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**Copiah County School District
Financial Statements
For the Year Ended
June 30, 2006**

Copiah County School District
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COPIAH COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board
Copiah County School District

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

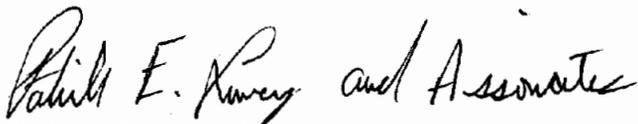
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2007, on our consideration of the Copiah County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 37 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


Patrick E. Lowery and Associates
Certified Public Accountants

February 5, 2007

COPIAH COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

COPIAH COUNTY DEPARTMENT OF EDUCATION

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RICKEY CLOPTON, SUPERINTENDENT

254 W. GALLATIN - HAZLEHURST, MISS. 39083

The discussion and analysis of the Copiah County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 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 increased \$2,130,665, which represents a 33% increase from fiscal year 2005. This increase in net assets is primarily due to the following: 1) conservative budgeting during the fiscal year in anticipation of budget cuts by the Legislature; however, the budget cuts never materialized, 2) an increase in advalorem revenue, 3) an increase in the amount of revenue from state sources received due to full funding for Mississippi Adequate Education, 4) sixteenth section revenue in the amount of \$348,538 generated primarily from sixteenth section leases and permanent damages to trust lands, and 5) the receipt of approximately \$335,000 in federal funds under the Displaced Students Grant which resulted from Hurricane Katrina.
- General revenues accounted for \$16,907,177 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,161,220, or 23% of total revenues.
- The District had \$19,937,732 in expenses; only \$5,161,220 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,907,177 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,741,977 in revenues and \$13,830,304 in expenditures. This resulted in an excess of revenues over expenditures in the amount of \$1,911,673. After net other financing uses of \$402,283, the net change in fund balance for the General Fund was an increase of \$1,509,390 from the prior year. This increase is due primarily to conservative budgeting during the fiscal year and an increase in advalorem and Mississippi Adequate Education Program (MAEP) funds. The increase is also due to the receipt of federal funds related to the Displaced Student Grant as a result of Hurricane Katrina.

COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

- Capital assets, net of accumulated depreciation, decreased by \$172,062 due primarily to the current year depreciation of capital assets.
- Long-term debt decreased by \$365,801 due primarily to principal payments made during the fiscal year on existing long-term debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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.

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.

COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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 \$8,648,743 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. \$1,017,391 of the District's net assets (12%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$3,392,203 of the District's net assets (39%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$4,239,149 of the District's net assets (49%) reflects its unrestricted net assets.

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

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

	<u>Net Assets</u>		Percentage
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Current assets	\$ 8,659,263	\$ 6,609,775	31.0 %
Other assets	452,623	429,056	5.5 %
Capital assets, net	<u>6,530,725</u>	<u>6,702,787</u>	(2.6) %
Total assets	<u>15,642,611</u>	<u>13,741,618</u>	13.8 %
Current liabilities	1,345,038	1,208,909	11.3 %
Long-term debt outstanding	<u>5,648,830</u>	<u>6,014,631</u>	(6.1) %
Total liabilities	<u>6,993,868</u>	<u>7,223,540</u>	(3.2) %
Net assets:			
Invested in capital assets, net of related debt	1,017,391	813,342	25.1 %
Restricted	3,392,203	2,964,667	14.4 %
Unrestricted	<u>4,239,149</u>	<u>2,740,069</u>	54.7 %
Total net assets	<u>\$ 8,648,743</u>	<u>6,518,078</u>	32.7 %

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

COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents and amounts due from other governments. Cash and cash equivalents increased primarily as a result of 1) conservative budgeting by the District for the fiscal year, 2) an increase in advalorem revenue, 3) an increase in MAEP funds, 4) revenue generated from sixteenth section sources, and 5) the receipt of approximately \$335,000 in federal funds under the Displaced Students Grant which resulted from Hurricane Katrina. Salary related expenditures normally incurred by the District were covered by the federal sources received. Amounts due from other governments increased primarily as a result of amounts due from the federal government at year end related to the Displaced Students Grant.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the reduction of long-term debt related to the capital assets.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in fund balance of the General Fund resulting from conservative budgeting and the receipt of federal funds under the Displaced Students Grant as discussed above.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2006 were \$22,068,397. The total cost of all programs and services was \$19,937,732. 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	\$ 678,733	\$ 698,443	(2.8) %
Operating grants and contributions	4,482,487	3,970,481	12.9 %
General revenues:			
Property taxes	3,281,231	3,065,593	7.0 %
Grants and contributions not restricted	12,650,010	12,149,639	4.1 %
Other	<u>975,936</u>	<u>852,178</u>	14.5 %
Total revenues	<u>22,068,397</u>	<u>20,736,334</u>	6.4 %
Expenses:			
Instruction	10,526,388	9,866,400	6.7 %
Support services	7,205,734	7,008,151	2.8 %
Non-instructional	1,859,369	1,783,512	4.3 %

**COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Sixteenth section	70,141	279,466	(74.9) %
Interest and other expenses on long-term liabilities	<u>276,100</u>	<u>294,075</u>	(6.1) %
Total expenses	<u>19,937,732</u>	<u>19,231,604</u>	3.7 %
Increase (Decrease) in net assets	2,130,665	1,504,730	41.6 %
Net Assets, July 1	6,518,078	4,992,763	30.6 %
Prior Period Adjustments	<u>0</u>	<u>20,585</u>	(100.0) %
Net Assets, Restated, July 1	<u>6,518,078</u>	<u>5,013,348</u>	30.0 %
Net Assets, June 30	<u>\$ 8,648,743</u>	<u>\$ 6,518,078</u>	32.7 %

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 \$335,000 in Displaced Students Grant funds. In addition, federal funds received under the Reading First Program increased from the previous fiscal year.
- General revenues increased from the previous fiscal year due primarily to an increase in advalorem receipts, unrestricted state grants and contributions, and insurance loss recoveries resulting from damages from Hurricane Katrina.
- Instruction and support services expenses increased from the previous fiscal year due primarily to the 8% increase in teacher salaries during the fiscal year.

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

	<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	\$ 10,526,388	\$ (8,279,484)	\$ 9,866,400	\$ (8,106,217)
Support services	7,205,734	(5,889,811)	7,008,151	(5,746,810)
Non-instructional	1,859,369	(261,047)	1,783,512	(183,887)
Sixteenth section	70,141	(70,070)	279,466	(231,691)
Interest and other expenses on long-term liabilities	<u>276,100</u>	<u>(276,100)</u>	<u>294,075</u>	<u>(294,075)</u>
Total expenses	<u>\$ 19,937,732</u>	<u>\$ (14,776,512)</u>	<u>\$ 19,231,604</u>	<u>\$ (14,562,680)</u>

COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

- The net cost of governmental activities for fiscal year 2006 in the amount of \$14,776,512 was financed by general revenue, which is made up of primarily property taxes of \$3,281,231 and state revenue of \$12,510,933.
- Investment earnings accounted for \$156,171 of funding.
- During the fiscal year, the District received insurance loss recoveries totaling \$406,404 resulting from damages from Hurricane Katrina.

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 \$7,864,808. The net change in fund balance for the fiscal year was an increase of \$1,925,914 due primarily to 1) conservative budgeting by the District for the fiscal year, 2) an increase in advalorem revenue and MAEP funds, 3) revenue generated from sixteenth section sources, and 4) the receipt of approximately \$335,000 in federal funds under the Displaced Students Grant which resulted from Hurricane Katrina. \$6,763,178, or 86%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$1,101,630, or 14%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$1,509,390 due primarily to conservative budgeting by the District for the fiscal year, an increase in advalorem revenue and MAEP funds, and the receipt of approximately \$335,000 in federal funds under the Displaced Students Grant which resulted from Hurricane Katrina. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$335,491 due to sixteenth section sources generated primarily from sixteenth section leases and permanent damages to trust lands.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$81,033.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were increased to reflect the increase in advalorem revenue and earnings on investments.
- Budgeted amounts for revenue from state sources in the General Fund were increased to reflect the increase in MAEP funds and the retirement credit.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$335,000 of federal funds under the Displaced Students Grant. The District was allowed to reclassify a portion of instruction expenditures from the General Fund to the Displaced Students Grant Fund in order to reimburse the District for salary related expenditures incurred.
- Budgeted amounts for support services expenditures in the General Fund were decreased due to several large projects not being completed during the fiscal year in areas such as bus purchases, attorney fees, building services, computers and architectural fees.
- Budgeted amounts for revenue from federal sources and instruction expenditures in the Displaced Students 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.

