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COLUMBUS MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

St. Clair CPA, PLLC
Carriere, MS

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Columbus Municipal School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Columbus Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability and schedule of district contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbus Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2016, on my consideration of the Columbus Municipal School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbus Municipal School District's internal control over financial reporting and compliance.

St. Clair CPA, PLLC

Carriere, MS
March 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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COLUMBUS MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Columbus Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$40,307,880, including a prior period adjustment of (\$41,822,052) due to the reporting of the net pension liability, which represents a 120% decrease from fiscal year 2014. Total net position for 2014 increased \$3,783,178, including a prior period adjustment of \$2,312, which represents a 13% increase from fiscal year 2013.
- General revenues amounted to \$33,754,939 and \$33,045,332, or 78% and 77% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,749,498, or 22% of total revenues for 2015, and \$10,053,283, or 23% of total revenues for 2014.
- The District had \$41,990,265 and \$39,317,749 in expenses for fiscal years 2015 and 2014; only \$9,749,498 for 2015 and \$10,053,283 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$33,754,939 for 2015 and \$33,045,332 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$30,208,557 in revenues and \$30,986,388 in expenditures for 2015, and \$29,464,648 in revenues and \$27,487,023 in expenditures in 2014. The General Fund's fund balance decreased by \$1,476,448 from 2014 to 2015, and increased by \$1,874,156 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$872,773 for 2015 and decreased by \$1,411,570 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$3,420,310 for 2015 and decreased by \$3,052,379 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$29,205 for 2015 and increased by \$1,077 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 periods.

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, pension expense and interest 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 – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined 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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,785,344 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 11,950,510	\$ 10,786,284	10.79 %
Restricted assets	4,589,551	6,597,981	(30.44) %
Capital assets, net	45,802,519	46,675,292	(1.87) %
Total assets	62,342,580	64,059,557	(2.68) %
Deferred outflows of resources	5,007,028	0	N/A
Current liabilities	3,901,963	3,424,359	13.95 %
Long-term debt outstanding	23,386,529	26,806,839	(12.76) %
Net pension liability	40,737,394	0	N/A
Total liabilities	68,025,886	30,231,198	125.02 %
Deferred inflows of resources	6,109,066	305,823	1,897.58 %
Net position:			
Net investment in capital assets	22,483,055	20,216,886	11.21 %
Restricted	3,497,182	5,674,124	(38.37) %
Unrestricted	(32,765,581)	7,631,526	(529.35) %
Total net position (deficit)	\$ (6,785,344)	\$ 33,522,536	(120.24) %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (32,765,581)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	41,635,551
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,869,970</u>

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

- Decrease in net capital assets in the amount of \$872,773.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The principal retirement of \$3,391,105 of long-term debt.
- The net pension liability in the amount of \$40,737,394.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$43,504,437 and \$43,098,615, respectively. The total cost of all programs and services was \$41,990,265 for 2015 and \$39,317,749 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 2
Changes in Net Position

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 346,928	\$ 667,314	(48.01) %
Operating grants and contributions	9,402,570	9,385,969	0.18 %
General revenues:			
Property taxes	12,867,377	12,871,725	(0.03) %
Grants and contributions not restricted	20,585,868	19,962,154	3.12 %
Investment earnings	46,467	29,832	55.76 %
Sixteenth section sources	30,405	31,695	(4.07) %
Other	224,822	149,926	49.96 %
Total revenues	43,504,437	43,098,615	0.94 %
Expenses:			
Instruction	21,085,517	21,581,022	(2.30) %
Support services	14,241,104	13,938,667	2.17 %
Non-instructional	2,702,159	2,867,898	(5.78) %
Pension expense	3,136,247	0	N/A
Interest on long-term liabilities	825,238	930,162	(11.28) %
Total expenses	41,990,265	39,317,749	6.80 %
Increase (Decrease) in net position	1,514,172	3,780,866	(59.95) %
Net Position, July 1, as previously reported	33,522,536	29,739,358	12.72 %
Prior Period Adjustment	(41,822,052)	2,312	(1,809,012.28) %
Net Position, July 1, as restated	(8,299,516)	29,741,670	(127.91) %
Net Position (deficit), June 30	\$ (6,785,344)	\$ 33,522,536	(120.24) %

Governmental activities

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 21,085,517	\$ 21,581,022	(2.30) %
Support services	14,241,104	13,938,667	2.17 %
Non-instructional	2,702,159	2,867,898	(5.78) %
Pension Expense	3,136,247	0	N/A
Interest on long-term liabilities	825,238	930,162	(11.28) %
Total expenses	\$ 41,990,265	\$ 39,317,749	6.80 %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (16,529,186)	\$ (16,896,247)	(2.17) %
Support services	(12,767,035)	(11,993,670)	6.45 %
Non-instructional	1,016,939	555,613	83.03 %
Pension Expense	(3,136,247)	0	N/A
Interest on long-term liabilities	(825,238)	(930,162)	(11.28) %
Total net (expense) revenue	\$ (32,240,767)	\$ (29,264,466)	10.17 %

- Net cost of governmental activities (\$32,240,767 for 2015 and \$29,264,466 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$12,867,377 for 2015 and \$12,871,725 for 2014) and state and federal revenues (\$20,585,868 for 2015 and \$19,962,154 for 2014). In addition, there was \$30,405 and \$31,695 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$46,467 for 2015 and \$29,832 for 2014.

