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COLUMBIA SCHOOL DISTRICT

Audited Financial Statements

For the Year Ended June 30, 2006

Wright CPA Group, PLLC

COLUMBIA SCHOOL DISTRICT

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

COLUMBIA SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
FINANCIAL STATEMENTS	
Statement of Net Assets	21
Statement of Activities	22
Balance Sheet – Governmental Funds	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	26
Statement of Fiduciary Net Assets	27
Notes to Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	48
Budgetary Comparison Schedule for Restart School Grant Fund	49
Notes to the Required Supplementary Information	50
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	52
Schedule of Instructional, Administrative and Other Expenditures – Governmental	54
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	58
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
Independent Auditor's Report on Compliance with State Laws and Regulations	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	64

**COLUMBIA SCHOOL DISTRICT
FINANCIAL AUDIT REPORT**

COLUMBIA SCHOOL DISTRICT

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WRIGHT CPA GROUP, PLLC

 CERTIFIED PUBLIC ACCOUNTANTS 

American Institute of
Certified Public Accountants

#10 Plaza Drive • P. O. Box 16433 • Hattiesburg, MS 39404-6433
Phone 601-268-3135 • Fax 601-261-3922

Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Columbia School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the Columbia School District, as of June 30, 2006, and the respective changes in the financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2007, on our consideration of the Columbia School Districts internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 47 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wright CPA Group, PLLC

Wright CPA Group, PLLC
March 12, 2007

COLUMBIA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLUMBIA SCHOOL DISTRICT

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**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

The discussion and analysis of the Columbia School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the The discussion and analysis of the Columbia School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$2,534,989, which represents a 24% increase from fiscal year 2006. This increase is due primarily to the receipt of approximately \$1,790,000 in federal funds under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina. The District also received approximately \$44,000 in FEMA/MEMA Disaster Relief funds and approximately \$45,000 in insurance loss recoveries during the fiscal year. In addition, the District took a conservative approach to spending in order to increase the fund balance at year end.
- General revenues account for \$12,066,291 in revenue, or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,211,579, or 30% of total revenues.
- The District had \$14,695,681 in expenses; only \$5,211,579 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,066,291 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,782,694 in revenues and \$9,070,636 in expenditures. After net other financing sources of \$189,871, the net change in fund balance for the General Fund was an increase of \$1,901,929 from the previous fiscal year. This increase is due primarily to the receipt of approximately \$1,790,000 in federal funds under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina. Salary related expenditures normally incurred in the General Fund were reported in the Displaced Student Grant Funds and the Restart School Grant Fund and federal sources were received to cover those expenditures.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Capital assets, net of accumulated depreciation, decreased by \$270,277 due primarily to the current year depreciation of capital assets.
- Long-term debt decreased by \$306,461.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

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

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

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

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,021,034 as of June 30, 2006.

The District's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,982,290 of the District's net assets reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$10,139,838 of the District's net assets reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. The unrestricted portion of the District's net assets is a negative \$101,094 because non-capital long-term liabilities in the amount of \$265,867 exceed the fund balance of the General Fund of \$164,773.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

	Net Assets		Percentage
	June 30, 2006	June 30, 2006	Change
Current assets	\$ 4,166,437	\$ 1,940,611	114.7 %
Other assets	6,453,067	6,165,545	4.7 %
Capital assets, net	8,762,290	9,032,567	(3.0) %
Total assets	19,381,794	17,138,723	13.1 %
Current liabilities	314,893	300,350	4.8 %
Long-term debt outstanding	6,045,867	6,352,328	(4.8) %
Total liabilities	6,360,760	6,652,678	(4.4) %
Net assets:			
Invested in capital assets, net of related debt	2,982,290	2,857,567	4.4 %
Restricted	10,139,838	9,556,898	6.1 %
Unrestricted	(101,094)	(1,928,420)	94.8 %
Total net assets	\$ 13,021,034	10,486,045	24.2 %