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 \$12,506,485, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$167,531 from the previous year. During the fiscal year, the District purchased four school buses and various other items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$344,722. Total accumulated depreciation as of June 30, 2006 was \$5,975,760, resulting in total net capital assets of \$6,530,725.

**COPIAH COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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	<u>Capital Assets, Net of Depreciation</u>		Percentage <u>Change</u>
	<u>2006</u>	<u>2005</u>	
Land	\$ 156,772	\$ 156,772	0.0 %
Buildings	5,387,975	5,532,420	(2.6) %
Improvements other than buildings	83,768	88,284	(5.1) %
Mobile equipment	854,529	828,093	(3.2) %
Furniture and equipment	47,681	97,218	(51.0) %
Total	<u>\$ 6,530,725</u>	<u>\$ 6,702,787</u>	(2.6) %

Debt Administration. At June 30, 2006, the District had \$5,648,830 in limited obligation bonds and other long-term debt outstanding, of which \$395,176 is due within one year. During the fiscal year, the District made principal payments in the amount of \$376,111 on existing long-term debt.

	<u>Outstanding Debt</u>		Percentage <u>Change</u>
	<u>2006</u>	<u>2005</u>	
Limited obligation bonds payable	\$ 4,170,000	\$ 4,430,000	(5.9) %
Three mill notes payable	1,160,000	1,215,000	(4.5) %
Transportation equipment loans payable	183,334	244,445	(25.0) %
Compensated absences payable	<u>135,496</u>	<u>125,186</u>	8.2 %
Total	<u>\$ 5,648,830</u>	<u>\$ 6,014,631</u>	(6.1) %

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage rate has not increased or decreased significantly from the previous fiscal year. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Copiah County School District, 254 W. Gallatin, Hazlehurst, MS 39083.

FINANCIAL STATEMENTS

Copiah County School District
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 7,389,248
Due from other governments	1,211,866
Inventories	58,149
Restricted assets	452,623
Capital assets, not being depreciated:	
Land	156,772
Capital assets, net of accumulated depreciation	
Buildings	5,387,975
Improvements other than buildings	83,768
Mobile equipment	854,529
Furniture and equipment	47,681
Total Assets	\$ <u>15,642,611</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 517,141
Due to other governments	717,970
Deferred revenue	11,967
Interest payable on long-term liabilities	97,960
Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	391,111
Non-capital related liabilities	4,065
Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	5,122,223
Non-capital related liabilities	131,431
Total Liabilities	\$ <u>6,993,868</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 1,017,391
Restricted net assets:	
Expendable:	
School - based activities	2,446,682
Debt service	286,322
Forestry improvements	59,899
Unemployment benefits	49,451
Non-expendable:	
Sixteenth section	549,849
Unrestricted	4,239,149
Total Net Assets	\$ <u>8,648,743</u>

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

Copiah County School District
 Statement of Activities
 For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 10,526,388	291,862	1,955,042	-	(8,279,484)
Support services	7,205,734	-	1,315,923	-	(5,889,811)
Non-instructional	1,859,369	386,800	1,211,522	-	(261,047)
Sixteenth section	70,141	71	-	-	(70,070)
Interest on long-term liabilities	276,100	-	-	-	(276,100)
Total governmental activities	\$ 19,937,732	678,733	4,482,487	-	(14,776,512)

General Revenues:

Taxes:

General purpose levies	3,152,725
Debt purpose levies	128,506

Unrestricted grants and contributions:

State	12,510,933
Federal	139,077
Unrestricted investment earnings	156,171
Sixteenth section sources	348,538
Other	471,227
Total General Revenues	16,907,177

