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**COLUMBUS MUNICIPAL SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2006**

**Charles L. Shivers, CPA  
Ridgeland, MS**

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FINANCIAL AUDIT REPORT

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# Charles L. Shivers, CPA

122 Trace Ridge Drive  
Ridgeland, MS 39157  
Phone: (601) 853-7133

Member  
AICPA  
MSCPA

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Columbus Municipal School District

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2006, which collectively comprise the Columbus Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Columbus Municipal School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Columbus Municipal School District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2007, on my consideration of the Columbus Municipal School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and related notes on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbus Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis as required by the Mississippi State Auditor's Office. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Ridgeland, MS  
January 10, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Columbus Municipal School District

Lester R. Beason, Ed.D., Superintendent

Dennis Dupree, Sr.  
Assistant Superintendent for Support Services

2630 McArthur Drive P.O. Box 1308  
Columbus, Mississippi 39703  
(662) 241-7400  
FAX (662) 241-7453

J. David Sullivan  
Assistant Superintendent for Instruction

## COLUMBUS MUNICIPAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of the Columbus Municipal School District's financial performance provides an overall narrative review of the district's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the 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 district's financial performance.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) *Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$2,669,620, which represents 13% of ending net assets.
- General revenues account for \$31,882,126 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,723,786 or 23% of total revenues.
- The district had \$38,936,292 in expenses; only \$9,723,786 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$31,882,126 were adequate to provide for these programs.
- The General Fund had \$30,375,978 in revenues and \$28,240,763 in expenditures. The General Fund had other financing uses of \$2,173,152. The General Fund's fund balance decreased \$37,937 over the prior year.
- The Capital Projects Fund had \$268,027 in revenues and no expenditures. The Capital Projects Fund had other financing sources of \$1,500,000. The Capital Projects Fund's fund balance increased \$1,768,027 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$96,387.
- Long-term debt decreased by \$1,570,952.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

position of the district is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively.

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

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the district's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Net Assets on page 21 and Statement of Changes in Fiduciary Net Assets on page 22.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 33 of this report.

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

The district adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 43 and 44 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and can be found on page 37 of this report and a Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 39.

## 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 \$20,766,845 as of June 30, 2006.

By far one of the largest portions of the district's net assets (\$8,376,523 or 40%) reflects its investment in capital assets (e.g., land, buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the district's net assets for the fiscal years ended June 30:

|  | <u>2006</u>          | <u>2005</u>          |
|--|----------------------|----------------------|
| Current assets                                     | \$ 16,159,060        | \$ 15,374,713        |
| Capital assets, net                                | <u>\$ 24,441,523</u> | <u>\$ 24,345,136</u> |
| <b>Total assets</b>                                | <u>\$ 40,600,583</u> | <u>\$ 39,719,849</u> |
| Current liabilities                                | \$ 3,173,340         | \$ 3,378,740         |
| Long-term debt outstanding                         | <u>\$ 16,660,398</u> | <u>\$ 18,231,350</u> |
| <b>Total liabilities</b>                           | <u>\$ 19,833,738</u> | <u>\$ 21,610,090</u> |
| <b>Net assets:</b>                                 |                      |                      |
| Invested in capital assets,<br>net of related debt | \$ 8,376,523         | \$ 7,703,293         |
| Restricted   | \$ 3,799,717         | \$ 3,499,655         |
| Unrestricted                                       | <u>\$ 8,590,605</u>  | <u>\$ 6,906,811</u>  |
| <b>Total net assets</b>                            | <u>\$ 20,766,845</u> | <u>\$ 18,109,759</u> |

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

- The district acquired \$919,876 in capital assets.
- The principal retirement of \$1,831,344 of long-term debt.

**Changes in net assets.** The district's total revenues for the fiscal year ended June 30, 2006 were \$41,605,912. The total cost of all programs and services was \$38,936,292. The following table presents a summary of the changes in net assets for the fiscal years ended June 30:

|                                       | <u>2006</u>         | <u>2005</u>         |
|---------------------------------------|---------------------|---------------------|
| <b>Revenues:</b>                      |                     |                     |
| Program revenues                      |                     |                     |
| Charges for services                  | \$ 908,065          | \$ 805,909          |
| Operating grants and contributions    | \$ 8,748,245        | \$ 8,052,424        |
| Capital grants and contributions      | <u>\$ 67,476</u>    | <u>\$ 0</u>         |
| <b>Total program revenues</b>         | <u>\$ 9,723,786</u> | <u>\$ 8,858,333</u> |
| General revenues                      |                     |                     |
| Taxes                                 | \$ 11,439,181       | \$ 11,206,825       |
| Unrestricted grants and contributions | \$ 19,851,727       | \$ 18,702,415       |
| Unrestricted investment earnings      | \$ 472,077          | \$ 328,262          |
| Other revenues                        | <u>\$ 119,141</u>   | <u>\$ 20,087</u>    |

|  |                      |                      |
|--|----------------------|----------------------|
| Total general revenues                   | \$ 31,882,126        | \$ 30,257,589        |
| <b>Total revenues</b>                    | <b>\$ 41,605,912</b> | <b>\$ 39,115,922</b> |
| <b>Expenses:</b>                         |                      |                      |
| Instruction                              | \$ 21,655,463        | \$ 20,415,786        |
| Support services                         | \$ 13,714,950        | \$ 13,897,884        |
| Non-instructional                        | \$ 2,853,122         | \$ 2,455,206         |
| Interest on long-term liabilities        | \$ 712,757           | \$ 821,935           |
| <b>Total expenses</b>                    | <b>\$ 38,936,292</b> | <b>\$ 37,590,811</b> |
| <b>Increase (Decrease) in net assets</b> | <b>\$ 2,669,620</b>  | <b>\$ 1,525,111</b>  |

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

|                                   | 2006                 |                        | 2005                 |                        |
|-----------------------------------|----------------------|------------------------|----------------------|------------------------|
|                                   | Total Expenses       | Net (Expense) Revenue  | Total Expenses       | Net (Expense) Revenue  |
| Instruction                       | \$ 21,655,463        | \$ (16,385,023)        | \$ 20,415,786        | \$ (15,278,338)        |
| Support services                  | \$ 13,714,950        | \$ (12,030,965)        | \$ 13,897,884        | \$ (12,679,704)        |
| Non-instructional                 | \$ 2,853,122         | \$ (83,761)            | \$ 2,455,206         | \$ 47,499              |
| Interest on long-term liabilities | \$ 712,757           | \$ (712,757)           | \$ 821,935           | \$ (821,935)           |
| <b>Total expenses</b>             | <b>\$ 38,936,292</b> | <b>\$ (29,212,506)</b> | <b>\$ 37,590,811</b> | <b>\$ (28,732,478)</b> |

- Net cost of governmental activities (\$29,212,506) was financed by general revenue, which is made up primarily of property taxes amounting to \$11,439,181 and state revenues of \$19,396,234.
- Investment earnings accounted for \$472,077 of funding.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the district's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the district's net resources available for spending at the end of the fiscal year.