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents resulting primarily from the receipt of approximately \$1,790,000 in federal funds under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina. Salary related expenditures normally incurred in the General Fund were covered by the federal sources received. Current assets also increased due to an increase in amounts due from other governments. At fiscal year end, the District reported receivables from the federal government related to the Displaced Student Grant and Restart School Grant.
- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation of capital assets.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on long-term debt.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in the fund balance of the General Fund.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$17,277,870. The total cost of all programs and services was \$14,695,681. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 370,487	\$ 349,089	6.1 %
Operating grants and contributions	4,841,092	3,210,485	50.8 %
General revenues:			
Property taxes	3,804,585	3,458,209	10.0 %
Grants and contributions not restricted	7,630,798	6,589,585	15.8 %
Other	<u>630,908</u>	<u>562,608</u>	12.1 %
Total revenues	<u>17,277,870</u>	<u>14,169,976</u>	21.9 %
Expenses:			
Instruction	8,356,636	7,601,070	9.9 %
Support services	5,079,066	4,697,917	8.1 %
Non-instructional	882,479	832,816	6.0 %
Interest and other expenses on long-term liabilities	<u>377,500</u>	<u>408,410</u>	(7.6) %
Total expenses	<u>14,695,681</u>	<u>13,540,213</u>	8.5 %
Increase (Decrease) in net assets	2,582,189	629,763	310.0 %
Net Assets, July 1	10,486,045	9,765,112	7.4 %
Prior Period Adjustments	<u>(47,200)</u>	<u>91,170</u>	(151.8) %
Net Assets, Restated, July 1	<u>10,438,845</u>	<u>9,856,282</u>	5.9 %
Net Assets, June 30	<u>\$13,021,034</u>	<u>\$ 10,486,045</u>	24.2 %

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions. As a result of Hurricane Katrina, the District received approximately \$260,000 in Displaced Student Grant funds and approximately \$1,530,000 in Restart School Grant funds. The District also received approximately \$44,000 in FEMA/MEMA Disaster Relief funds.
- General revenues increased from the previous fiscal year due primarily to an increase in ad valorem tax receipts and unrestricted state grants and contributions.
- Instruction and support services expenses increased from the previous fiscal year due primarily to the 8% increase in teacher salaries.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005, the cost of four major District functional activities: instruction, support services, non-instructional and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>2006</u>		<u>2005</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 8,356,636	\$ (5,500,328)	\$ 7,601,070	\$ (5,662,702)
Support services	5,079,066	(3,587,840)	4,697,917	(3,994,036)
Non-instructional	882,479	(18,434)	832,816	84,509
Interest and other expenses on long-term liabilities	<u>377,500</u>	<u>(377,500)</u>	<u>408,410</u>	<u>(408,410)</u>
Total expenses	<u>\$14,695,681</u>	<u>\$ (9,484,102)</u>	<u>\$ 13,540,213</u>	<u>\$ (9,980,639)</u>

- The net cost of governmental activities for fiscal year 2006 in the amount of \$9,484,102 was financed by general revenue, which is made up of primarily property taxes of \$3,804,585 and state revenue of \$7,601,584.
- Investment earnings accounted for \$180,542 of funding.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2006, its governmental funds reported a combined fund balance of \$10,392,311. The net change in fund balance for the fiscal year was an increase of \$2,493,238 due primarily to the receipt of federal funds under the Displaced Student Grant, Restart School Grant and FEMA/MEMA Disaster Relief Grant which resulted from Hurricane Katrina and conservative budgeting during the fiscal year. \$481,402, or 5%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$9,910,909, or 95%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$1,901,929 due primarily to the receipt of federal funds under the Displaced Student Grant, Restart School Grant and FEMA/MEMA Disaster Relief Grant which resulted from Hurricane Katrina. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was an increase of \$211,743 due to revenue generated from sixteenth section sources in excess of transfers to the General Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$379,566 due to the excess of revenues over expenditures in various funds.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for instruction and support services expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$260,000 of

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

BUDGETARY HIGHLIGHTS (Continued)

federal funds under the Displaced Student Grant and approximately \$1,530,000 of federal funds under the Restart School Grant. The District was allowed to reclassify a portion of

Instruction and support services expenditures from the General Fund to the Displaced Student Grant Fund and Restart School Grant Fund in order to reimburse the District for salary related expenditures incurred. Therefore, the amounts originally budgeted were revised during the fiscal year to reflect the reclassification of these expenditures.