Change in Net Assets 2,130,665

Net Assets - Beginning 6,518,078

Net Assets - Ending \$ 8,648,743

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

Copiah County School District
 Balance Sheet - Governmental Funds
 June 30, 2006

Exhibit C

	Major Funds				
	General	Displaced	16th Section	Other	Total
	Fund	Student Fund	Interest Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash and cash equivalents (Note 3)	\$ 4,735,766	-	1,932,907	1,130,282	7,798,955
Investments (Note 3)	-	-	-	42,916	42,916
Due from other governments	254,375	336,875	81,579	534,400	1,207,229
Due from other funds (Note 4)	514,349	92,690	-	-	607,039
Advance to other funds (Note 4)	-	-	-	145,577	145,577
Inventories	-	-	-	58,149	58,149
Total Assets	\$ 5,504,490	429,565	2,014,486	1,911,324	9,859,865
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 293,698	92,690	-	130,753	517,141
Due to other funds (Note 4)	690,570	336,875	-	292,927	1,320,372
Advances from other funds (Note 4)	145,577	-	-	-	145,577
Deferred revenue	-	-	-	11,967	11,967
Total Liabilities	1,129,845	429,565	-	435,647	1,995,057
Fund Balances:					
Reserved for:					
Advances	-	-	-	145,577	145,577
Inventory	-	-	-	58,149	58,149
Unemployment benefits	-	-	-	49,451	49,451
Forestry improvements	-	-	-	59,899	59,899
Debt service purposes	-	-	-	384,282	384,282
Permanent fund purposes	-	-	-	404,272	404,272
Unreserved:					
Undesignated, reported in:					
General fund	4,374,645	-	-	-	4,374,645
Special Revenue funds	-	-	2,014,486	374,047	2,388,533
Total Fund Balances	4,374,645	-	2,014,486	1,475,677	7,864,808
Total Liabilities and Fund Balances	\$ 5,504,490	429,565	2,014,486	1,911,324	9,859,865

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,864,808
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,975,760. (Note 5)	6,530,725
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds as follows.	
Long-term liabilities (Note 6)	(5,648,830)
Accrued interest on debt	<u>(97,960)</u>
Total Net Assets - Governmental Activities	\$ <u><u>8,648,743</u></u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2006

	Major Funds			Other	Total
	General Fund	Displaced Student Fund	16th Section Interest Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 3,597,868	-	9,113	566,700	4,173,681
State sources	11,986,781	-	-	915,693	12,902,474
Federal sources	157,328	318,435	-	3,754,260	4,230,023
Sixteenth section sources	-	-	322,117	33,698	355,815
Total Revenues	15,741,977	318,435	331,230	5,270,351	21,661,993
Expenditures:					
Instruction	7,994,559	411,125	-	1,975,145	10,380,829
Support services	5,711,095	-	-	1,504,449	7,215,544
Noninstructional services	109,452	-	-	1,700,157	1,809,609
Sixteenth section	-	-	5,016	65,125	70,141
Facilities acquisition and construction	7,991	-	-	-	7,991
Debt service:					
Principal	-	-	-	376,111	376,111
Interest	7,207	-	-	275,051	282,258
Total Expenditures	13,830,304	411,125	5,016	5,896,038	20,142,483
Excess (Deficiency) of Revenues					
Over Expenditures	1,911,673	(92,690)	326,214	(625,687)	1,519,510
Other Financing Sources (Uses):					
Insurance loss recoveries	1,403	-	-	405,001	406,404
Operating transfers in	1,057,739	92,690	9,277	355,012	1,514,718
Operating transfers out	(1,461,425)	-	-	(53,293)	(1,514,718)
Total Other Financing Sources (Uses)	(402,283)	92,690	9,277	706,720	406,404
Net Change in Fund Balances	1,509,390	-	335,491	81,033	1,925,914
Fund Balances:					
July 1, 2005	2,865,255	-	1,678,995	1,389,790	5,934,040
Increase (Decrease) in reserve for inventory	-	-	-	4,854	4,854
June 30, 2006	\$ 4,374,645	-	2,014,486	1,475,677	7,864,808

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,925,914
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate these expenditures over the life of the assets. Capital asset purchases amounted to \$172,712 and the depreciation expense amounted to \$344,722. (Note 5)	(172,010)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6)	376,111
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the following item:	
Losses on sales of capital assets	(52)
4. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated Absences	(10,310)
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the statement of activities recognizes interest as it accrues regardless of when it becomes due.	6,158
6. An increase (+)/decrease(-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	<u>4,854</u>
Change in Net Assets of Governmental Activities	\$ <u><u>2,130,665</u></u>

Copiah County School District
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$	64,316
Due from other funds (Note 4)		<u>717,970</u>
Total Assets	\$	<u>782,286</u>
Liabilities		
Accounts payable and accrued liabilities	\$	727,295
Due to other funds (Note 4)		4,637
Due to student clubs		<u>50,354</u>
Total Liabilities	\$	<u>782,286</u>

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

COPIAH COUNTY SCHOOL DISTRICT

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

(I) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a 5 member board to which each member elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

COPIAH COUNTY SCHOOL DISTRICT

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

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

The school district reports the following major governmental funds:

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

Displaced Student Fund - This fund accounts for the Hurricane Education Recovery grant funds received as a result of the district enrolling new students who were displaced by Hurricane Katrina.