The financial performance of the district as a whole is reflected in its governmental funds. As the district completed the year, its governmental funds reported a combined fund balance of \$13,125,230, an increase of \$936,018. \$10,945,727 or 83% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the district's discretion. \$2,179,503 or 17% of the fund balance is reserved to indicate that it is not available for spending because it has already been committed for specified purposes.

The General Fund is the principal operating fund of the district. The decrease in fund balance in the General Fund for the fiscal year was \$37,937 and was due primarily to an increase in costs and the transfer of \$1,500,000 to the Capital Projects Fund. The fund balance of the Capital Projects Fund showed an increase of \$1,768,027 a result of the above mentioned transfer.

## BUDGETARY HIGHLIGHTS

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

The major emphasis of this budget is on quality instruction and improving student achievement. The budget was developed utilizing a systematic and comprehensive process with in-depth planning and input from schools and departments. Program needs that focus on reading, literature, mathematics, technology, and library services are organized and funded to meet the individual needs of all students. All schools are staffed with an appropriate teacher-student ratio for optimum learning opportunities for all students.

Support Services in this budget are designed to ensure that all schools provide a clean, safe and functional learning environment. The budget is developed to assure that the State of Mississippi and the Southern Association of Colleges and Schools Council on Accreditation and School Improvement accredit all schools.

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, 2006, the district's total capital assets were \$42,203,893, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$809,079 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$17,762,370 and total depreciation expense for the year was \$816,233, resulting in total net assets of \$24,441,523.

Additional information of the district's capital assets can be found in Note 4 on pages 28 and 29 of this report.

**Debt Administration.** At June 30, 2006, the district had \$16,660,398 in outstanding general obligation bonds and compensated absences, of which \$1,738,699 is due within one year.

The district maintains a AA bond rating.

Additional information of the district's long-term debt can be found in Note 5 on pages 29 - 31 of this report.

## **CURRENT ISSUES**

Columbus Municipal School District is financially sound and committed to financial excellence. The millage rate has decreased 7 mills over the past decade while the fund balance has increased during the same period. In addition, 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.

The District's K-4 School Choice plan is unique to the entire state. Each year CMSD parents may select among all of the seven K-4 schools. Transportation is provided to all of these schools. The District also provides one the largest and most successful public school Pre-K programs for four-year-olds in Columbus. For the 2005-06 school year, Columbus educators worked diligently to achieve eight Exemplary and Successfully performing schools for the approximately 4,700 students who live within district boundaries and Columbus Air Force Base.

In an attempt to support first- and second-year teachers in CMSD, the district provides an extensive mentoring and instructional coaching program through the STAR initiative. This locally funded program offers extensive, personalized professional development for new educators.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the superintendent's office at the following address: Columbus Municipal School District, P O Box 1308, Columbus, MS, 39703.

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BASIC FINANCIAL STATEMENTS

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Columbus Municipal School District  
Statement of Net Assets  
June 30, 2006

Exhibit A

|   | <u>Primary Government</u> |
|---|---------------------------|
|   | <u>Governmental</u>       |
|   | <u>Activities</u>         |
| <b>Assets</b>   |                           |
| Cash and cash equivalents (Note 2)                          | \$ 14,667,155             |
| Due from other governments                                  | \$ 1,460,549              |
| Inventories and prepaid items                               | \$ 31,356                 |
| Capital assets, net (Note 4)                                | \$ 24,441,523             |
| <b>Total Assets</b>   | <u>\$ 40,600,583</u>      |
| <b>Liabilities</b>  |                           |
| Accounts payable and accrued liabilities                    | \$ 2,844,735              |
| Deferred revenue  | \$ 189,095                |
| Interest payable on long-term liabilities                   | \$ 139,510                |
| <b>Long-term liabilities (Due within one year) (Note 5)</b> |                           |
| Capital related liabilities                                 | \$ 1,545,000              |
| Non-capital related liabilities                             | \$ 193,699                |
| <b>Long-term liabilities (Due beyond one year) (Note 5)</b> |                           |
| Capital related liabilities                                 | \$ 14,520,000             |
| Non-capital related liabilities                             | \$ 401,699                |
| <b>Total Liabilities</b>                                    | <u>\$ 19,833,738</u>      |
| <b>Net assets</b>   |                           |
| Investment in capital assets (net of related debt)          | \$ 8,376,523              |
| <b>Restricted net assets</b>                                |                           |
| <b>Expendable</b>   |                           |
| School-based activities                                     | \$ 1,791,080              |
| Debt service  | \$ 1,361,748              |
| Capital improvements  | \$ 508,430                |
| Unemployment benefits                                       | \$ 138,459                |
| <b>Unrestricted</b>   | <u>\$ 8,590,605</u>       |
| <b>Total Net Assets</b>                                     | <u>\$ 20,766,845</u>      |

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

Columbus Municipal School District  
Statement of Activities  
For the Year Ended June 30, 2006

Exhibit B

| Functions / Programs                                    | Expenses             | Program Revenues        |  |  | Net (Expense) Revenue<br>and Changes in Net<br>Assets |
|---|----------------------|-------------------------|--|--|---|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government<br>Governmental<br>Activities      |
| <b>Primary Government</b>                               |                      |                         |  |  |   |
| <b>Governmental Activities</b>                          |                      |                         |  |  |   |
| Instruction   | \$ 21,655,463        | \$ 113,521              | \$ 5,150,379                             | \$ 6,540                               | \$(16,385,023)  |
| Support services  | \$ 13,714,950        | \$ 124,090              | \$ 1,498,959                             | \$ 60,936                              | \$(12,030,965)  |
| Non-instructional                                       | \$ 2,853,122         | \$ 670,454              | \$ 2,098,907                             |  | \$ (83,761)   |
| Interest and other expenses on<br>long-term liabilities | \$ 712,757           |                         |  |  | \$ (712,757)  |
| <b>Total Governmental Activities</b>                    | <b>\$ 38,936,292</b> | <b>\$ 908,065</b>       | <b>\$ 8,748,245</b>                      | <b>\$ 67,476</b>                       | <b>\$(29,212,506)</b>                                 |
| <b>General Revenues</b>                                 |                      |                         |  |  |   |
| <b>Taxes</b>  |                      |                         |  |  |   |
|   |                      |                         |  |  | \$ 9,403,529  |
|   |                      |                         |  |  | \$ 2,035,652  |
| <b>Unrestricted grants and contributions</b>            |                      |                         |  |  |   |
|   |                      |                         |  |  | \$ 19,396,234   |
|   |                      |                         |  |  | \$ 455,493  |
|   |                      |                         |  |  | \$ 472,077  |
|   |                      |                         |  |  | \$ 11,146   |
|   |                      |                         |  |  | \$ 107,995  |
|   |                      |                         |  |  | <u>\$ 31,882,126</u>                                  |
|   |                      |                         |  |  | <u>\$ 2,669,620</u>                                   |
|   |                      |                         |  |  | \$ 18,109,759   |
|   |                      |                         |  |  | \$ (12,534)   |
|   |                      |                         |  |  | <u>\$ 18,097,225</u>                                  |
|   |                      |                         |  |  | <u>\$ 20,766,845</u>                                  |