- Budgeted amounts for transfers out of the General Fund were increased to more accurately reflect transfers made during the fiscal year to other governmental funds. The original budgeted amounts were understated.
- Budgeted amounts for revenue from federal sources and instruction and support services expenditures in the Restart School Grant Fund were increased during the fiscal year. Revenue and expenditures related to this grant were a result of Hurricane Katrina and were not included in the original budget.

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue funds 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, before depreciation, were \$12,783,012, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross decrease of \$8,507 from the previous year. Total depreciation expense for the year was \$282,194. Total accumulated depreciation as of June 30, 2006 was \$4,020,722, resulting in total net capital assets of \$8,762,290.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Land	\$ 727,266	\$ 727,266	0.0 %
Buildings	7,416,016	7,587,208	(2.3) %
Improvements other than buildings	73,405	77,370	(5.1) %
Mobile equipment	510,547	598,445	(14.7) %
Furniture and equipment	<u>35,056</u>	<u>42,278</u>	(17.1) %
Total	<u>\$ 8,762,290</u>	<u>\$ 9,032,567</u>	(3.0) %

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration. At June 30, 2006, the District had \$6,045,867 in general and limited obligation bonds and other long-term debt outstanding, of which \$450,110 is due within one year. During the fiscal year, the District obtained a shortfall note in the amount of \$61,400. The District made principal payments in the amount of \$410,103 on long-term debt during the fiscal year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
General obligation bonds payable	\$ 4,420,000	\$ 4,735,000	(6.7) %
Limited obligation bonds payable	1,360,000	1,440,000	(5.6) %
Shortfall notes payable	93,497	0	
Compensated absences payable	172,370	177,328	(2.8) %
Total	\$ 6,045,867	\$ 6,352,328	(4.8) %

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage rate increased from 62.75 in fiscal year 2005 to 67.00 in fiscal year 2006.

The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**Columbia School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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

COLUMBIA SCHOOL DISTRICT

FINANCIAL STATEMENTS

Exhibit A

**Columbia School District
Statement of Net Assets
June 30, 2006**

ASSETS

Cash and Cash Equivalents	\$	2,370,121
Due from other governments		1,117,798
Inventories and prepaid items		38,220
Restricted Assets		7,093,365
Capital assets, not being depreciated:		
Land		727,266
Capital assets, net of accumulated depreciation		
Building		7,416,016
Improvements other than buildings		73,405
Mobile equipment		510,547
Furniture and equipment		35,056

Total Assets

19,381,794

LIABILITIES

Accounts payable and accrued liabilities		201,652
Unearned revenue		25,541
Interest Payable on Long Term Debt		87,700
Long Term Liabilities (due with one year)		
Capital Related liabilities		415,000
Non-capital liabilities		43,729
Long Term Liabilities (due beyond one year)		
Capital Related liabilities		5,365,000
Non-capital liabilities		222,138

Total Liabilities

6,360,760

NET ASSETS

Invested in capital assets, net of related debt		2,982,290
Restricted Net Assets		
Expendable:		
School Based Activities		354,849
Debt Service		551,661
Unemployment Benefits		91,696
Non-Expendable:		
Sixteenth Section		9,141,632
Unrestricted		(101,094)

Total Net Assets

13,021,034

Total Liabilities and Net Assets

\$ 19,381,794

The notes are an integral part of these financial statements.

**Columbia School District
Statement of Activities
For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
					Total
Governmental Activities:					
Instruction	\$ 8,356,636	143,511	2,712,797	-	(5,500,328)
Support Services	5,079,066	-	1,491,226	-	(3,587,840)
Noninstructional services	882,479	226,976	637,069	-	(18,434)
Interest and other expenses on long-term liabilities	377,500	-	-	-	(377,500)
Total Governmental Activities	14,695,681	370,487	4,841,092	-	(9,484,102)
General Revenues:					
Taxes:					
Property taxes - general purposes					3,116,912
Property taxes - debt service					687,673
Unrestricted grants and contributions					
State					7,601,584
Federal					29,214
Unrestricted investment earnings					180,542
Sixteenth Section sources					366,350
Other					84,016
Total General Revenues					12,066,291
Change in Net Assets					2,582,189
Net Assets - Beginning					10,486,045
Prior Period Adjustments					(47,200)
Net Assets - Restated					10,438,845
Net Assets - Ending					\$ 13,021,034