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

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

COPIAH COUNTY SCHOOL DISTRICT

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

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 *Governmental 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 maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories.

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

COPIAH COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2006**

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.

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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 6 for details.

K. Interfund Transactions and Balances.

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

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

COPIAH COUNTY SCHOOL DISTRICT

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

not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 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 attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

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

COPLAH COUNTY SCHOOL DISTRICT

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

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

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

Reserved for forestry improvement purposes -- An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

As required, the 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.

COPIAH COUNTY SCHOOL DISTRICT

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

(3) Cash and Cash Equivalents and Investments.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for 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 entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investment: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,798,955 and \$64,316, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$7,389,248 and Restricted Assets \$452,623. The Restricted Assets represents the cash balance of the 16th section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$8,649,550.

Custodial Credit Risk-Deposits. Custodial risk is the risk that in the event of a depository failure, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement, the Mississippi State Treasurer's office is acting on behalf of the school district. As of June 30, 2006, none of the district's bank balance of \$8,649,550 was exposed to custodial credit risk.

COPIAH COUNTY SCHOOL DISTRICT

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

Investments.

As of June 30, 2006, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U S Government Securities	Less than 1	<u>42,917</u>	AA
Subtotal		<u>42,917</u>	
Total Investments		\$ <u><u>42,917</u></u>	

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

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 514,349	690,570
Displaced students fund	92,690	336,875
Other Governmental Funds		292,927
Fiduciary Funds	<u>717,970</u>	<u>4,637</u>
Total Funds	\$ <u><u>1,325,009</u></u>	<u><u>1,325,009</u></u>

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

COPIAH COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2006**

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General fund	\$	145,577
Other Governmental funds	<u>145,577</u>	
 Total Funds	\$ <u>145,577</u>	<u>145,577</u>

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

Sixteenth section principal loans payable.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	13,118	5,917	19,035
2008	13,118	5,917	19,035
2009	13,118	5,917	19,035
2010	13,118	5,917	19,035
2011	13,118	5,917	19,035
2012 - 2016	52,963	23,850	76,813
2017 - 2020	27,024	12,193	39,217
 Total	\$ <u>145,577</u>	<u>65,628</u>	<u>211,205</u>

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 1,057,739	1,461,425
Displaced students fund	92,690	
16 th section interest fund	9,277	
 Other Governmental Funds	355,012	53,293
 Total Funds	\$ <u>1,514,718</u>	<u>1,514,718</u>

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

COPIAH COUNTY SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 156,772					156,772
Total non-depreciable capital assets	<u>156,772</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>156,772</u>
<u>Depreciable capital assets:</u>						
Buildings	9,277,574					9,277,574
Building improvements						
Improvements other Than buildings	112,900					112,900
Mobile equipment	2,184,595	166,168				2,350,763
Furniture and equipment	607,113	6,544	5,181			608,476
Total depreciable capital Assets	<u>12,182,182</u>	<u>172,712</u>	<u>5,181</u>	<u>0</u>	<u>0</u>	<u>12,349,713</u>
<u>Less accumulated depreciation for:</u>						
Buildings	(3,745,154)	(144,445)				(3,889,599)
Building improvements						
Improvements other Than buildings	(24,616)	(4,516)				(29,132)
Mobile equipment	(1,356,502)	(139,732)				(1,496,234)
Furniture and equipment	(509,895)	(56,029)	(5,129)			(560,795)
Total accumulated depreciation	<u>(5,636,167)</u>	<u>(344,722)</u>	<u>(5,129)</u>	<u>0</u>	<u>0</u>	<u>(5,975,760)</u>
Total depreciable capital assets, net	<u>6,546,015</u>	<u>(172,010)</u>	<u>52</u>	<u>0</u>	<u>0</u>	<u>6,373,953</u>
Governmental activities capital assets, net	\$ <u>6,702,787</u>	<u>(172,010)</u>	<u>52</u>	<u>0</u>	<u>0</u>	<u>6,530,725</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 137,664
Support services	153,659
Non-instructional	<u>53,399</u>
Total depreciation expense	\$ <u>344,722</u>