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

Columbus Municipal School District  
 Balance Sheet - Governmental Funds  
 June 30, 2006

Exhibit C

|  | Major Funds         |                            |                                | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund     | Capital<br>Project<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>Assets</b>                              |                     |                            |                                |                                |
| Cash and cash equivalents (Note 2)         | \$ 3,742,526        | \$ 6,732,002               | \$ 4,192,627                   | \$ 14,667,155                  |
| Due from other governments                 | \$ 316,664          | \$ 148,832                 | \$ 995,053                     | \$ 1,460,549                   |
| Due from other funds (Note 3)              | \$ 354,341          |                            | \$ 47,201                      | \$ 401,542                     |
| Inventories                                |                     |                            | \$ 31,356                      | \$ 31,356                      |
| <b>Total Assets</b>                        | <b>\$ 4,413,531</b> | <b>\$ 6,880,834</b>        | <b>\$ 5,266,237</b>            | <b>\$ 16,560,602</b>           |
| <b>Liabilities and Fund Balances</b>       |                     |                            |                                |                                |
| <b>Liabilities</b>                         |                     |                            |                                |                                |
| Accounts payable & accrued liabilities     | \$ 2,108,362        |                            | \$ 736,373                     | \$ 2,844,735                   |
| Due to other funds (Note 3)                |                     |                            | \$ 401,542                     | \$ 401,542                     |
| Deferred revenue                           |                     |                            | \$ 189,095                     | \$ 189,095                     |
| <b>Total Liabilities</b>                   | <b>\$ 2,108,362</b> | <b>\$ -</b>                | <b>\$ 1,327,010</b>            | <b>\$ 3,435,372</b>            |
| <b>Fund Balances</b>                       |                     |                            |                                |                                |
| <b>Reserved for</b>                        |                     |                            |                                |                                |
| Capital project purposes                   |                     |                            | \$ 508,430                     | \$ 508,430                     |
| Debt service purposes                      |                     |                            | \$ 1,501,258                   | \$ 1,501,258                   |
| Unemployment benefits                      |                     |                            | \$ 138,459                     | \$ 138,459                     |
| Inventory                                  |                     |                            | \$ 31,356                      | \$ 31,356                      |
| <b>Unreserved</b>                          |                     |                            |                                |                                |
| Undesignated, reported in                  |                     |                            |                                |                                |
| General fund                               | \$ 2,305,169        |                            |                                | \$ 2,305,169                   |
| Special revenue funds                      |                     |                            | \$ 1,759,724                   | \$ 1,759,724                   |
| Capital projects funds                     |                     | \$ 6,880,834               |                                | \$ 6,880,834                   |
| <b>Total Fund Balances</b>                 | <b>\$ 2,305,169</b> | <b>\$ 6,880,834</b>        | <b>\$ 3,939,227</b>            | <b>\$ 13,125,230</b>           |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 4,413,531</b> | <b>\$ 6,880,834</b>        | <b>\$ 5,266,237</b>            | <b>\$ 16,560,602</b>           |

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

Columbus Municipal School District  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2006

Exhibit C-1

|  | <u>Amount</u>        |
|--|----------------------|
| Total fund balance - governmental funds  | \$ 13,125,230        |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                      |
| Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$17,762,370 (Note 4). | \$ 24,441,523        |
| Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds (Note 5).  | \$ (16,660,398)      |
| Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.  | \$ (139,510)         |
| Total net assets - governmental activities   | <u>\$ 20,766,845</u> |

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

Columbus Municipal School District  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2006

Exhibit D

|  | Major Funds           |                             |                                | Total<br>Governmental<br>Funds |
|--|-----------------------|-----------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund       | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>Revenues</b>  |                       |                             |                                |                                |
| Local sources  | \$ 9,899,270          | \$ 268,027                  | \$ 2,693,257                   | \$ 12,860,554                  |
| State sources  | \$ 20,021,215         |                             | \$ 796,369                     | \$ 20,817,584                  |
| Federal sources  | \$ 455,493            |                             | \$ 7,353,141                   | \$ 7,808,634                   |
| Sixteenth section sources                                |                       |                             | \$ 11,145                      | \$ 11,145                      |
| <b>Total Revenues</b>                                    | <b>\$ 30,375,978</b>  | <b>\$ 268,027</b>           | <b>\$ 10,853,912</b>           | <b>\$ 41,497,917</b>           |
| <b>Expenditures</b>                                      |                       |                             |                                |                                |
| Instruction  | \$ 15,851,857         |                             | \$ 5,346,516                   | \$ 21,198,373                  |
| Support services   | \$ 12,255,909         |                             | \$ 1,708,189                   | \$ 13,964,098                  |
| Noninstructional services                                | \$ 43,464             |                             | \$ 2,754,034                   | \$ 2,797,498                   |
| Facilities acquisition and construction                  |                       |                             | \$ 359,724                     | \$ 359,724                     |
| Debt service   |                       |                             |                                |                                |
| Principal (Note 5)                                       | \$ 82,589             |                             | \$ 1,748,755                   | \$ 1,831,344                   |
| Interest   | \$ 6,944              |                             | \$ 764,913                     | \$ 771,857                     |
| Other  |                       |                             | \$ 2,000                       | \$ 2,000                       |
| <b>Total Expenditures</b>                                | <b>\$ 28,240,763</b>  | <b>\$ -</b>                 | <b>\$ 12,684,131</b>           | <b>\$ 40,924,894</b>           |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>\$ 2,135,215</b>   | <b>\$ 268,027</b>           | <b>\$ (1,830,219)</b>          | <b>\$ 573,023</b>              |
| <b>Other Financing Sources (Uses)</b>                    |                       |                             |                                |                                |
| Proceeds of loans (Note 5)                               | \$ 201,450            |                             | \$ 53,550                      | \$ 255,000                     |
| Insurances loss recoveries                               | \$ 107,995            |                             |                                | \$ 107,995                     |
| Operating transfers in (Note 3)                          | \$ 111,256            | \$ 1,500,000                | \$ 1,093,854                   | \$ 2,705,110                   |
| Operating transfers out (Note 3)                         | \$ (2,593,853)        |                             | \$ (111,257)                   | \$ (2,705,110)                 |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ (2,173,152)</b> | <b>\$ 1,500,000</b>         | <b>\$ 1,036,147</b>            | <b>\$ 362,995</b>              |
| <b>Net Change in Fund Balances</b>                       | <b>\$ (37,937)</b>    | <b>\$ 1,768,027</b>         | <b>\$ (794,072)</b>            | <b>\$ 936,018</b>              |
| <b>Fund Balances</b>                                     |                       |                             |                                |                                |
| July 1, 2005   | \$ 2,585,161          | \$ 5,000,000                | \$ 4,611,422                   | \$ 12,196,583                  |
| Prior period adjustments (Note 8)                        | \$ (242,055)          | \$ 112,807                  | \$ 120,364                     | \$ (8,884)                     |
| July 1, 2005, as restated                                | \$ 2,343,106          | \$ 5,112,807                | \$ 4,731,786                   | \$ 12,187,699                  |
| Increase in reserve for inventory                        |                       |                             | \$ 1,513                       | \$ 1,513                       |
| June 30, 2006  | \$ 2,305,169          | \$ 6,880,834                | \$ 3,939,227                   | \$ 13,125,230                  |