The notes are an integral part of these financial statements

**Columbia School District
Balance Sheet – Governmental Funds
For the Year Ended June 30, 2006**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Restart School Grant Fund	16th Section Principal Fund		
ASSETS					
Cash and cash equivalents	\$ 1,534,842	-	7,042,972	835,279	9,413,093
Cash with fiscal agent	-	-	-	50,393	50,393
Due from other governments	299,365	77,422	-	741,011	1,117,798
Due from other funds	646,387	-	-	-	646,387
Advances to other funds	-	-	2,098,660	-	2,098,660
Inventories	-	-	-	38,220	38,220
Total assets	2,480,594	77,422	9,141,632	1,664,903	13,364,551
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	171,680	-	-	29,972	201,652
Due to other funds	45,481	77,422	-	523,484	646,387
Advances from other funds	2,098,660	-	-	-	2,098,660
Deferred revenue	-	-	-	25,541	25,541
Total liabilities	2,315,821	77,422	-	578,997	2,972,240
Fund balances:					
Reserved for:					
Advances	-	-	2,098,660	-	2,098,660
Inventory	-	-	-	38,220	38,220
Unemployment benefits	-	-	-	91,696	91,696
Debt service purposes	-	-	-	639,361	639,361
Permanent fund purposes	-	-	7,042,972	-	7,042,972
Unreserved, undesignated, reported in:					
General fund	164,773	-	-	-	164,773
Special revenue funds	-	-	-	316,629	316,629
Total fund balances	164,773	-	9,141,632	1,085,906	10,392,311
Total liabilities & fund balances	\$ 2,480,594	77,422	9,141,632	1,664,903	13,364,551

The notes are an integral part of these financial statements

**Columbia School District
Reconciliation of Balance Sheet – Governmental Funds to
Statement of Net Assets
June 30, 2006**

Total fund balance – governmental funds	Amounts
	\$10,392,311
 Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	12,783,012
Less Accumulated Depreciation	<u>(4,020,722)</u>
	<u>8,762,290</u>
 Liabilities not due and payable in the current period are not reported in the funds, as follows:	
Long – term liabilities	(6,045,867)
Accrued interest on debt	<u>(87,700)</u>
	<u>(6,133,567)</u>
 Total Net Assets	 <u>\$13,021,034</u>

The notes are an integral part of these financial statements.

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Restart School Grant Fund	16th Section Principal Fund		
REVENUES					
Local sources	\$ 3,042,584	-	-	1,209,519	4,252,103
State sources	7,710,896	-	-	296,246	8,007,142
Federal sources	29,214	1,529,513	-	2,906,021	4,464,748
Sixteenth section sources	-	-	505,422	-	505,422
Total revenues	10,782,694	1,529,513	505,422	4,411,786	17,229,415
EXPENDITURES					
Instruction	5,299,968	996,108	-	1,926,229	8,222,305
Support services	3,684,488	533,405	-	729,669	4,947,562
Noninstructional services	-	-	-	869,162	869,162
Facilities acquisition and construction	-	-	-	16,121	16,121
Debt Service:					
Principal	-	-	-	410,103	410,103
Interest	86,180	-	-	291,376	377,556
Other	-	-	-	3,223	3,223
Total expenditures	9,070,636	1,529,513	-	4,245,883	14,846,032
Excess (deficiency) of revenues over expenditures	1,712,058	-	505,422	165,903	2,383,383
OTHER FINANCING SOURCES (USES)					
Proceeds of loans	61,400	-	-	-	61,400
Insurance loss recoveries	45,481	-	-	-	45,481
Transfers in	3,537,309	-	-	377,547	3,914,856
Other financing sources	2,974	-	-	-	2,974
Transfers out	(3,457,293)	-	(293,679)	(163,884)	(3,914,856)
Total other financing sources and uses	189,871	-	(293,679)	213,663	109,855
Net change in fund balances	1,901,929	-	211,743	379,566	2,493,238
Fund balances:					
July 1, 2005, as previously reported	(1,751,092)	-	8,929,889	717,988	7,896,785
Prior period adj. & reclassifications	13,936	-	-	(13,936)	-
July 1, 2005, as restated	(1,737,156)	-	8,929,889	704,052	7,896,785
Increase (decrease) in reserve for invento	-	-	-	2,288	2,288
June 30, 2006	\$ 164,773	-	9,141,632	1,085,906	10,392,311

The notes are an integral part of these financial statements.