COPLAH COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2006**

(6) Long-term liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. Limited obligation bonds Payable	4,430,000		260,000		4,170,000	270,000
B. Three mill notes payable	1,215,000		55,000		1,160,000	60,000
C. Transportation equipment loans payable	244,445		61,111		183,334	61,111
D. Compensated absences payable	125,186	10,310			135,496	
Total	\$ 6,014,631	10,310	376,111	0	5,648,830	391,111

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 aid capital Improvement, Series 1998	Varies	03/01/1998	08/01/2017	\$ 5,880,000	4,170,000
Total				\$ 5,880,000	4,430,000

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

	Year Ending June 30	Principal	Interest	Total
2007	\$ 270,000	192,260	462,260	
2008	275,000	174,600	449,600	
2009	290,000	162,170	452,170	
2010	300,000	149,040	449,040	
2011	315,000	142,290	457,290	
2012 - 2016	1,840,000	474,522	2,314,522	
2017 - 2020	880,000	51,222	931,222	
Total	\$ 4,170,000	1,346,104	5,516,104	

COPIAH COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2006**

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill-ten year notes		10/1/2000	10/1/2020	\$ 1,400,000	1,160,000
Total				\$ 1,400,000	1,160,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 60,000	60,431	120,431
2008	60,000	57,311	117,311
2009	65,000	54,061	119,061
2010	65,000	50,681	115,681
2011	65,000	47,301	112,301
2012 – 2016	380,000	180,448	560,448
2017 – 2021	465,000	65,718	530,718
Total	\$ 1,160,000	515,951	1,675,951

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

C. Transportation equipment loans payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Transportation Equipment Notes Series 2002	3.82%	09/01/2002	08/31/2008	\$ 366,667	183,334
Total				\$ 366,667	183,334

COPIAH COUNTY 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	\$ 61,111	7,023	68,134
2008	61,111	4,681	65,792
2009	61,112	2,340	63,451
Total	\$ 183,334	14,044	197,378

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

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$1,190,632, \$1,055,174, and \$955,524, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

COPIAH COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2006**

Year Ending June 30	Amount
2007	\$ 43,335
2008	33,126
2009	16,243
2010	16,243
2011	7,989
2012 – 2016	39,645
2017 – 2021	39,445
2022 – 2026	39,445
2027-2031	38,026
2032-2036	33,097
2037-2041	26,495
Thereafter	15,909
Total	\$ 348,998

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

COPIAH COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Copiah County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,537,224	3,680,652	3,597,868	143,428	(82,784)
State sources	11,864,506	11,986,781	11,986,781	122,275	-
Federal sources	90,000	71,009	157,328	(18,991)	86,319
Total Revenues	<u>15,491,730</u>	<u>15,738,442</u>	<u>15,741,977</u>	<u>246,712</u>	<u>3,535</u>
Expenditures:					
Instruction	8,504,603	8,184,559	7,994,559	320,044	190,000
Support services	6,896,112	5,913,095	5,711,095	983,017	202,000
Noninstructional services	132,700	180,452	109,452	(47,752)	71,000
Sixteenth section	4,000	-	-	4,000	-
Facilities acquisition and construction	75,000	7,991	7,991	67,009	-
Debt service:					
Principal	18,000	-	-	18,000	-
Interest	9,000	7,207	7,207	1,793	-
Total Expenditures	<u>15,639,415</u>	<u>14,293,304</u>	<u>13,830,304</u>	<u>1,346,111</u>	<u>463,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(147,685)</u>	<u>1,445,138</u>	<u>1,911,673</u>	<u>1,592,823</u>	<u>466,535</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	1,403	1,403	1,403	-
Operating transfers in	1,091,497	1,057,739	1,057,739	(33,758)	-
Operating transfers out	(1,430,700)	(1,368,735)	(1,461,425)	61,965	(92,690)
Total Other Financing Sources (Uses)	<u>(339,203)</u>	<u>(309,593)</u>	<u>(402,283)</u>	<u>29,610</u>	<u>(92,690)</u>
Net Change in Fund Balances	<u>(486,888)</u>	<u>1,135,545</u>	<u>1,509,390</u>	<u>1,622,433</u>	<u>373,845</u>
Fund Balances:					
July 1, 2005			<u>2,865,255</u>		
June 30, 2006			\$ <u><u>4,374,645</u></u>		

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

Copiah County School District
 Budgetary Comparison Schedule
 Displaced Students Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 411,125	\$ 318,435	\$ 411,125	\$ (92,690)
Total Revenues	-	411,125	318,435	411,125	(92,690)
Expenditures:					
Instruction	-	411,125	411,125	(411,125)	-
Total Expenditures	-	411,125	411,125	(411,125)	-
Excess (Deficiency) of Revenues Over Expenditures					
	-	-	(92,690)	-	(92,690)
Other Financing Sources (Uses):					
Operating transfers in	-	-	92,690	-	92,690
Total Other Financing Sources (Uses)	-	-	92,690	-	92,690
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.