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, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,633,139, a decrease of \$1,255,783, which includes a decrease in inventory of \$8,776. \$6,790,206 or 49.8%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,842,933, or 50.2%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,476,448. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,584,100. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ 594,287
Title I Fund	no increase or decrease
Athletic Facility Renovation Fund	\$ 2,210,478

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$71,820,655, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$649,334 from 2014, due primarily to the purchase of four school buses and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2015, was \$26,018,136, and total depreciation expense for the year was \$1,552,255, resulting in total net capital assets of \$45,802,519.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2015	June 30, 2014	Percentage Change
Land	\$ 3,267,436	\$ 3,267,436	0.00 %
Buildings	39,977,468	41,016,826	(2.53) %
Improvements other than buildings	115,312	128,656	(10.37) %
Mobile equipment	1,965,475	1,973,925	(0.43) %
Furniture and equipment	476,828	288,449	65.31 %
Total	\$ 45,802,519	\$ 46,675,292	(1.87) %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2015, the District had \$23,386,529 in outstanding long-term debt, of which \$1,863,547 is due within one year. During the fiscal year, the District made principal payments totaling \$3,391,105 on outstanding long-term debt. The liability for compensated absences decreased \$29,205 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2015	June 30, 2014	Percentage Change
General obligation bonds payable	\$ 16,950,000	\$ 19,587,000	(13.46) %
Three mill notes payable	1,685,000	2,085,000	(19.18) %
Shortfall notes payable	0	309,597	(100.00) %
Obligations under energy efficiency leases	0	44,508	(100.00) %
Qualified zone academy bonds payable	1,480,583	1,480,583	0.00 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	270,946	300,151	(9.73) %
Total	\$ 23,386,529	\$ 26,806,839	(12.76) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

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

The District actively pursues grant funding to supplement the local, state, and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Columbus Municipal School District, P.O. Box 1308, Columbus, MS 39703.

BASIC FINANCIAL STATEMENTS

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COLUMBUS MUNICIPAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 10,379,245
Due from other governments	1,557,072
Inventories	14,193
Restricted assets (Note 4)	4,589,551
Non-depreciable capital assets (Note 5)	3,267,436
Depreciable capital assets, net (Note 5)	42,535,083
Total Assets	<u>62,342,580</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	5,007,028
Total Deferred Outflows of Resources	<u>5,007,028</u>
Liabilities	
Accounts payable and accrued liabilities	2,906,922
Interest payable on long-term liabilities	995,041
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	1,850,000
Non-capital related liabilities	13,547
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	21,265,583
Non-capital related liabilities	257,399
Net pension liability (Note 7)	40,737,394
Total Liabilities	<u>68,025,886</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	5,905,185
Deferred credit on bonds payable	203,881
Total Deferred Inflows of Resources	<u>6,109,066</u>
Net Position	
Net investment in capital assets	22,483,055
Restricted net position	
Expendable	
School-based activities	1,999,563
Debt service	1,320,333
Unemployment benefits	177,286
Unrestricted	<u>(32,765,581)</u>
Total Net Position	<u>\$ (6,785,344)</u>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 21,085,517	209,393	4,346,938	(16,529,186)
Support services	14,241,104	3,042	1,471,027	(12,767,035)
Non-instructional	2,702,159	134,493	3,584,605	1,016,939
Pension expense	3,136,247			(3,136,247)
Interest on long-term liabilities	825,238			(825,238)
Total Governmental Activities	<u>41,990,265</u>	<u>346,928</u>	<u>9,402,570</u>	<u>(32,240,767)</u>
General Revenues				
Taxes				
General purpose levies				10,072,446
Debt purpose levies				2,794,931
Unrestricted grants and contributions				
State				19,995,418
Federal				590,450
Unrestricted investment earnings				46,467
Sixteenth section sources				30,405
Other				224,822
Total General Revenues				<u>33,754,939</u>
Changes in Net Position				
Net Position - Beginning				
Prior Period Adjustments (Note 9)				(41,822,052)
Net Position - Beginning - as restated				
<u>(8,299,516)</u>				
Net Position - Ending				
<u>\$ (6,785,344)</u>				