Columbia School District
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to
Statement of Activities
For the Year Ended June 30, 2006

	<u>Amounts</u>
Net change in fund balances	\$ 2,493,238
 Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities, instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	12,123
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities. (-)	(282,194)
In the Statement of Activities, only gains and losses from the sale of capital assets are Reported, whereas in governmental funds, proceeds from the sale of capital assets Increase financial resources. Thus, the change in net assets differs from the change In net assets differs from the change in fund balances by a combination of the following Items:	
Gain on the sale of capital assets (-)	(206)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. (+)	(61,400)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (+)	410,103
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated Absences Decreases	4,958
Accrued interest on debt Decreases	3,279
An increase (+) / decrease (-) in the reserve for inventory is reported as a direct increase / decrease to the fund balance in the governmental funds but is a decrease / increase in noninstructional service expenses in the Statement of Activities.	<u>2,288</u>
Change in net assets of governmental activities	<u>\$ 2,582,189</u>

The notes are an integral part of these financial statements.

**Columbia School District
Statement of Fiduciary Net Assets
June 30, 2006**

Agency Funds

ASSETS

Cash and cash equivalents \$ 38,631

Total Assets \$ 38,631

LIABILITIES

Accounts payable and accrued liabilities \$ 3,460

Due to student clubs 35,171

Total Liabilities \$ 38,631

The notes are an integral part of these financial statements.

Columbia School District

Notes to Financial Statements

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Basis of Presentation

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

Government-wide Financial Statements:

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

B. Basis of Presentation (Continued)

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

C. Measurement Focus and Basis of Accounting (Continued)

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

The school district reports the following major governmental funds:

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

Restart School Grant Fund – This fund is used to account for funds received under the Hurricane Education Recovery Act Program.

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

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

C. Measurement Focus and Basis of Accounting (Continued)

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

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in the *Government Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances

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

F. Cash and Cash Equivalents

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of 3 months or less. Cash and cash equivalents are valued at cost.

G. Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing or other obligation of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

G. Investments (Continued)

of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For the accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 3 months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items

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

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

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

I. Capital Assets

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

I. Capital Assets (Continued)

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

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

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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/expenditure occur and the date payments are made.

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

K. Interfund Transactions and Balances (Continued)

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

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

L. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

L. Equity Classifications (Continued)

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

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

Reserved for unemployment benefits – An account that represents a portion of the fund balance that represents assets to be used for unemployment benefits.

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

Reserved for permanent funds – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

O. Compensated Absences

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

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

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

The district follows the practice of aggregating the cash assets of various funds to maximize efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits – The school board must advertise and accept bills for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the 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 deposits not covered by the Federal Deposit Insurance Corporation.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$9,413,093 and \$38,631, respectively. The carrying amount of deposits reported in the government-wide financial statements was cash and cash equivalents \$2,370,121 and restricted assets \$7,093,365. The \$7,093,365 represents the cash balance of the Sixteenth Section Principal Fund of \$7,042,972 and \$50,393 in cash held by fiscal agents, which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was \$10,482,178.

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

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

Custodial Credit Risk – Deposits.

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$10,482,178 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$50,393.

(3) Interfund Transactions and Balances

	<u>Due From</u>	<u>Due To</u>	<u>Description</u>
A. Due From /To Other Funds			
Major Funds:			
General Fund	\$ 646,387	45,481	Interfund loans
Restart School Grant		77,422	Interfund loans
Other Governmental Funds		523,484	Interfund loans
Total	<u>\$ 646,387</u>	<u>646,387</u>	
B. Advances To/ From Other Funds			
Major Funds:			
General Fund		2,098,660	Transportation, etc.
16th Section Principal	2,098,660		Transportation, etc.
Total	<u>\$ 2,098,660</u>	<u>2,098,660</u>	

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

A. Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 396,110	83,946	480,056
2008	263,845	68,102	331,947
2009	149,175	57,548	206,723
2010	155,142	51,581	206,723
2010	161,348	45,375	206,723
2012-2016	817,386	126,543	943,929
2017-2019	155,654	6,226	161,880
	<u>\$2,098,660</u>	<u>439,321</u>	<u>2,537,981</u>