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

Columbus Municipal 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, 2006

Exhibit D-1

|  | <u>Amount</u>       |
|--|---------------------|
| Net change in fund balance - governmental funds  | \$ 936,018          |
| Amounts reported for governmental activities in the statement of activities are different because:   |                     |
| Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$919,876 and the depreciation expense amounted to \$816,233. (Note 4)         | \$ 103,643          |
| Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)  | \$ 1,831,344        |
| Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.  | \$ (5,392)          |
| Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities. (Note 5)   | \$ (255,000)        |
| The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities. | \$ (3,606)          |
| Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.  | \$ 61,100           |
| The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.  | \$ 1,513            |
| Changes in net assets of governmental activities   | <u>\$ 2,669,620</u> |

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

Columbus Municipal School District  
Statement of Net Assets - Fiduciary Funds  
June 30, 2006

Exhibit E

|  | <u>Private-Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|--|--|-------------------------|
| <b>Assets</b>                            |  |                         |
| Cash and cash equivalents (Note 2)       | \$ 3,946                               | \$ 687,358              |
| <b>Total Assets</b>                      | <u>\$ 3,946</u>                        | <u>\$ 687,358</u>       |
| <b>Liabilities</b>                       |  |                         |
| Accounts payable and accrued liabilities |  | \$ 598,113              |
| Due to student clubs                     |  | \$ 89,245               |
| <b>Total Liabilities</b>                 | <u>\$ -</u>                            | <u>\$ 687,358</u>       |
| <b>Net Assets</b>                        |  |                         |
| Reserved for endowments                  | \$ 3,946                               |                         |
| <b>Total Net Assets</b>                  | <u>\$ 3,946</u>                        |                         |

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

Columbus Municipal School District  
 Statement of Changes in Fiduciary Net Assets  
 For the Year Ended June 30, 2006

Exhibit F

|  | <u>Private-Purpose<br/>Trust Funds</u> |
|--|--|
| <b>Additions</b>                                 |  |
| Contributions and donations from private sources | \$ 3,000                               |
| <b>Total Additions</b>                           | <u>\$ 3,000</u>                        |
| <b>Deductions</b>                                |  |
| Scholarships awarded                             | \$ 2,500                               |
| <b>Total Deductions</b>                          | <u>\$ 2,500</u>                        |
| <b>Changes in Net Assets</b>                     | <u>\$ 500</u>                          |
| <b>Net Assets</b>                                |  |
| July 1, 2005                                     | <u>\$ 3,446</u>                        |
| June 30, 2006                                    | <u><u>\$ 3,946</u></u>                 |

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

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

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

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

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 so 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. Stokes-Beard Capital

**Capital Project Fund** - This is a capital project fund that will be used for future construction projects of the district.

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.

#### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations, or other governments.

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

in the *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 deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

Capital asset acquisition and construction are reflected as expenditures in the governmental fund statements and are reported as capital assets in the government-wide statements.

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

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

|           | Capitalization<br>Policy | Estimated<br>Useful Life |
|-----------|--------------------------|--------------------------|
| Land      | \$ 0                     | 0                        |
| Buildings | \$ 50,000                | 40 years                 |

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

|                                      |    |        |            |
|--------------------------------------|----|--------|------------|
| 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 corresponds with the amounts for the asset classifications, as listed (see Note 4).

J. Long-term liabilities.

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

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.

L. Equity Classifications.

Government-Wide Financial Statements:

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

- a. 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.
- b. 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.
- c. 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 further split between designated and undesignated.

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

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 capital project purposes - An account that represents a portion of the fund balance that is legally restricted for capital expenditures or expenditures for maintaining, repairing or equipping school district facilities in accordance with bonding resolutions approved by the school board.

Reserved for debt service purposes - An account that represents a portion of the fund balance that is legally restricted for the retirement of school district debt.

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

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are held in the name of the Mississippi 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 school district'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.

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, private purpose funds and fiduciary funds was \$14,667,155, \$3,946 and \$687,358, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$14,667,155. The carrying amount of school district's cash held by financial institutions was \$15,710,293.

**Custodial Credit Risk – Deposits.** Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's 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.