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2015

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	Athletic Facility Renovation Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents (Note 2)	\$ 8,135,319	1,740,088		2,243,926	1,147,352	13,266,685
Cash with fiscal agent (Note 2)					238,935	238,935
Investments (Note 2)					1,463,176	1,463,176
Due from other governments	409,782		399,131		748,159	1,557,072
Due from other funds (Note 3)	671,787					671,787
Inventories		14,193				14,193
Total Assets	9,216,888	1,754,281	399,131	2,243,926	3,597,622	17,211,848
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	2,291,475	77,031	131,234	33,448	373,734	2,906,922
Due to other funds (Note 3)			267,897		403,890	671,787
Total Liabilities	2,291,475	77,031	399,131	33,448	777,624	3,578,709
Fund Balances						
Nonspendable						
Inventory		14,193				14,193
Restricted						
Debt service					2,315,374	2,315,374
Unemployment benefits					177,286	177,286
Grant activities		1,663,057			322,313	1,985,370
Assigned						
School activities	135,207					135,207
Capital improvements				2,210,478		2,210,478
Other purposes					5,025	5,025
Unassigned	6,790,206					6,790,206
Total Fund Balances	6,925,413	1,677,250	0	2,210,478	2,819,998	13,633,139
Total Liabilities and Fund Balances	\$ 9,216,888	1,754,281	399,131	2,243,926	3,597,622	17,211,848

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2015

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds		\$ 13,633,139
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	3,267,436	
Buildings	60,192,063	
Improvement other than buildings	576,558	
Mobile equipment	5,587,218	
Furniture and equipment	2,197,380	
Accumulated depreciation	<u>(26,018,136)</u>	45,802,519
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(40,737,394)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	5,007,028	
Deferred inflows of resources related to pensions	<u>(5,905,185)</u>	(898,157)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(16,950,000)	
Qualified zone academy bonds payable	(1,480,583)	
Qualified school construction bonds payable	(3,000,000)	
Notes payable	(1,685,000)	
Compensated absences	(270,946)	
Deferred credit on bonds payable	(203,881)	
Accrued interest payable	<u>(995,041)</u>	<u>(24,585,451)</u>
Total Net Position - Governmental Activities		<u>\$ (6,785,344)</u>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	Athletic Facility Renovation Fund	Other Governmental Funds	
Revenues						
Local sources	\$ 10,359,552	83,931			2,933,670	13,377,153
State sources	19,228,151	32,016			1,921,658	21,181,825
Federal sources	590,450	3,412,111	1,937,425		2,870,085	8,810,071
Sixteenth section sources	30,404					30,404
Total Revenues	30,208,557	3,528,058	1,937,425	0	7,725,413	43,399,453
Expenditures						
Instruction	17,430,927		1,205,844	33,330	3,806,087	22,476,188
Support services	13,540,113	2,791	652,293	46,192	868,711	15,110,100
Noninstructional services	15,348	2,780,250	26,981		90,317	2,912,896
Debt service						
Principal (Note 6)					3,391,105	3,391,105
Interest					746,679	746,679
Other					12,534	12,534
Total Expenditures	30,986,388	2,783,041	1,885,118	79,522	8,915,433	44,649,502
Excess (Deficiency) of Revenues Over Expenditures	(777,831)	745,017	52,307	(79,522)	(1,190,020)	(1,250,049)
Other Financing Sources (Uses)						
Insurances loss recoveries	3,042					3,042
Operating transfers in (Note 3)	1,726,284			2,290,000	440,273	4,456,557
Operating transfers out (Note 3)	(2,427,943)	(141,954)	(52,307)		(1,834,353)	(4,456,557)
Total Other Financing Sources (Uses)	(698,617)	(141,954)	(52,307)	2,290,000	(1,394,080)	3,042
Net Change in Fund Balances	(1,476,448)	603,063	0	2,210,478	(2,584,100)	(1,247,007)
Fund Balances						
July 1, 2014	8,401,861	1,082,963			5,404,098	14,888,922
Decrease in reserve for inventory		(8,776)				(8,776)
June 30, 2015	\$ 6,925,413	1,677,250	0	2,210,478	2,819,998	13,633,139

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2015

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (1,247,007)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:

Capital outlay	680,387	
Depreciation expense	(1,552,255)	(871,868)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(905)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	3,391,105	
Accrued interest payable	(66,025)	
Deferred credit of bonds payable	101,942	3,427,022

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	3,322,748	
Pension expense for the current year	(3,136,247)	186,501

Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

Change in compensated absences	29,205	
Change in inventory reserve	(8,776)	20,429

Changes in Net Position of Governmental Activities	<u>\$ 1,514,172</u>
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The notes to the financial statements are an integral part of this statement.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2015

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 7,246	619,822
Total Assets	<u>7,246</u>	<u>619,822</u>
Liabilities		
Accounts payable and accrued liabilities		568,799
Due to student clubs		<u>51,023</u>
Total Liabilities	<u>0</u>	<u>619,822</u>
Net Position		
Reserved for endowments	<u>7,246</u>	
Total Net Position	<u>\$ 7,246</u>	

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	<u>\$ -</u>
Deductions	
Scholarships awarded	300
Total Deductions	<u>300</u>
Changes in Net Assets	<u>(300)</u>
Net Position	
July 1, 2014	<u>7,546</u>
June 30, 2015	<u>\$ 7,246</u>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Columbus since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Columbus Municipal School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

School Food Service Fund - This Special Revenue Fund is used to account for the federal, state, and funds whose use is restricted for food service activities.