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

B. Transfers In/Out

	Transfer In	Transfer Out	Purpose
Major Funds			
General fund	\$ 3,537,309	3,457,293	Operational Expense
Other major fund(s)		293,679	Transfer Earnings
Other governmental funds	<u>377,547</u>	<u>163,884</u>	Operational Expense
Total	<u>\$ 3,914,856</u>	<u>3,914,856</u>	

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

(4) Capital Assets

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

	Balance 7/1/2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 727,266					727,266
Total non-depreciable capital assets	\$ 727,266	-	-	-	-	727,266
<u>Depreciable capital assets:</u>						
Buildings	\$ 10,369,450					10,369,450
Improvements other than buildings	121,118					121,118
Mobile equipment	1,243,424	7,098				1,250,522
Furniture and equipment	330,261	5,025	20,630			314,656
Total depreciable capital assets	\$ 12,064,253	12,123	20,630	-	-	12,055,746
<u>Less accumulated depreciation:</u>						
Buildings	\$ 2,782,242	171,192				2,953,434
Improvements other than buildings	43,748	3,965				47,713
Mobile equipment	644,979	94,996				739,975
Furniture and equipment	287,983	12,041	20,424			279,600
Total accumulated depreciation	3,758,952	282,194	20,424	-	-	4,020,722
Total depreciable capital assets, net	8,305,301	(270,071)	206	-	-	8,035,024
Governmental activities capital assets, net	\$ 9,032,567	(270,071)	206	-	-	8,762,290

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 137,555
Support services	123,514
Non-instructional	21,126
Total depreciation expense	\$ 282,195

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

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

(5) Long-term liabilities

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

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/2006</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
A. General obligation bonds payable	\$ 4,735,000		315,000		4,420,000	330,000
B. Limited obligation bonds payable	1,440,000		80,000		1,360,000	85,000
C. Shortfall notes payable		61,400	15,103	47,200	93,497	35,110
D. Compensated absences payable	177,328		4,958		172,370	
Total	\$ 6,352,328	61,400	415,061	47,200	6,045,867	450,110

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$6,000,000 GO Bond Series 1999	Variable	3/15/99	3/15/17	\$6,000,000	\$4,420,000

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 330,000	190,695	520,695
2008	355,000	171,885	526,885
2009	375,000	151,650	526,650
2010	395,000	134,400	529,400
2011	415,000	118,600	533,600
2012-2016	2,435,000	324,600	2,759,600
2017	115,000	4,600	119,600
Total	<u>\$4,420,000</u>	<u>1,096,430</u>	<u>5,516,430</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain condition, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 8.4 % of property assessments as of October 1, 2005. This debt will be retired from Bond Issue Fund.

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State and Capital Improvement Series 1998	Variable	10/1/97	2/1/18	<u>\$1,830,000</u>	<u>\$1,360,000</u>

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 85,000	63,243	148,243
2008	90,000	58,430	148,430
2009	95,000	53,818	148,818
2010	100,000	49,380	149,380
2011	100,000	44,678	144,678
2012-2016	695,000	143,926	838,926
Thereafter	195,000	14,962	209,962
Total	<u>\$ 1,360,000</u>	<u>428,437</u>	<u>1,788,437</u>

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

B. Compensated absences payable

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

(6) Defined Benefit Pension Plan

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

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

(6) Defined Benefit Pension Plan (Continued)

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 rate for fiscal year ending June 30, 2006 was 10.75% of the 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 \$894,253, \$786,178 and \$744,426, respectively, which equaled the required contributions for the year.

(7) Deficit Fund Balance of Individual Funds

The District maintenance fund and the EHA, Part B fund have a deficit fund balance in the amount of \$1,438,187 and \$10,263. The deficit fund balance of the district maintenance fund is in violation of state law. However, the school district has no liability associated with this violation.

