



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

McComb Separate School District

Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

**McComb Separate School District
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position	23
Exhibit F - Statement of Changes in Fiduciary Net Position	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Schedule of the District’s Proportionate Share of the Net Pension Liability	52
Schedule of District Contributions	53
Notes to the Required Supplementary Information	54
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	56
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	57
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	59
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	60
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	62
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	64
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
AUDITEE’S CORRECTIVE ACTION PLAN	74

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
McComb Separate School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Separate School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the McComb Separate 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

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

An audit 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 District's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Separate 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the School District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

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 and pension schedules on pages 8-15 and 51-54 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McComb Separate 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 our 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, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the McComb Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 McComb Separate School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 7, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of McComb Separate 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 \$26,925,981, including a prior period adjustment of \$(29,511,599) resulting from the recording of the prior year net pension liability, which represents a 104% decrease from fiscal year 2014. Total net position for 2014 decreased \$186,187, which represents a 1% decrease from fiscal year 2013.
- General revenues amounted to \$20,749,754 and \$20,303,799, or 70% and 70% 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 \$8,897,804, or 30% of total revenues for 2015, and \$8,763,861, or 30% of total revenues for 2014.
- The District had \$27,061,940 and \$29,253,847 in expenses for fiscal years 2015 and 2014; only \$8,897,804 for 2015 and \$8,763,861 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,749,754 for 2015 were adequate to provide for these programs. General revenues of \$20,303,799 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,197,713 in revenues and \$20,261,783 in expenditures for 2015, and \$18,122,352 in revenues and \$21,666,838 in expenditures in 2014. The General Fund's fund balance increased by \$1,368,602 from 2014 to 2015, including a fund reclassification of \$830,447, and decreased by \$1,565,808 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$31,157 for 2015 and decreased by \$310,991 for 2014. The increase for 2015 was due to the addition of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$288,829 for 2015 and decreased by \$151,467 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$13,752 for 2015 and decreased by \$29,829 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,

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

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, sixteenth section, 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.

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

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 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. Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by (\$929,083)

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

as of June 30, 2015.

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

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 14,410,601	\$ 14,385,199	0.18 %
Restricted assets	7,515,063	6,575,660	14.29 %
Capital assets, net	10,895,752	10,864,595	0.29 %
Total assets	<u>32,821,416</u>	<u>31,825,454</u>	3.13 %
Deferred outflows of resources	<u>2,590,385</u>	<u>-</u>	N/A %
Current liabilities	796,372	1,164,527	(31.61) %
Long-term debt outstanding	4,375,200	4,664,029	(6.19) %
Net pension liability	25,989,883	-	N/A %
Total liabilities	<u>31,161,455</u>	<u>5,828,556</u>	434.63 %
Deferred inflows of resources	<u>5,179,429</u>	<u>-</u>	N/A %
Net position:			
Net investment in capital assets	8,360,752	7,969,595	4.91 %
Restricted	11,199,092	11,202,210	(0.03) %
Unrestricted	(20,488,927)	6,825,093	(400.20) %
Total net position	<u>\$ (929,083)</u>	<u>\$ 25,996,898</u>	(103.57) %

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)	\$ (20,488,927)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	<u>28,578,927</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,090,000</u>

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

- Increase in net capital assets in the amount of \$31,157.
- 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.

