Educational Agencies | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

COPIAH COUNTY SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

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

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.