Title I Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with educationally deprived students.

Athletic Facility Renovation Fund - This fund is used to account for construction and renovation projects for athletic facilities in the school district and is financed with district maintenance funds.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

McKellar Scholarship Fund - This private purpose fund is used to provide scholarships for selective students each year.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

FIDUCIARY FUNDS

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

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position 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 recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi 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.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, certain resources from other funds are classified as restricted assets on the Statement of Net Position because their use is limited by other applicable statutes.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization 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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows that are related to pension reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting and a deferred credit on bonds payable.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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 a long-term liability 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 liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the superintendent of education and/or the business manager pursuant to authorization established by the school board.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 7% of the total revenues of the school district.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, 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:

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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 district's 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 Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess 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 investments: (a) certificates of deposit or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (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 other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. 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. Investment income of 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 \$ 13,266,685 and \$627,068, respectively.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$238,935.

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

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common			
Trust Funds	Aaa	< 1 year	\$ 110,971
U.S. Treasury Notes	N/A	6 to 10	1,352,205
Total			<u>\$ 1,463,176</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.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - Title I Fund	\$ 267,897
	Other governmental funds	403,890
Total		<u>\$ 671,787</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing procedures.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Major Fund - Athletic Facility	
	Renovation Fund	\$ 2,290,000
	Other Governmental funds	137,943
Major Fund - School Food Service	General Fund	141,954
Major Fund - Title I Fund	General Fund	52,307
Other governmental funds	General Fund	1,532,023
	Other Governmental funds	302,330
Total		<u>\$ 4,456,557</u>

The transfer out of the General Fund was for the purpose of funding the Athletic Facility renovations, the vocational program, workers' compensation fund and other programs in the Other Governmental Funds. The transfers to the General Fund from Major Fund – School Food Service and Major Fund – Title I Fund were for indirect costs. The transfer to the General Fund from Other Governmental Funds was to transfer excess funds and indirect costs. The transfer from Other Governmental Funds to Other Governmental Funds was to fund debt and the summer feeding program.

Note 4 – Restricted Assets

Restricted assets consists of an asset (cash of \$2,887,440, cash with fiscal agent of \$238,935 and investments of \$1,463,176) whose use is legally restricted and may not be used for purposes that support the district's programs, such as, debt service funds and the assets of various state and federal programs.

Note 5 – Capital Assets

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 3,267,436			3,267,436
Total non-depreciable capital assets	<u>3,267,436</u>	<u>0</u>	<u>0</u>	<u>3,267,436</u>
Depreciable capital assets:				
Buildings	60,192,063			60,192,063
Improvements other than buildings	576,558			576,558
Mobile equipment	5,235,403	358,415	(6,600)	5,587,218
Furniture and equipment	1,899,861	321,972	(24,453)	2,197,380
Total depreciable capital assets	<u>67,903,885</u>	<u>680,387</u>	<u>(31,053)</u>	<u>68,553,219</u>
Less accumulated depreciation for:				
Buildings	19,175,237	1,039,358		20,214,595
Improvements other than buildings	447,902	13,344		461,246
Mobile equipment	3,261,478	366,205	(5,940)	3,621,743
Furniture and equipment	1,611,412	133,348	(24,208)	1,720,552
Total accumulated depreciation	<u>24,496,029</u>	<u>1,552,255</u>	<u>(30,148)</u>	<u>26,018,136</u>
Total depreciable capital assets, net	<u>43,407,856</u>	<u>(871,868)</u>	<u>(905)</u>	<u>42,535,083</u>
Governmental activities capital assets, net	<u>\$ 46,675,292</u>	<u>(871,868)</u>	<u>(905)</u>	<u>45,802,519</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,093,948
Support services	398,365
Non-instructional	59,942
Total depreciation expense - Governmental activities	<u>\$ 1,552,255</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 19,587,000		2,637,000	16,950,000	1,425,000
B. Three mill notes payable	2,085,000		400,000	1,685,000	425,000
C. Shortfall notes payable	309,597		309,597	0	0
D. Obligations under energy efficiency leases	44,508		44,508	0	0
E. Qualified zone academy bonds payable	1,480,583			1,480,583	0
F. Qualified school construction bonds payable	3,000,000			3,000,000	0
G. Compensated absences payable	300,151		29,205	270,946	13,547
Total	<u>\$ 26,806,839</u>	<u>0</u>	<u>3,420,310</u>	<u>23,386,529</u>	<u>1,863,547</u>

A. General obligation bonds payable

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, 2008	3.75	5/9/2008	5/1/2023	\$ 9,950,000	7,400,000
2. General obligation bonds, 2009A	3.1 - 4.4	3/1/2009	3/1/2024	9,950,000	8,500,000
3. General obligation bonds, 2009B	2.5 - 3.0	5/1/2009	5/1/2018	2,100,000	1,050,000
Total				\$ 22,000,000	16,950,000

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

1. General obligation bond, 2008:

Year Ending June 30	Principal	Interest	Total
2016	\$ 600,000	249,750	849,750
2017	650,000	229,500	879,500
2018	750,000	207,562	957,562
2019	850,000	182,250	1,032,250
2020	1,175,000	153,562	1,328,562
2021-2023	3,375,000	194,906	3,569,906
Total	\$ 7,400,000	1,217,530	8,617,530

This debt will be retired from the GO Bond Retirement Fund (Debt Service Fund).