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

- The issuance of long-term debt in the amount of \$323,514.
- The principal retirement of \$626,095 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$29,647,558 and \$29,067,660, respectively. The total cost of all programs and services was \$27,061,940 for 2015 and \$29,253,847 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**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,972,026	\$ 2,330,305	(15.37) %
Operating grants and contributions	6,925,778	6,433,556	7.65 %
General revenues:			
Property taxes	7,202,012	7,101,054	1.42 %
Grants and contributions not restricted	12,524,471	11,779,222	6.33 %
Investment earnings	292,701	336,211	(12.94) %
Sixteenth section sources	609,433	910,352	(33.06) %
Other	121,137	176,960	(31.55) %
Total revenues	<u>29,647,558</u>	<u>29,067,660</u>	1.99 %
Expenses:			
Instruction	12,233,220	13,045,413	(6.23) %
Support services	11,263,815	13,722,924	(17.92) %
Non-instructional	2,155,307	2,328,832	(7.45) %
Sixteenth section	25,045	10,542	137.57 %
Pension expense	1,252,279	-	N/A %
Interest on long-term liabilities	132,274	146,136	(9.49) %
Total expenses	<u>27,061,940</u>	<u>29,253,847</u>	(7.49) %
Increase (Decrease) in net position	<u>2,585,618</u>	<u>(186,187)</u>	1,488.72 %
Net Position, July 1, as previously reported	<u>25,996,898</u>	<u>26,183,085</u>	(0.71) %
Prior Period Adjustment	<u>(29,511,599)</u>	-	N/A %
Net Position, July 1, as restated	<u>(3,514,701)</u>	<u>26,183,085</u>	(113.42) %
Net Position, June 30	<u>\$ (929,083)</u>	<u>\$ 25,996,898</u>	(103.57) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, 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.

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

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 12,233,220	\$ 13,045,413	(6.23) %
Support services	11,263,815	13,722,924	(17.92) %
Non-instructional	2,155,307	2,328,832	(7.45) %
Sixteenth section	25,045	10,542	137.57 %
Pension Expense	1,252,279	-	N/A %
Interest on long-term liabilities	132,274	146,136	(9.49) %
Total expenses	<u>\$ 27,061,940</u>	<u>\$ 29,253,847</u>	(7.49) %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (8,549,509)	\$ (9,816,088)	(12.90) %
Support services	(8,338,175)	(10,320,966)	(19.21) %
Non-instructional	133,146	(234,946)	156.67 %
Sixteenth section	(25,045)	28,150	(188.97) %
Pension Expense	(1,252,279)	-	N/A %
Interest on long-term liabilities	(132,274)	(146,136)	(9.49) %
Total net (expense) revenue	<u>\$ (18,164,136)</u>	<u>\$ (20,489,986)</u>	(11.35) %

- Net cost of governmental activities (\$18,164,136 for 2015 and \$20,489,986 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$7,202,012 for 2015 and \$7,101,054 for 2014) and state and federal revenues (\$12,524,471 for 2015 and \$11,779,222 for 2014). In addition, there was \$609,433 and \$910,352 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$292,701 for 2015 and \$336,211 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 \$21,151,394, an increase of \$1,327,000, which includes an increase in inventory of \$13,206. \$9,669,192, or 46% 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

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

assigned to specific purposes within the general fund. The remaining fund balance of \$11,482,202, or 54% 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 increase in fund balance in the General Fund for the fiscal year was \$1,368,602, which includes a fund reclassification of \$830,447. The fund balance of Other Governmental Funds showed a decrease in the amount of \$405,845, which includes a fund reclassification of (\$830,447) and an increase in inventory of \$13,206. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 364,243

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 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 \$20,835,648, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$523,191 from 2014 due primarily to the purchase of a school bus, a van, and various items of furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2015, was \$9,939,896, and total depreciation expense for the year was \$561,976, resulting in total net capital assets of \$10,895,752.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 138,362	\$ 138,362	0.00 %
Buildings	7,347,734	7,530,658	(2.43) %
Building improvements	1,312,744	1,424,838	(7.87) %
Improvements other than buildings	831,686	872,959	(4.73) %
Mobile equipment	577,077	564,339	2.26 %
Furniture and equipment	688,149	333,439	106.38 %
Total	\$ 10,895,752	\$ 10,864,595	0.29 %

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 \$4,375,200 in outstanding long-term debt, of which \$653,039 is due within one year. During the fiscal year, the District made principal payments