Copiah County School District
 Budgetary Comparison Schedule
 16th Section Interest
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,500	9,113	9,113	2,613	-
16th section sources	304,100	322,117	322,117	18,017	-
Total Revenues	310,600	331,230	331,230	20,630	-
Expenditures:					
Sixteenth section	-	5,016	5,016	(5,016)	-
Total Expenditures	-	5,016	5,016	(5,016)	-
Excess (Deficiency) of Revenues Over Expenditures	310,600	326,214	326,214	15,614	-
Other Financing Sources (Uses):					
Operating transfers in	11,000	9,277	9,277	(1,723)	-
Total Other Financing Sources (Uses)	11,000	9,277	9,277	(1,723)	-
Net Change in Fund Balances	321,600	335,491	335,491	13,891	-
Fund Balances:					
July 1, 2005			<u>1,678,995</u>		
June 30, 2006			\$ <u>2,014,486</u>		

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

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.

COPIAH COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

COPIAH COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 79,397
Child nutrition cluster:		
School breakfast program	10.553	302,262
National school lunch program	10.555	768,393
Summer food service program for children	10.559	29,651
Total child nutrition cluster		<u>1,100,306</u>
Total U.S. Department of Agriculture		<u>1,179,703</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	86,319
Total Federal Communications Commission		<u>86,319</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,044,932
Vocational education - basic grants to states	84.048	39,851
Safe and drug-free schools and communities - state grants	84.186	48,019
Twenty-first century community learning centers	84.287	171,966
State Grants for innovative programs	84.298	9,700
Education Technology State Grants	84.318	17,981
Safe and drug-free schools and communities-national programs	84.184	39,951
Grants for state assessments and related activities	84.369	18,588
Reading first state grants	84.357	457,474
Transition to teaching	84.350	40
Improving teacher quality - state grants	84.367	266,336
Hurricane education recovery	84.938	427,946
Total		<u>2,542,784</u>
Special education cluster:		
Special education - grants to states	84.027	350,682
Special education - preschool grants	84.173	9,239
Total		<u>359,921</u>
Total passed-through Mississippi Department of Education		<u>2,902,705</u>
Total U.S. Department of Education		<u>2,902,705</u>

U.S. Department of Health and Human Services

Passed-through Mississippi Department of Health and Human Services:

Consolidated Knowledge Development and Application (KD&A) Program	93.230	<u>55,916</u>
Total U.S. Department of Health and Human Services		<u>55,916</u>

Department of Homeland Security

Disaster grants-Public assistance (Presidentially Declared Disaster)

	97.036	<u>12,496</u>
Total Department of Homeland Security		<u>12,496</u>

Other Federal Assistance

Direct program:

Reserve Officers' Training Corps	12.XXX	<u>32,816</u>
Total Other Federal Assistance		<u>32,816</u>

Total for All Federal Awards

\$ 4,269,955

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,867,523	11,226,732	457,829	1,114,267	2,068,695
Other	5,274,960	1,178,264	455,588	179,371	3,461,737
Total	\$ 20,142,483	12,404,996	913,417	1,293,638	5,530,432
Total number of students *	2,944				
Cost per student \$	7,325	4,214	310	440	2,361

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 the 1000, 2100, & 2200 functional codes)

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

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

*Month 9 ADA, 2005-06 School Year

COPIAH COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

PATRICK E. LOWERY AND ASSOCIATES

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

February 5, 2007

Superintendent and School Board
Copiah County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copiah County School District as of and for the year ended June 30, 2006, which collectively comprise the Copiah County School District's basic financial statements and have issued our report thereon dated February 5, 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006-01.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described in the finding referred to above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the Schedule of Findings and Questioned Costs as Finding 2006-01.

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



Patrick E. Lowery and Associates
Certified Public Accountants

February 5, 2007

PATRICK E. LOWERY AND ASSOCIATES

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

Superintendent and School Board
Copiah County School District

Compliance

We have audited the compliance of the Copiah County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 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.