2. General obligation bond, 2009A:

Year Ending June 30	Principal	Interest	Total
2016	\$ 475,000	282,900	757,900
2017	475,000	262,000	737,000
2018	475,000	247,275	722,275
2019	500,000	235,550	735,550
2020	650,000	217,050	867,050
2021-2024	5,925,000	603,224	6,528,224
Total	\$ 8,500,000	1,847,999	10,347,999

This debt will be retired from the GO Bond Retirement Fund (Debt Service Fund).

3. General obligation bond, 2009B:

Year Ending June 30	Principal	Interest	Total
2016	\$ 350,000	29,750	379,750
2017	400,000	19,250	419,250
2018	300,000	8,250	308,250
Total	\$ 1,050,000	57,250	1,107,250

This debt will be retired from the GO Bond Retirement Fund (Debt Service Fund).

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,425,000	562,400	1,987,400
2017	1,525,000	510,750	2,035,750
2018	1,525,000	463,087	1,988,087
2019	1,350,000	417,800	1,767,800
2020	1,825,000	370,612	2,195,612
2021-2024	9,300,000	798,130	10,098,130
Total	\$ 16,950,000	3,122,779	20,072,779

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 7.6% of property assessments as of October 1, 2014.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2005	3.5 - 5.0	9/1/2014	4/1/2019	\$ <u>6,500,000</u>	<u>1,685,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 425,000	62,388	487,388
2017	425,000	47,038	472,038
2018	425,000	31,312	456,312
2019	410,000	15,375	425,375
Total	\$ 1,685,000	156,113	1,841,113

This debt will be retired from the Three Mill Note Fund (Debt Service Fund).

C. Qualified zone academy bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds	0% *	5/15/2008	7/15/2019	\$ <u>1,480,583</u>	<u>1,480,583</u>

* The stated interest rate is 0% with an imputed rate of 5.25%.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.94	11/1/2009	11/1/2024	\$ 3,000,000	3,000,000

Year Ending June 30	Principal	Interest	Total
2016	\$	28,200	28,200
2017		28,200	28,200
2018		28,200	28,200
2019		28,200	28,200
2020		28,200	28,200
2021 – 2025	3,000,000	141,000	3,141,000
Total	\$ 3,000,000	\$ 282,000	\$ 3,282,000

This debt will be retired from the Three Mill Note Fund (Debt Service Fund).

E. Compensated absences payable

As more fully explained in Note 1(E)(8), 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.

Note 7 – Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% 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, 2015, 2014 and 2013 were \$3,322,748, \$3,229,973 and \$2,833,844, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$40,737,394 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .335614 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,136,247. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 635,491	\$
Net difference between projected and actual earnings on pension plan investments		5,905,185
Changes of assumptions:		
Changes in proportion and differences between District contributions and proportionate share of contributions	1,048,789	
District contributions subsequent to the measurement date	3,322,748	
Total	\$ 5,007,028	\$ 5,905,185

\$3,322,748 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 870,440
2017	870,440
2018	1,003,728
2019	1,476,296

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 55,537,217	\$ 40,737,394	\$ 28,392.142

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 8,039
2017	3,350
2018	3,350
2019	3,350
2020	3,350
2021 – 2025	16,750
2026 – 2030	16,750
2031 – 2035	16,750
2036 – 2040	6,700
Total	\$ 78,389

Note 9 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	
Deferred outflows - contributions made during fiscal	\$ (45,052,025)
year 2014	3,229,973
Total prior period adjustment related to	
GASB 68 and 71	<u>3,229,973</u>
Total	\$ (41,822,052)

Note 10 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 11 – 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.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with North Mississippi Health Services, has entered into such an arrangement dated May 12, 2008. North Mississippi Health Services will donate technical assistance for athletic physical therapy services. These contributions are to represent at least 10% of the Qualified Zone Academy Bonds loan amount.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 30. The amount on deposit at June 30, 2015 was \$1,591,140. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 250,000
2017	250,000
2018	240,000
Total	<u>\$ 740,000</u>

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$110,971. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 10,000
2017	30,000
2018	30,000
2019	30,000
2020	190,000
2021 – 2025	2,600,000
Total	<u>\$ 2,890,000</u>