(8) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To record shortfall note omitted in prior year	\$ (47,200)
Total	<u>\$ (47,200)</u>

COLUMBIA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

(9) Risk Management

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

Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool: such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were depleted the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

COLUMBIA SCHOOL DISTRICT
Note to Financial Statements
For the Year Ended June 30, 2006

(10) Uncertainties

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

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

(11) Changes in Accounting Standards

As required, the Columbia School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

COLUMBIA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**Columbia School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 2,970,710	\$ 2,838,810	\$ 3,042,584	\$ (131,900)	\$ 203,774
State sources	7,849,437	7,678,121	7,710,896	(171,316)	32,775
Federal sources	25,000	29,214	29,214	4,214	-
Total revenues	<u>10,845,147</u>	<u>10,546,145</u>	<u>10,782,694</u>	<u>(299,002)</u>	<u>236,549</u>
EXPENDITURES					
Instruction	7,949,802	5,293,254	5,299,968	2,656,548	(6,714)
Support services	4,275,610	3,685,445	3,684,488	590,165	957
Debt service:					
Principal	219,991	219,991	-	-	219,991
Interest	86,180	86,180	86,180	-	-
Total expenditures	<u>12,531,583</u>	<u>9,284,870</u>	<u>9,070,636</u>	<u>3,246,713</u>	<u>214,234</u>
Excess (deficiency) of revenues over expenditures	<u>(1,686,436)</u>	<u>1,261,275</u>	<u>1,712,058</u>	<u>2,947,711</u>	<u>450,783</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of loans	-	-	61,400	-	61,400
Insurance loss recoveries	-	45,481	45,481	45,481	-
Transfers in	3,430,867	3,537,309	3,537,309	106,442	-
Other financing sources	-	-	2,974	-	2,974
Transfers out	<u>(1,846,637)</u>	<u>(3,338,829)</u>	<u>(3,457,293)</u>	<u>(1,492,192)</u>	<u>(118,464)</u>
Total other financing sources and uses	<u>1,584,230</u>	<u>243,961</u>	<u>189,871</u>	<u>(1,340,269)</u>	<u>(54,090)</u>
Net change in fund balances	<u>(102,206)</u>	<u>1,505,236</u>	<u>1,901,929</u>	<u>1,607,442</u>	<u>396,693</u>
Fund balances:					
July 1, 2005, as previously reported			(1,751,092)		
Prior period adj. & reclassifications			<u>13,936</u>		
July 1, 2005, as restated			<u>(1,737,156)</u>		
June 30, 2006			<u>\$ 164,773</u>		

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

**Columbia School District
Restart School Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES					
Federal sources	-	1,529,513	1,529,513	1,529,513	-
Total revenues	-	1,529,513	1,529,513	1,529,513	-
EXPENDITURES					
Instruction	-	996,108	996,108	(996,108)	-
Support services	-	533,405	533,405	(533,405)	-
Total expenditures	-	1,529,513	1,529,513	(1,529,513)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2005			-		
June 30, 2006			\$ -		

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

COLUMBIA SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America

COLUMBIA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Columbia School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Federal Expenditures
US Department of Agriculture		
Passes-through Mississippi Department of Education:		
Non-cash assistance		
Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 4,088
Food donation	10.550	51,269
Child Nutrition Cluster:		
School Breakfast program	10.553	167,979
National School Lunch program	10.555	<u>485,989</u>
Total Child Nutrition Cluster		<u>653,968</u>
 Total US Department of Agriculture		 <u>709,325</u>
US Department of Education		
Passed-through Mississippi Department of Education:		
Title I – grant to local educational agencies	84.010	857,892
Improving teacher quality – state grants	84.367	72,444
Eisenhower professional state grants	84.281	145,022
Educational technology state grants	84.318	197,393
Safe and drug-free schools and communities state grants	84.186	16,166
Rural education	84.358	44,846
Grants for state assessments and related activities	84.369	11,552
Vocational education – basic grants to states	84.048	<u>26,738</u>
Total		<u>1,372,053</u>
Special Education Cluster:		
Special education-grants to states	84.027	414,359
Special education-preschool grants	84.173	<u>44,892</u>
Total Special Education Cluster		<u>459,251</u>
Hurricane Education Recovery Act Cluster:		
Hurricane Education Recovery	84.398	<u>1,790,396</u>
 Total U.S. Department of Education		 <u>3,621,700</u>

Columbia School District
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

US Department of Homeland Security Passed-through Mississippi Emergency Management Agency: Disaster Grants – Public assistance (Presidentially Declared Disasters)	97.036	44,209
Federal Communications Commissions Administered through the Universal Service Administrative Company: The schools and libraries program of the universal service fund	32.XXX	<u>29,214</u>
Total for all Federal Programs		<u>\$4,404,448</u>

Notes to schedule

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The pass-through entities did not assign identifying numbers to the school district.