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

totaling \$626,095 on outstanding long-term debt. The District received proceeds from the issuance of a shortfall note in the amount of \$323,514. The liability for compensated absences increased \$13,752 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,335,000	\$ 1,695,000	(21.24) %
Shortfall notes payable	379,399	321,980	17.83 %
Qualified zone academy bonds payable	2,500,000	2,500,000	0.00 %
Compensated absences payable	160,801	147,049	9.35 %
Total	<u>\$ 4,375,200</u>	<u>\$ 4,664,029</u>	(6.19) %

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

CURRENT ISSUES

The McComb Separate 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 McComb Separate School District, P.O. Box 868, McComb, MS 39649-0868.

FINANCIAL STATEMENTS

MCCOMB SEPARATE SCHOOL DISTRICT

**Statement of Net Position
June 30, 2015**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 13,208,583
Due from other governments	1,167,167
Inventories	34,851
Restricted assets	7,515,063
Capital assets, non-depreciable:	
Land	138,362
Capital assets, net of accumulated depreciation:	
Buildings	7,347,734
Building improvements	1,312,744
Improvements other than buildings	831,686
Mobile equipment	577,077
Furniture and equipment	688,149
Total Assets	32,821,416
 Deferred Outflows of Resources	
Deferred outflow related to pensions	2,590,385
Total Deferred Outflows of Resources	2,590,385
 Liabilities	
Accounts payable and accrued liabilities	756,162
Unearned revenue	18,108
Interest payable on long-term liabilities	22,102
Long-term liabilities, due within one year:	
Capital related liabilities	375,000
Non-capital related liabilities	278,039
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,160,000
Non-capital related liabilities	1,562,161
Net pension liability	25,989,883
Total Liabilities	31,161,455
 Deferred Inflows of Resources	
Deferred inflow related to pensions	5,179,429
Total Deferred Inflows of Resources	5,179,429
 Net Position	
Net investment in capital assets	8,360,752
Restricted for:	
Expendable:	
School-based activities	1,218,478
Debt service	2,659,512
Forestry improvements	66,383
Unemployment benefits	72,600
Non-expendable:	
Sixteenth section	7,182,119
Unrestricted	(20,488,927)
Total Net Position (deficit)	\$ (929,083)

MCCOMB SEPARATE SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 12,233,220	\$ 326,270	\$ 3,357,441	\$ -	\$ (8,549,509)	
Support services	11,263,815	1,577,649	1,347,991	-	(8,338,175)	
Non-instructional	2,155,307	68,107	2,220,346	-	133,146	
Sixteenth section	25,045	-	-	-	(25,045)	
Pension expense	1,252,279	-	-	-	(1,252,279)	
Interest on long-term liabilities	132,274	-	-	-	(132,274)	
Total Governmental Activities	\$ 27,061,940	\$ 1,972,026	\$ 6,925,778	\$ -	\$ (18,164,136)	

General Revenues:

Taxes:

General purpose levies	6,704,453
Debt purpose levies	497,559

Unrestricted grants and contributions:

State	12,258,883
Federal	265,588
Unrestricted investment earnings	292,701
Sixteenth section sources	609,433
Other	121,137

Total General Revenues	20,749,754
-------------------------------	-------------------

Change in Net Position	<u>2,585,618</u>
------------------------	------------------

Net Position - Beginning, as previously reported	25,996,898
Prior Period Adjustments	<u>(29,511,599)</u>

Net Position - Beginning, as restated	<u>(3,514,701)</u>
---------------------------------------	--------------------

Net Position (deficit) - Ending	<u><u>\$ (929,083)</u></u>
---------------------------------	----------------------------