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,765,581) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances. The net investment in capital assets of \$22,483,055 includes the effect of a deferred credit on bonds payable.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Columbus Municipal School District evaluated the activity of the district through March 15, 2016, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 9,988,194	10,359,577	10,359,552	371,383	(25)
State sources	19,056,218	19,228,156	19,228,151	171,938	(5)
Federal sources	430,000	590,450	590,450	160,450	0
Sixteenth section sources	0	30,404	30,404	30,404	0
Total Revenues	29,474,412	30,208,587	30,208,557	734,175	(30)
Expenditures					
Instruction	16,869,072	17,431,182	17,430,927	(562,110)	255
Support services	12,990,345	13,540,348	13,540,113	(550,003)	235
Noninstructional services	11,415	15,348	15,348	(3,933)	0
Total Expenditures	29,870,832	30,986,878	30,986,388	(1,116,046)	490
Excess (Deficiency) of Revenues Over Expenditures	(396,420)	(778,291)	(777,831)	(381,871)	460
Other Financing Sources (Uses)					
Insurance loss recoveries	0	3,042	3,042	3,042	0
Operating transfers in	349,037	1,858,057	1,726,284	1,509,020	(131,773)
Operating transfers out	(173,120)	(2,559,716)	(2,427,943)	(2,386,596)	131,773
Total Other Financing Sources (Uses)	175,917	(698,617)	(698,617)	(874,534)	0
Net Change in Fund Balances			(1,476,448)		
Fund Balances					
July 1, 2014			8,401,861		
June 30, 2015			\$ 6,925,413		

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - School Food Service Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 216,591	83,940	83,931	(132,651)	(9)
State sources	27,944	32,019	32,016	4,075	(3)
Federal sources	3,130,050	3,412,127	3,412,111	282,077	(16)
Total Revenues	3,374,585	3,528,086	3,528,058	153,501	(28)
Expenditures					
Support services	5,850	2,791	2,791	3,059	0
Noninstructional services	2,852,097	2,780,306	2,780,250	71,791	56
Total Expenditures	2,857,947	2,783,097	2,783,041	74,850	56
Excess (Deficiency) of Revenues Over Expenditures	516,638	744,989	745,017	228,351	28
Other Financing Sources (Uses)					
Operating transfers out	(157,914)	(141,954)	(141,954)	15,960	0
Total Other Financing Sources (Uses)	(157,914)	(141,954)	(141,954)	15,960	0
Net Change in Fund Balances			603,063		
Fund Balances					
July 1, 2014			1,082,963		
Decrease in reserve for inventory			(8,776)		
June 30, 2015			<u>\$ 1,677,250</u>		

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	2,400,116	1,937,425	1,937,425	(462,691)	0
Total Revenues	<u>2,400,116</u>	<u>1,937,425</u>	<u>1,937,425</u>	<u>(462,691)</u>	<u>0</u>
Expenditures					
Instruction	1,435,026	1,205,889	1,205,844	229,137	45
Support services	852,348	652,331	652,293	200,017	38
Noninstructional services	47,824	26,985	26,981	20,839	4
Total Expenditures	<u>2,335,198</u>	<u>1,885,205</u>	<u>1,885,118</u>	<u>449,993</u>	<u>87</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,918</u>	<u>52,220</u>	<u>52,307</u>	<u>(12,698)</u>	<u>87</u>
Other Financing Sources (Uses)					
Operating transfers out	(64,918)	(52,307)	(52,307)	12,611	0
Total Other Financing Sources (Uses)	<u>(64,918)</u>	<u>(52,307)</u>	<u>(52,307)</u>	<u>12,611</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2014			<u>0</u>		
June 30, 2015			<u>\$ 0</u>		

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.335614%
District's proportionate share of the net pension liability (asset)	<u>\$ 40,737,394</u>
District's covered-employee payroll	<u>\$ 20,507,765</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>198.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 3,322,748
Contributions in relation to the contractually required contribution	3,322,748
Contribution deficiency (excess)	<u><u>0</u></u>
District's covered-employee payroll	\$ 21,096,839
Contributions as a percentage of covered-employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund, School Food Service Fund, and Title I Fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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COLUMBUS MUNICIPAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,090,567
National school lunch program	10.555	1,834,428
Summer food service program for children	10.559	63,675
Total child nutrition cluster		<u>2,988,670</u>
Total U.S. Department of Agriculture		<u>2,988,670</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve officers' training corps	12.xxx	55,547
Total U.S. Department of Defense		<u>55,547</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	76,534
Total Federal Communications Commission		<u>76,534</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Impact aid	84.041	6,526
Total		<u>6,526</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	2,413,547
Career and technical education - basic grants to states	84.048	67,633
Twenty first century community learning centers	84.287	218,009
Rural education	84.358	83,165
Improving teacher quality - state grants	84.367	443,543
Teacher incentive fund	84.374	358,502
Total		<u>3,584,399</u>
Special education cluster:		
Special education - grants to states	84.027	1,064,440
Special education - preschool grants	84.173	34,416
Total special education cluster		<u>1,098,856</u>
Total passed-through Mississippi Department of Education		<u>4,683,255</u>
Total U.S. Department of Education		<u>4,689,781</u>
Total for All Federal Awards		<u>\$ 7,810,532</u>