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

Expenditures	Total	Instruction and Other		
		Student Instructional Expenditures	General Administration	School Administration Other
Salaries and fringe benefits	\$ 10,941,264	6,961,822	810,036	817,488
Other	3,754,417	1,394,814	117,573	21,840
Total	\$ 14,695,681	8,356,636	927,609	839,328
<hr/>				
Total number of students	1,893			
Cost per student	\$ 7,763	4,414	490	443
				2,416

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

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. (all

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

COLUMBIA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

WRIGHT CPA GROUP, PLLC

American Institute of
Certified Public Accountants

 CERTIFIED PUBLIC ACCOUNTANTS 

Mississippi Society of
Certified Public Accountants

#10 Plaza Drive • P. O. Box 16433 • Hattiesburg, MS 39404-6433
Phone 601-268-3135 • Fax 601-261-3922
wwright@wrightcpagroup.com

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

March 12, 2007

Superintendent and School Board
Columbia School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Columbia School District as of and for the year ended June 30, 2006, which collectively comprise the Columbia School District's basic financial statements, and have issued our report thereon dated March 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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. We did not note any matters involving internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated March 12, 2007, which is included in this report.

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

Wright CPA Group, PLLC

Wright CPA Group, PLLC
March 12, 2007

COLUMBIA SCHOOL DISTRICT

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

WRIGHT CPA GROUP, PLLC

American Institute of
Certified Public Accountants



Mississippi Society of
Certified Public Accountants

#10 Plaza Drive • P. O. Box 16433 • Hattiesburg, MS 39404-6433

Phone 601-268-3135 • Fax 601-261-3922

wcwright@wrightcpagroup.com

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

Superintendent and School Board
Columbia School District

Compliance

We have audited the compliance of the Columbia School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matter 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. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

Wright CPA Group, PLLC

Wright CPA Group, PLLC
March 12, 2007

COLUMBIA SCHOOL DISTRICT

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

WRIGHT CPA GROUP, PLLC

American Institute of
Certified Public Accountants

 **CERTIFIED PUBLIC ACCOUNTANTS** 
#10 Plaza Drive • P. O. Box 16433 • Hattiesburg, MS 39404-6433
Phone 601-268-3135 • Fax 601-261-3922
wwright@wrightcpagroup.com

Mississippi Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAW AND REGULATIONS

Superintendent and School Board
Columbia School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Columbia School District as of and for the year ended June 30, 2006, which collectively comprise the Columbia School District's basic financial statements, and have issued our report thereon dated March 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-6-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds'. As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also preformed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures preformed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$30,117 of classroom supply funds carried over from previous years.

The results of procedures preformed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations: Our findings and recommendations and your responses are as follows:

Finding:

The District Maintenance Fund and EHA, Part B Fund have deficit fund balances in the amount of \$1,438,187 and \$10,263.

Recommendation:

We recommend that the District budget to reduce these deficits and to closely monitor reimbursement requests for the EHA, Part B Fund.

Response:

District will implement recommendations.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report and the corrective action taken.

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

Wright CPA Group, PLLC

Wright CPA Group, PLLC

March 12, 2007

COLUMBIA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COLUMBIA SCHOOL DISTRICT

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COLUMBIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|-------------|
| 4. Types of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section ____, 510 (a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Child Nutrition Cluster: | |
| CFDA# 10.553 | |
| CFDA# 10.555 | |
| b. Special Education Cluster: | |
| CFDA# 84.173 | |
| CFDA# 84.027 | |
| c. Title 1 – Grants to Local Educational Agencies | |
| CFDA# 84.010 | |

**COLUMBIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006**

d. Hurricane Education Recovery Act Programs
CFDA# 84.938

- | | |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315 (b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The result of our tests did not disclose any findings related to the financial statements that are required to be reported by <i>Government Auditing Standards</i> .	No
--	----

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.	No
--	----