MCCOMB SEPARATE SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 11,026,572	\$ 5,794,106	\$ 2,182,011	\$ 19,002,689
Cash with fiscal agents	-	-	3,362	3,362
Investments	-	-	1,717,595	1,717,595
Due from other governments	227,721	-	898,610	1,126,331
Due from other funds	718,192	-	3,125	721,317
Advance to other funds	-	1,431,850	-	1,431,850
Inventories	-	-	34,851	34,851
Total assets	<u>\$ 11,972,485</u>	<u>\$ 7,225,956</u>	<u>\$ 4,839,554</u>	<u>\$ 24,037,995</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 650,127	\$ -	\$ 106,035	\$ 756,162
Due to other funds	-	-	680,481	680,481
Advances from other funds	1,431,850	-	-	1,431,850
Unavailable revenue - federal programs	-	-	18,108	18,108
Total Liabilities	<u>2,081,977</u>	<u>-</u>	<u>804,624</u>	<u>2,886,601</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	34,851	34,851
Permanent fund principal	-	5,750,269	-	5,750,269
Advances	-	1,431,850	-	1,431,850
Restricted:				
Debt service	-	-	2,681,614	2,681,614
Forestry improvement purposes	-	-	66,383	66,383
Unemployment benefits	-	-	72,600	72,600
Food service	-	-	1,075,705	1,075,705
Other purposes	-	43,837	64,085	107,922
Assigned:				
Activity funds	81,802	-	-	81,802
Sixteenth section	109,873	-	-	109,873
Other purposes	29,641	-	39,692	69,333
Unassigned				
	9,669,192	-	-	9,669,192
Total Fund Balances	<u>9,890,508</u>	<u>7,225,956</u>	<u>4,034,930</u>	<u>21,151,394</u>
Total Liabilities and Fund Balances	<u>\$ 11,972,485</u>	<u>\$ 7,225,956</u>	<u>\$ 4,839,554</u>	<u>\$ 24,037,995</u>

MCCOMB SEPARATE SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015**

Exhibit C-1

Total fund balances for governmental funds \$ 21,151,394

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 138,362	
Buildings	13,807,639	
Building improvements	2,219,784	
Improvements other than buildings	1,096,202	
Mobile equipment	1,783,901	
Furniture and equipment	1,789,760	
Accumulated depreciation	<u>(9,939,896)</u>	10,895,752

2. 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 (25,989,883)

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	2,590,385	
Deferred inflows of resources related to pensions	<u>(5,179,429)</u>	(2,589,044)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds	(1,335,000)	
Other bonds payable	(2,500,000)	
Notes payable	(379,399)	
Compensated absences	(160,801)	
Accrued interest payable	<u>(22,102)</u>	(4,397,302)

Net Position (deficit) of governmental activities \$ (929,083)

MCCOMB SEPARATE SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 7,194,467	\$ -	\$ 695,762	\$ 7,890,229
State sources	11,593,194	-	2,142,703	13,735,897
Federal sources	157,615	-	5,556,737	5,714,352
Sixteenth section sources	252,437	469,439	655	722,531
Total Revenues	19,197,713	469,439	8,395,857	28,063,009
Expenditures:				
Instruction	9,324,201	-	3,995,244	13,319,445
Support services	10,575,052	-	1,474,257	12,049,309
Noninstructional services	293,465	-	2,205,685	2,499,150
Sixteenth section	7,299	-	17,746	25,045
Debt service:				
Principal	-	-	626,095	626,095
Interest	61,766	-	75,218	136,984
Other	-	-	1,250	1,250
Total Expenditures	20,261,783	-	8,395,495	28,657,278
Excess (Deficiency) of Revenues over (under) Expenditures	(1,064,070)	469,439	362	(594,269)
Other Financing Sources (Uses):				
Bonds and notes issued	323,514	-	-	323,514
Insurance recovery	1,577,024	-	-	1,577,024
Payments held by escrow agent	-	-	380,000	380,000
Payment to Qualified Zone Academy debt escrow agent	-	-	(380,000)	(380,000)
Sale of transportation equipment	2,000	-	-	2,000
Sale of other property	600	-	3,300	3,900
Operating transfers in	240,099	-	544,731	784,830
Other financing sources	-	-	1,625	1,625
Operating transfers out	(541,012)	(105,196)	(138,622)	(784,830)
Total Other Financing Sources (Uses)	1,602,225	(105,196)	411,034	1,908,063
Net Change in Fund Balances	538,155	364,243	411,396	1,313,794
Fund Balances:				
July 1, 2014, as previously reported	8,521,906	6,861,713	4,440,775	19,824,394
Fund reclassification	830,447	-	(830,447)	-
July 1, 2014, as restated	9,352,353	6,861,713	3,610,328	19,824,394
Increase (Decrease) in inventory	-	-	13,206	13,206
June 30, 2015	\$ 9,890,508	\$ 7,225,956	\$ 4,034,930	\$ 21,151,394