NOTES TO SCHEDULE

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

Columbus Municipal School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2015

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 28,451,864	22,288,170	870,616	2,038,129	3,254,949
Other	16,197,638	4,093,846	413,490	87,467	11,602,835
Total	<u>44,649,502</u>	<u>26,382,016</u>	<u>1,284,106</u>	<u>2,125,596</u>	<u>14,857,784</u>
Total number of students	<u>3,912</u>				
Cost per student	<u>\$ 11,413</u>	<u>6,744</u>	<u>328</u>	<u>543</u>	<u>3,798</u>

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

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

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OTHER INFORMATION

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Columbus Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 10,359,552	10,200,473	10,406,684	11,175,530
State sources	19,228,151	18,584,313	19,640,496	19,466,050
Federal sources	590,450	648,167	834,390	749,768
Sixteenth section sources	30,404	31,695	10,051	12,490
Total Revenues	<u>30,208,557</u>	<u>29,464,648</u>	<u>30,891,621</u>	<u>31,403,838</u>
Expenditures				
Instruction	17,430,927	15,846,017	15,307,676	16,511,091
Support services	13,540,113	11,624,059	11,374,686	11,767,802
Noninstructional services	15,348	16,947	22,678	28,467
Total Expenditures	<u>30,986,388</u>	<u>27,487,023</u>	<u>26,705,040</u>	<u>28,307,360</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(777,831)</u>	<u>1,977,625</u>	<u>4,186,581</u>	<u>3,096,478</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	829,000
Insurances loss recoveries	3,042	1,686	25,865	0
Operating transfers in	1,726,284	283,898	241,104	556,094
Other financing sources	0	0	0	975
Operating transfers out	(2,427,943)	(376,007)	(1,671,366)	(3,243,049)
Other financing uses	0	(13,046)	0	(341)
Total Other Financing Sources (Uses)	<u>(698,617)</u>	<u>(103,469)</u>	<u>(1,404,397)</u>	<u>(1,857,321)</u>
Net Change in Fund Balances	<u>(1,476,448)</u>	<u>1,874,156</u>	<u>2,782,184</u>	<u>1,239,157</u>
Fund Balances				
July 1	<u>8,401,861</u>	<u>6,527,705</u>	<u>3,745,521</u>	<u>2,506,364</u>
June 30	<u>\$ 6,925,413</u>	<u>8,401,861</u>	<u>6,527,705</u>	<u>3,745,521</u>

* Source - Prior year audit reports.

Columbus Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

	UNAUDITED			
	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 13,377,153	13,610,436	14,000,807	14,190,180
State sources	21,181,825	20,497,452	20,432,797	20,298,631
Federal sources	8,810,071	8,853,778	8,942,610	10,124,702
Sixteenth section sources	30,404	31,695	10,051	12,490
Total Revenues	<u>43,399,453</u>	<u>42,993,361</u>	<u>43,386,265</u>	<u>44,626,003</u>
Expenditures				
Instruction	22,476,188	20,501,878	20,071,318	22,108,751
Support services	15,110,100	13,583,118	13,184,709	14,233,979
Noninstructional services	2,912,896	2,864,101	2,754,040	2,700,138
Debt service				
Principal	3,391,105	3,053,456	2,783,773	2,530,034
Interest	746,679	848,082	942,290	1,012,467
Other	12,534	12,921	11,888	16,833
Total Expenditures	<u>44,649,502</u>	<u>40,863,556</u>	<u>39,748,018</u>	<u>42,602,202</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,250,049)</u>	<u>2,129,805</u>	<u>3,638,247</u>	<u>2,023,801</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	908,000
Insurances loss recoveries	3,042	1,686	25,865	0
Operating transfers in	4,456,557	947,744	2,167,366	4,037,444
Other financing sources	0	1,625	1,625	3,443
Operating transfers out	(4,456,557)	(947,744)	(2,167,366)	(4,037,444)
Other financing uses	0	(13,046)	(50,000)	(518)
Total Other Financing Sources (Uses)	<u>3,042</u>	<u>(9,735)</u>	<u>(22,510)</u>	<u>910,925</u>
Net Change in Fund Balances	<u>(1,247,007)</u>	<u>2,120,070</u>	<u>3,615,737</u>	<u>2,934,726</u>
Fund Balances				
July 1	14,888,922	12,779,337	9,187,018	6,259,305
Prior period adjustments	0	0	(33,542)	0
July 1, as restated	<u>14,888,922</u>	<u>12,779,337</u>	<u>9,153,476</u>	<u>6,259,305</u>
Increase (Decrease) in reserve for inventory	(8,776)	(10,485)	10,124	(7,013)
June 30	<u>\$ 13,633,139</u>	<u>14,888,922</u>	<u>12,779,337</u>	<u>9,187,018</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Columbus Municipal School District