As described in Finding 2006-02 in the Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding reporting of displaced students that are applicable to its Hurricane Katrina Displaced Student Funds. Compliance with such requirements is necessary, in our opinion, for the school district to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Copiah County Schools 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

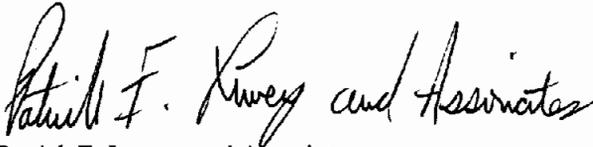
The management of the Copiah County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements

that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulation, contracts and grants. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006-02.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is a material weakness.

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



Patrick E. Lowery and Associates
Certified Public Accountants

February 5, 2007

COPIAH COUNTY SCHOOL DISTRICT

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

PATRICK E. LOWERY AND ASSOCIATES

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

Superintendent and School Board
Copiah County School District

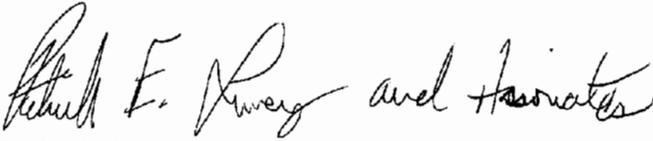
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copiah County School District as of and for the year ended June 30, 2006, which collectively comprise Copiah County School District's basic financial statements and have issued our report thereon dated February 5, 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 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$83,034 of classroom supply funds carried over from previous years.

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

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



Patrick E. Lowery and Associates
Certified Public Accountants

February 5, 2007

COPIAH COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COPIAH COUNTY 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? | Yes |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|--|-----------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | Yes |
| 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? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Hurricane education recovery
CFDA # 84.938 | |
| b. | Reading first state grants
CFDA # 84.357 | |
| c. | Special Education Cluster
CFDA # 84.027
CFDA # 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

COPIAH COUNTY SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

2006-01 Finding

The district over reported 30, 34, and 1 regular displaced students in the first, second, and third quarter, respectively. The district also under reported 3 regular displaced students in the fourth quarter. The net of over and under claiming of the students is over claiming by 62 students which totals \$96,428. This amount is required to be refunded to the awarding agency. This finding is also a finding for a major federal program. See Finding 2006-02.

Recommendation

The funds should be refunded to the awarding agency as soon as possible.

Section 3: Federal Award Findings and Questioned Costs

Material Weakness

2006-02 Finding

Compliance Requirements: Program Income

Program: Hurricane Education Recovery – CFDA # 84.938
U. S. Department of Education;
Mississippi Department of Education

The district over reported 30, 34, and 1 regular displaced students in the first, second, and third quarter, respectively. The district also under reported 3 regular displaced students in the fourth quarter. The net of over and under claiming of the students is over claiming by 62 students which totals \$96,428. This amount is required to be refunded to the awarding agency.

Questioned Cost: \$96,428.00

Recommendation

The funds should be refunded to the awarding agency as soon as possible.

COPIAH COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

COPIAH COUNTY DEPARTMENT OF EDUCATION

254 West Gallatin Street

Hazlehurst, MS 39083

(601) 894-1341

(601) 894-2634

Rickey Clopton, Superintendent

AUDITEE'S CORRECTION ACTION PLAN

As required by Section .315(b) of OMB Circular A-133, the Copiah County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2006-01	<p>a. Name of Contact Person Responsible for Corrective Action: Name: Rickey Clopton Title: Superintendent Phone #: (601) 894-1341</p> <p>b. Corrective Action Planned: There was a misunderstanding in that we should report the students on the suggested quarterly count dates and not all students that had been enrolled in our district at some point. The district has taken immediate steps to correct this overpayment.</p> <p>c. Anticipated Completion Date: The district has refunded the awarding agency.</p>
2006-02	<p>a. Name of Contact Person Responsible for Corrective Action Name: Rickey Clopton Title: Superintendent Phone #: (601) 894-1341</p> <p>b. Corrective Action Planned: There was a misunderstanding in that we should report the students on the suggested quarterly count dates. All students reported had been enrolled in our district at some point. The district has taken immediate steps to correct this overpayment.</p> <p>c. Anticipated Completion Date: The district has refunded the awarding agency the overpayment.</p>