(3) **Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

A. **Due From/To Other Funds:**

|                          | Due From          | Due To            |
|--------------------------|-------------------|-------------------|
| <b>Major Funds:</b>      |                   |                   |
| General Fund             | \$ 354,341        |                   |
| Other Governmental Funds | \$ 47,201         | \$ 401,542        |
| <b>Total funds</b>       | <b>\$ 401,542</b> | <b>\$ 401,542</b> |

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. **Transfers In/Out.**

|                          | Transfer In         | Transfers Out       |
|--------------------------|---------------------|---------------------|
| <b>Major Funds:</b>      |                     |                     |
| General Fund             | \$ 111,256          | \$ 2,593,853        |
| Capital Projects Fund    | \$ 1,500,000        |                     |
| Other Governmental Funds | \$ 1,093,854        | \$ 111,257          |
| <b>Total funds</b>       | <b>\$ 2,705,110</b> | <b>\$ 2,705,110</b> |

The purpose of the transfers out of the General Fund are to finance other basic operations of the district that are not directly funded (i.e., vocational program), to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments and to provide funding for the Capital Projects Fund. The transfers out of the Other Governmental Funds are primarily the transfer of indirect cost on federal programs to the General Fund.

(4) **Capital Assets.**

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

|   | Balance<br>7-1-2005 | Additions         | Retirements | Completed<br>Construction | Adjustments | Balance<br>6-30-2006 |
|---|---------------------|-------------------|-------------|---------------------------|-------------|----------------------|
| <u>Non-depreciable capital assets:</u>      |                     |                   |             |                           |             |                      |
| Land  | \$ 1,571,078        |                   |             |                           |             | \$ 1,571,078         |
| Construction in progress                    | \$ 310,409          | \$ 359,724        |             | \$ (670,133)              |             | \$ 0                 |
| <b>Total non-depreciable capital assets</b> | <b>\$ 1,881,487</b> | <b>\$ 359,724</b> | <b>\$ 0</b> | <b>\$ (670,133)</b>       | <b>\$ 0</b> | <b>\$ 1,571,078</b>  |

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

|  | Balance<br>7-1-2005  | Additions           | Retirements         | Completed<br>Construction | Adjustments       | Balance<br>6-30-2006 |
|--|----------------------|---------------------|---------------------|---------------------------|-------------------|----------------------|
| <b>Depreciable capital assets:</b>                 |                      |                     |                     |                           |                   |                      |
| Buildings  | \$ 34,719,632        |                     |                     | \$ 670,133                |                   | \$ 35,389,765        |
| Improvements other than buildings                  | \$ 576,558           |                     |                     |                           |                   | \$ 576,558           |
| Mobile equipment                                   | \$ 2,978,915         | \$ 355,044          | \$ (12,500)         |                           |                   | \$ 3,321,459         |
| Furniture and equipment                            | \$ 1,238,222         | \$ 205,108          | \$ (103,549)        |                           | \$ 5,252          | \$ 1,345,033         |
| <b>Total depreciable capital assets</b>            | <b>\$ 39,513,327</b> | <b>\$ 560,152</b>   | <b>\$ (116,049)</b> | <b>\$ 670,133</b>         | <b>\$ 5,252</b>   | <b>\$ 40,632,815</b> |
| <b>Less accumulated depreciation</b>               |                      |                     |                     |                           |                   |                      |
| Buildings  | \$ 13,520,289        | \$ 504,875          |                     |                           |                   | \$ 14,025,164        |
| Improvements other than buildings                  | \$ 327,806           | \$ 13,344           |                     |                           |                   | \$ 341,150           |
| Mobile equipment                                   | \$ 2,160,120         | \$ 190,778          | \$ (11,250)         |                           |                   | \$ 2,339,648         |
| Furniture and equipment                            | \$ 1,041,463         | \$ 107,236          | \$ (101,193)        |                           | \$ 8,902          | \$ 1,056,408         |
| <b>Total accumulated depreciation</b>              | <b>\$ 17,049,678</b> | <b>\$ 816,233</b>   | <b>\$ (112,443)</b> |                           | <b>\$ 8,902</b>   | <b>\$ 17,762,370</b> |
| <b>Total depreciable capital assets, net</b>       | <b>\$ 22,463,649</b> | <b>\$ (256,081)</b> | <b>\$ (3,606)</b>   | <b>\$ 670,133</b>         | <b>\$ (3,650)</b> | <b>\$ 22,870,445</b> |
| <b>Governmental activities capital assets, net</b> | <b>\$ 24,345,136</b> | <b>\$ 103,643</b>   | <b>\$ (3,606)</b>   | <b>\$ 0</b>               | <b>\$ (3,650)</b> | <b>\$ 24,441,523</b> |

Depreciation expense was charged to the following governmental functions:

|                                   | Amount            |
|-----------------------------------|-------------------|
| Instruction                       | \$ 457,090        |
| Support services                  | \$ 302,006        |
| Non-instructional                 | \$ 57,137         |
| <b>Total depreciation expense</b> | <b>\$ 816,233</b> |

(5) Long-term liabilities.

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

|                                     | Balance<br>7-1-2005  | Additions         | Reductions          | Balance<br>6-30-2006 | Amounts due<br>within one<br>year |
|-------------------------------------|----------------------|-------------------|---------------------|----------------------|-----------------------------------|
| A. General obligation bonds payable | \$ 11,493,000        |                   | \$ 998,000          | \$ 10,495,000        | \$ 1,035,000                      |
| B. Three mill notes payable         | \$ 6,060,000         |                   | \$ 490,000          | \$ 5,570,000         | \$ 510,000                        |
| C. Shortfall notes payable          | \$ 434,061           | \$ 255,000        | \$ 343,344          | \$ 345,717           | \$ 168,731                        |
| D. Compensated absences payable     | \$ 244,289           | \$ 5,392          |                     | \$ 249,681           | \$ 24,968                         |
| <b>Total</b>                        | <b>\$ 18,231,350</b> | <b>\$ 260,392</b> | <b>\$ 1,831,344</b> | <b>\$ 16,660,398</b> | <b>\$ 1,738,699</b>               |

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:

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

| Description                                      | Interest Rate | Issue Date | Maturity Date | Amount Issued        | Amount Outstanding   |
|--|---------------|------------|---------------|----------------------|----------------------|
| General obligation bonds, Series 1997            | 4.1- 4.75     | 6-15-97    | 9-1-14        | \$ 8,750,000         | \$ 8,440,000         |
| General obligation bonds, Series, 2002           | 2.89          | 12-1-02    | 9-1-07        | \$ 2,752,000         | \$ 1,807,000         |
| General obligation bonds, refunding, Series 2003 | 2.22          | 4-1-03     | 8-1-08        | \$ 495,000           | \$ 248,000           |
| Total  |               |            |               | <u>\$ 11,997,000</u> | <u>\$ 10,495,000</u> |

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

| Year Ending<br>June 30 | Principal            | Interest            | Total                |
|------------------------|----------------------|---------------------|----------------------|
| 2007                   | \$ 1,035,000         | \$ 463,719          | \$ 1,498,719         |
| 2008                   | \$ 1,055,000         | \$ 433,096          | \$ 1,488,096         |
| 2009                   | \$ 1,110,000         | \$ 392,040          | \$ 1,502,040         |
| 2010                   | \$ 1,075,000         | \$ 340,434          | \$ 1,415,434         |
| 2011                   | \$ 1,115,000         | \$ 286,490          | \$ 1,401,490         |
| 2012 – 2015            | \$ 5,105,000         | \$ 536,843          | \$ 5,641,843         |
| Total                  | <u>\$ 10,495,000</u> | <u>\$ 2,452,622</u> | <u>\$ 12,947,622</u> |

This debt will be retired from the District Maintenance Fund (General Fund) and the GO Bond Nine Mill Levy Fund (Debt Service Fund).