I have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbus Municipal School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Columbus Municipal School District's basic financial statements, and have issued my report thereon dated March 15, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Columbus Municipal School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Columbus Municipal School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Columbus Municipal School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a significant deficiency. [2015-001]

Compliance and Other Matters

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

Columbus Municipal School District's Response to Findings

Columbus Municipal School District's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Columbus Municipal School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

St. Clair CPA, PLLC

Carriere, MS
March 15, 2016



ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Superintendent and School Board
Columbus Municipal School District

Report on Compliance for Each Major Federal Program

I have audited Columbus Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Columbus Municipal School District's major federal programs for the year ended June 30, 2015. Columbus Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Columbus Municipal School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Columbus Municipal School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Columbus Municipal School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Columbus Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Columbus Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Columbus Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Columbus Municipal School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item [2015-002] that I consider to be a significant deficiency.

Columbus Municipal School District's response to the internal control over compliance findings identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Columbus Municipal School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

St. Clair CPA, PLLC

Carriere, MS
March 15, 2016

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

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board
Columbus Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2015, which collectively comprise Columbus Municipal School District's basic financial statements and have issued my report thereon dated March 15, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-0- of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002. The Columbus Municipal School District's response is described as item 2015-002 in the accompanying Auditee's Corrective Action Plan.

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

The Columbus Municipal School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

St. Clair CPA, PLLC

Carriere, MS
March 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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COLUMBUS MUNICIPAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | Yes |

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2015-001

CONDITION: This condition was reported in the prior year. However, due to timing of the audit the school district was unable to address the matter during the year subject to audit. The design of the financial accounting software is such that both the payroll clerk and the personnel director have total rights and access to the entire payroll module.

CRITERIA: A well design system of accounting controls would segregate portions of the payroll module of the accounting software between the payroll clerk and the personnel office.

CAUSE OF CONDITION: The cause of the condition is a failure to properly structure and segregate the duties and responsibilities of the payroll clerk and the personnel office (and related system generated files) within the financial accounting software.

COLUMBUS MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2015

EFFECT OF CONDITION: The effect of this condition could result in errors occurring within the payroll system and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties and responsibilities of the payroll clerk and the personnel office be segregated within the financial accounting software.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2015-002

Child Nutrition – school breakfast program	CFDA #: 10.553
Child Nutrition – national school lunch program	CFDA #: 10.555
Child Nutrition – summer food service program	CFDA # 10.559

Compliance requirement: Procurement, Suspension and Debarment

CONDITION: For the 36 expenditures tested, 2 purchases for commodities did not have supporting documentation to demonstrate compliance with the state purchase laws. There were no formal bids or state contract price listings available for inspection.

CRITERIA: Section 31-7-13, Miss. Code of 1972 requires advertising for competitive bids for the purchase of commodities over \$50,000 or that documentation exists to support the items were acquired using a state contract price.

QUESTIONED COST: None

CAUSE OF CONDITION: The cause of the condition was an oversight by school district management.

EFFECT OF CONDITION: The effect of this condition resulted in noncompliance with the state purchase laws.

RECOMMENDATION: It is recommended that the district advertise for bids for purchases over the \$50,000 threshold or the state contract price be documented for the purchase of commodities within the price range indicated. The proof of advertisement and bids or the state contract price documentation should be attached to the relevant documents supporting the purchase: requisition, purchase order, invoice, receiving report, copy of check, etc.

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

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Columbus Municipal School District
Philip Hickman, Ed.D. Superintendent

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



Craig Shannon
Deputy Superintendent

Pamela Barr-Lenoir
Assistant Superintendent

Bruce Pugh
Testing and Special Services Coordinator

Auditee's Corrective Action Plan

March 4, 2016

As required by Section 315(c) of OMB Circular A-133, the Columbus Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Finding 2015-001

Corrective Action Plan

- a. Contact person responsible for corrective action: Tammie Holmes
- b. Description of correction action to be taken: We have set up controls in the software so that no one person has total rights and access to the entire payroll module.
- c. Anticipated completion date of corrective action: Corrected as of April 29, 2015.

Finding 2015-002

Corrective Action Plan

- a. Contact person responsible for corrective action: Tammie Holmes/Robin Lang
- b. Description of correction action to be taken: The purchase of commodities that are subject to bid laws will be closely monitored for compliance with purchase laws.
- c. Anticipated completion date of corrective action: Immediately

Sincerely,

Tammie Holmes
School Business Administrator

It's a Great Day to be a Falcon!
COME LEARN WITH US

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Summary Schedule of Prior Audit Findings

March 4, 2016

Financial and Compliance Audit Division

As required by Section ____ .315(b) of OMB Circular A-133, the Columbus Municipal School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2015

<u>Finding</u>	<u>Status</u>
2014-02	Corrected

Sincerely,

A handwritten signature in cursive script that reads "Tammie Holmes".

Tammie Holmes
School Business Manager