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 conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 5.6% of property assessments as of October 1, 2005.

Three mill notes payable

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

| Year Ending<br>June 30 | Principal           | Interest            | Total               |
|------------------------|---------------------|---------------------|---------------------|
| 2007                   | \$ 510,000          | \$ 229,588          | \$ 739,588          |
| 2008                   | \$ 525,000          | \$ 204,088          | \$ 729,088          |
| 2009                   | \$ 550,000          | \$ 177,838          | \$ 727,838          |
| 2010                   | \$ 375,000          | \$ 150,338          | \$ 525,338          |
| 2011                   | \$ 375,000          | \$ 131,588          | \$ 506,588          |
| 2012 – 2016            | \$ 1,975,000        | \$ 449,415          | \$ 2,424,415        |
| 2017 – 2019            | \$ 1,260,000        | \$ 93,726           | \$ 1,353,726        |
| Total                  | <u>\$ 5,570,000</u> | <u>\$ 1,436,581</u> | <u>\$ 7,006,581</u> |

This debt will be retired from the Negotiable Notes P & I Fund (Debt Service Fund).

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

Shortfall notes payable

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

|       | Year Ending<br>June 30 | Principal      | Interest         | Total             |
|-------|------------------------|----------------|------------------|-------------------|
| 2007  | \$                     | 168,731        | \$ 14,583        | \$ 183,314        |
| 2008  | \$                     | 131,650        | \$ 6,771         | \$ 138,421        |
| 2009  | \$                     | 45,336         | \$ 1,208         | \$ 46,544         |
| Total | \$                     | <u>345,717</u> | <u>\$ 22,562</u> | <u>\$ 368,279</u> |

This debt will be retired from the Shortfall Notes Fund (Debt Service Fund).

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' salary 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 10.75% 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, 2006, 2005 and 2004 were \$2,468,884, \$2,175,532 and \$2,157,011, 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.

|      | Year Ending<br>June 30 | Amount |
|------|------------------------|--------|
| 2007 | \$                     | 5,832  |
| 2008 | \$                     | 5,832  |
| 2009 | \$                     | 5,832  |
| 2010 | \$                     | 5,832  |

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

| Year Ending  | Amount           |
|--------------|------------------|
| June 30      |                  |
| 2011         | \$ 5,832         |
| 2012 – 2016  | \$ 29,160        |
| 2017 – 2021  | \$ 22,140        |
| 2022 – 2026  | \$ 16,625        |
| <b>Total</b> | <b>\$ 97,085</b> |

(8) Prior Period Adjustments/Exhibits.

| Exhibit B and Exhibit D               | Amount              | Explanation                    |
|---------------------------------------|---------------------|--------------------------------|
| <b>General Fund</b>                   |                     |                                |
| District Maintenance Fund             | \$ (259,538)        | Correction of prior year error |
| Special Education Fund                | \$ 10,073           | Correction of prior year error |
| Alternative School Fund               | \$ 7,410            | Correction of prior year error |
| <b>Total General Fund</b>             | <b>\$ (242,055)</b> |                                |
| <b>Major Fund</b>                     |                     |                                |
| Capital Projects Fund                 | \$ 112,807          | Correction of prior year error |
| <b>Total Capital Projects Fund</b>    | <b>\$ 112,807</b>   |                                |
| <b>Other Governmental Funds</b>       |                     |                                |
| Technology Literacy                   | \$ (9,235)          | Correction of prior year error |
| Alternative School                    | \$ 7,741            | Correction of prior year error |
| Extended School Year                  | \$ 356              | Correction of prior year error |
| Title I                               | \$ 144              | Correction of prior year error |
| Title VI                              | \$ 143              | Correction of prior year error |
| EEF Buildings and Buses               | \$ 3,092            | Correction of prior year error |
| EEF Classroom Supplies                | \$ 1,535            | Correction of prior year error |
| Title II – E                          | \$ 168              | Correction of prior year error |
| Title II – A                          | \$ 312              | Correction of prior year error |
| E2T2                                  | \$ 330              | Correction of prior year error |
| IDEA                                  | \$ 1,257            | Correction of prior year error |
| Vocational Education Basic            | \$ 8,912            | Correction of prior year error |
| Unemployment Comp.                    | \$ 3,366            | Correction of prior year error |
| 16 <sup>th</sup> Section Interest     | \$ 3,973            | Correction of prior year error |
| EPSDT School                          | \$ 160              | Correction of prior year error |
| Stokes-Beard Capital Project          | \$ 78,686           | Correction of prior year error |
| 2001 Short Fall Note Fund             | \$ 3,429            | Correction of prior year error |
| Negotiable Note Fund                  | \$ 3,661            | Correction of prior year error |
| 94 G/O Bond Fund                      | \$ 12,334           | Correction of prior year error |
| <b>Total Other Governmental Funds</b> | <b>\$ 120,364</b>   |                                |
| <b>Total Exhibit D</b>                | <b>\$ (8,884)</b>   |                                |
| <b>Primary Government</b>             | <b>\$ (3,650)</b>   | Adjustment to capital assets   |
| <b>Total Exhibit B</b>                | <b>\$ (12,534)</b>  |                                |

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries

Columbus Municipal School District  
Notes to Financial Statements  
For the Year Ended June 30, 2006

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 Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust 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 MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$350,000. For a claim exceeding \$350,000, MPEWCT has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

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SUPPLEMENTARY INFORMATION

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Columbus Municipal School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title         | Catalog of<br>Federal Domestic<br>Assistance No. | Federal<br>Expenditures |
|--|--|-------------------------|
| <u>U.S. Department of Agriculture</u>                              |  |                         |
| Passed-through Mississippi Department of Education:                |  |                         |
| Non-cash assistance:   |  |                         |
| Food donation  | 10.550   | \$ <u>131,913</u>       |
| Child nutrition cluster:   |  |                         |
| School breakfast program   | 10.553   | \$ 545,222              |
| National school lunch program                                      | 10.555   | \$ 1,655,852            |
| Summer food service program for children                           | 10.559   | \$ <u>109,839</u>       |
| Total child nutrition cluster                                      |  | \$ <u>2,310,913</u>     |
| Total U.S. Department of Agriculture                               |  | <u>2,442,826</u>        |
| <u>Federal Communication Commission</u>                            |  |                         |
| Administered through the Universal Service Administration Company: |  |                         |
| The school and libraries program of the universal service fund     | 32.XXX   | \$ <u>36,217</u>        |
| Total Federal Communication Commission                             |  | \$ <u>36,217</u>        |
| <u>U.S. Department of Education</u>                                |  |                         |
| Passed-through Mississippi Department of Education:                |  |                         |
| Title I - grants to local educational agencies                     | 84.010   | \$ 2,083,926            |
| Vocational education - basic grants to states                      | 84.048   | \$ 77,300               |
| Safe and drug-free schools and communities - state grants          | 84.186   | \$ 47,210               |
| Twenty first century community learning centers                    | 84.287   | \$ 95,660               |
| State grants for innovative programs                               | 84.298   | \$ 15,512               |
| Education technology - state grants                                | 84.318   | \$ 273,311              |
| Comprehensive school reform demonstration                          | 84.332   | \$ 293,071              |
| Improving teacher quality – state grants                           | 84.367   | \$ 489,876              |
| Hurricane education recovery act – emergency impact aid            | 84.938C  | \$ <u>242,236</u>       |
| Total  |  | \$ <u>3,618,102</u>     |
| Special education cluster:   |  |                         |
| Special education - grants to states                               | 84.027   | \$ 1,359,293            |
| Special education - preschool grants                               | 84.173   | \$ <u>29,578</u>        |
| Total  |  | \$ <u>1,388,871</u>     |
| Total passed-through Mississippi Department of Education           |  | \$ <u>5,006,973</u>     |
| Total U.S. Department of Education                                 |  | \$ <u>5,006,973</u>     |
| <u>Other Federal Assistance</u>                                    |  |                         |
| Direct program:  |  |                         |
| Reserve officers' training corps                                   | 12.XXX   | \$ <u>67,614</u>        |
| Total Other Federal Assistance                                     |  | \$ <u>67,614</u>        |
| Total for All Federal Awards                                       |  | \$ <u>7,553,630</u>     |

Columbus Municipal School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Columbus Municipal School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2006

| <u>Expenditures</u>          | <u>Total</u>         | <u>Instruction and<br/>Other Student<br/>Instructional<br/>Expenditures</u> | <u>General<br/>Administrative</u> | <u>School<br/>Administration</u> | <u>Other</u>         |
|------------------------------|----------------------|---|-----------------------------------|----------------------------------|----------------------|
| Salaries and fringe benefits | \$ 30,304,956        | \$ 22,559,019   | \$ 672,441                        | \$ 2,334,539                     | \$ 4,738,957         |
| Other                        | \$ 10,619,938        | \$ 2,451,062  | \$ 313,373                        | \$ 171,783                       | \$ 7,683,720         |
| Total                        | <u>\$ 40,924,894</u> | <u>\$ 25,010,081</u>  | <u>\$ 985,814</u>                 | <u>\$ 2,506,322</u>              | <u>\$ 12,422,677</u> |
| Total number of students     | <u>4,799</u>         |   |                                   |                                  |                      |
| Cost per student             | <u>\$ 8,528</u>      | <u>\$ 5,212</u>   | <u>\$ 205</u>                     | <u>\$ 522</u>                    | <u>\$ 2,589</u>      |

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - 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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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REQUIRED SUPPLEMENTARY INFORMATION

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Columbus Municipal School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2006

|  | Budgeted Amounts      |                       | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|-----------------------|-----------------------|------------------------|----------------------------------|--------------------|
|  | Original              | Final                 |                        | Original<br>to Final             | Final<br>to Actual |
|  |                       |                       |                        |                                  |                    |
| <b>Revenues</b>  |                       |                       |                        |                                  |                    |
| Local sources  | \$ 10,037,965         | \$ 9,896,768          | \$ 9,899,270           | \$ 141,197                       | \$ (2,502)         |
| State sources  | \$ 20,013,963         | \$ 20,021,218         | \$ 20,021,215          | \$ (7,255)                       | \$ 3               |
| Federal sources  | \$ 580,000            | \$ 455,494            | \$ 455,493             | \$ 124,506                       | \$ 1               |
| <b>Total Revenues</b>  | <b>\$ 30,631,928</b>  | <b>\$ 30,373,480</b>  | <b>\$ 30,375,978</b>   | <b>\$ 258,448</b>                | <b>\$ (2,498)</b>  |
| <b>Expenditures</b>  |                       |                       |                        |                                  |                    |
| Instruction  | \$ 16,035,012         | \$ 15,852,126         | \$ 15,851,857          | \$ 182,886                       | \$ 269             |
| Support services   | \$ 11,736,959         | \$ 12,256,266         | \$ 12,255,909          | \$ (519,307)                     | \$ 357             |
| Noninstructional services                                    | \$ 76,332             | \$ 43,477             | \$ 43,464              | \$ 32,855                        | \$ 13              |
| Debt service   |                       |                       |                        |                                  |                    |
| Principal  | \$ 83,000             | \$ 83,000             | \$ 82,589              | \$ -                             | \$ 411             |
| Interest   | \$ 6,534              | \$ 6,945              | \$ 6,944               | \$ (411)                         | \$ 1               |
| Other  | \$ 2,500              | \$ -                  | \$ -                   | \$ 2,500                         | \$ -               |
| <b>Total Expenditures</b>                                    | <b>\$ 27,940,337</b>  | <b>\$ 28,241,814</b>  | <b>\$ 28,240,763</b>   | <b>\$ (301,477)</b>              | <b>\$ 1,051</b>    |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>\$ 2,691,591</b>   | <b>\$ 2,131,666</b>   | <b>\$ 2,135,215</b>    | <b>\$ 559,925</b>                | <b>\$ (3,549)</b>  |
| <b>Other Financing Sources (Uses)</b>                        |                       |                       |                        |                                  |                    |
| Proceeds of loans  | \$ -                  | \$ 201,450            | \$ 201,450             | \$ (201,450)                     | \$ -               |
| Insurance loss recoveries                                    | \$ -                  | \$ 107,996            | \$ 107,995             | \$ (107,996)                     | \$ 1               |
| Sale of transportation equipment                             | \$ -                  | \$ 610                | \$ -                   | \$ (610)                         | \$ 610             |
| Sale of other property                                       | \$ -                  | \$ 1,939              | \$ -                   | \$ (1,939)                       | \$ 1,939           |
| Operating transfers in                                       | \$ 3,401,010          | \$ 3,323,207          | \$ 111,256             | \$ 77,803                        | \$ 3,211,951       |
| Operating transfers out                                      | \$ (5,752,993)        | \$ (5,805,806)        | \$ (2,593,853)         | \$ 52,813                        | \$ (3,211,953)     |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (2,351,983)</b> | <b>\$ (2,170,604)</b> | <b>\$ (2,173,152)</b>  | <b>\$ (181,379)</b>              | <b>\$ 2,548</b>    |
| <b>Net Change in Fund Balances</b>                           | <b>\$ 339,608</b>     | <b>\$ (38,938)</b>    | <b>\$ (37,937)</b>     | <b>\$ 378,546</b>                | <b>\$ (1,001)</b>  |
| <b>Fund Balances</b>   |                       |                       |                        |                                  |                    |
| July 1, 2005   | \$ 2,585,169          | \$ 2,585,169          | \$ 2,585,161           | \$ -                             | \$ 8               |
| Prior period adjustments                                     | \$ -                  | \$ (242,055)          | \$ (242,055)           | \$ 242,055                       | \$ -               |
| July 1, 2005, as restated                                    | <b>\$ 2,585,169</b>   | <b>\$ 2,343,114</b>   | <b>\$ 2,343,106</b>    | <b>\$ 242,055</b>                | <b>\$ 8</b>        |
| June 30, 2006  | <b>\$ 2,924,777</b>   | <b>\$ 2,304,176</b>   | <b>\$ 2,305,169</b>    | <b>\$ 620,601</b>                | <b>\$ (993)</b>    |

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

Columbus Municipal School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2006

(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 a date established by the Mississippi Board of Education (generally on or about September 1 of the following fiscal year). A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

(3) Individual Fund Disclosures.

Excess Expenditures over Budget.

Individual fund(s) that have an excess of expenditures over budget, including amounts of the excess, are as follows:

| <u>Individual Fund</u>    | <u>Amount</u>   |
|---------------------------|-----------------|
| District Maintenance Fund | \$ <u>1,051</u> |

The excess of expenditures over budget is not in violation of state law since the excess resulted from auditor's adjustments.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# Charles L. Shivers, CPA

122 Trace Ridge Drive  
Ridgeland, MS 39157  
Phone: (601) 853-7133

Member  
AICPA  
MSCPA

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

Superintendent and School Board  
Columbus Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2006, which collectively comprise the district's basic financial statements and have issued my report thereon dated January 10, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

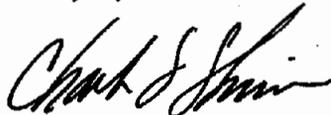
#### Internal Control Over Financial Reporting

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

#### Compliance and Other Matters

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



Ridgeland, MS  
January 10, 2007

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# Charles L. Shivers, CPA

122 Trace Ridge Drive  
Ridgeland, MS 39157  
Phone: (601) 853-7133

Member  
AICPA  
MSCPA

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

Superintendent and School Board  
Columbus Municipal School District

### Compliance

I have audited the compliance of the Columbus Municipal 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, 2006. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

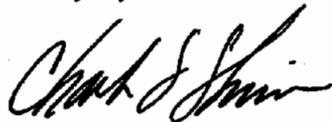
In my opinion, Columbus Municipal School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS  
January 10, 2007

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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# Charles L. Shivers, CPA

122 Trace Ridge Drive  
Ridgeland, MS 39157  
Phone: (601) 853-7133

Member  
AICPA  
MSCPA

## REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Columbus Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2006, which collectively comprise Columbus Municipal School District's basic financial statements and have issued my report thereon dated January 10, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$17,558 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 my audit of the basic financial statements did not disclose any instances of noncompliance with 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.



Ridgeland, MS  
January 10, 2007

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Columbus Municipal School District  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2006

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                     | Unqualified   |
| 2. | Material noncompliance relating to the basic financial statements?                     | No            |
| 3. | Internal control over financial reporting:   |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |    |   |               |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 5. | Internal control over major programs:   |               |
|    | a. Material weaknesses identified?  | No            |
|    | b. Reportable conditions identified that are not considered to be material weaknesses?  | None Reported |
| 6. | Any audit finding(s) reported as required by section ____,510(a) of Circular A-133?   | No            |
| 7. | Federal program identified as major program:  |               |
|    | a. Child Nutrition Cluster  |               |
|    | CFDA #: 10.553  |               |
|    | CFDA #: 10.555  |               |
|    | CFDA #: 10.559  |               |
|    | b. Special Education Cluster  |               |
|    | CFDA #: 84.027  |               |
|    | CFDA#: 84.173   |               |
|    | c. Improving Teacher Quality – State Grants   |               |
|    | CFDA #: 84.367  |               |
|    | d. Hurricane Education Recovery Act – Emergency Impact Aid  |               |
|    | CFDA#: 84.938C  |               |
| 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 findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____,315(b) of OMB Circular A-133? | Yes           |

**Section 2: Financial Statement Findings**

The results of my tests did not disclose any findings and questioned costs related to the financial statements.

**Section 3: Federal Award Findings and Questioned Costs**

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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# Columbus Municipal School District

**Lester R. Beason, Ed.D., Superintendent**

2630 McArthur Drive P.O. Box 1308  
Columbus, Mississippi 39703  
(662) 241-7400  
FAX (662) 241-7453

Dennis Dupree, Sr.  
Assistant Superintendent for Support Services

J. David Sullivan  
Assistant Superintendent for Instruction

## Summary Schedule of Prior Audit Findings

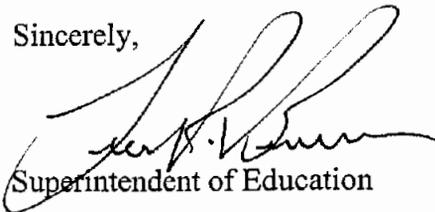
December 15, 2006

Financial and Compliance Audit Division

As required by Section \_\_\_\_ .315(b) of OMB Circular A-133, the Columbus Municipal School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2006.

| <u>Finding</u> | <u>Status</u> |
|----------------|---------------|
| 2005-01        | Corrected     |
| 2005-02        | Corrected     |

Sincerely,



Superintendent of Education



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