MCCOMB SEPARATE SCHOOL DISTRICT

Governmental Funds

**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

Net change in fund balances - total governmental funds \$ 1,313,794

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

1. 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, these amounts are:

Capital outlay	\$ 615,416	
Depreciation expense	(561,976)	53,440

2. 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 assets sold. (22,283)

3. 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:

Bonds and notes issued	(323,514)	
Payments of debt principal	626,095	
Accrued interest payable	5,960	308,541

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,252,279)	
Recording of contributions made subsequent to the measurement date	2,184,951	932,672

5. 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 governmental funds. These activities include:

Change in compensated absences	(13,752)	
Change in inventory	13,206	(546)

Change in Net Position of governmental activities **\$ 2,585,618**

MCCOMB SEPARATE SCHOOL DISTRICT

Fiduciary Funds

**Statement of Fiduciary Net Position
June 30, 2015**

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 35,759	\$ 1,139,336
Total Assets	35,759	\$ 1,139,336
Liabilities		
Accounts payable and accrued liabilities	500	\$ 1,084,582
Due to other funds	-	40,836
Due to student clubs	-	13,918
Total Liabilities	500	\$ 1,139,336
Net Position		
Reserved for endowments	28,000	
Held in trust	7,259	
Total Net Position	\$ 35,259	

MCCOMB SEPARATE SCHOOL DISTRICT

Fiduciary Funds

**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	\$ 281
Total Additions	<u>281</u>
Deductions	
Scholarships awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	<u>(719)</u>
Net Position	
July 1, 2014	<u>35,978</u>
June 30, 2015	<u>\$ 35,259</u>

McComb Separate School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

McCOMB SEPARATE 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 McComb 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, McComb Separate 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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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.

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.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section land.

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

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:

Agency Funds - These funds are composed of club funds and clearing funds.

Private Purpose Trust Funds - These funds are composed of scholarship funds.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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.

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.

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

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.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

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 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.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

The following schedule details the capitalization thresholds:

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

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

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 a deferred outflow which is presented as a deferred outflow related to pensions.

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 school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions.

See Note 15 for further details.

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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 and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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 a resolution approved by the School Board. Currently there is no committed fund balance for this school 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 and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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 goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of district maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

F. New Pronouncements

In June 2012, The GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. GASB Statement No. 68 establishes standards for measuring and recognition liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

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:

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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 \$19,002,689 and \$1,175,095, respectively.

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. As of June 30, 2015, none of the district's bank balance of \$22,047,660 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,362.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Home Loan Bank	N/A	Less than 1 year	\$ 1,507,104
Federal US Treasury Cash Reserve	AAAm-G	Less than 1 year	210,491
Total			<u>\$ 1,717,595</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.

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

June 30, 2015, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

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	Other Governmental Funds	\$ 677,356
	Fiduciary Funds	40,836
Other Governmental Funds	Other Governmental Funds	3,125
Total		<u>\$ 721,317</u>

The primary reason for the interfund loans was to close out federal programs at year end.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 1,431,850
Total		<u>\$ 1,431,850</u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 113,307	\$ 57,274	\$ 170,581
2017	115,307	52,742	168,049
2018	116,307	48,129	164,436
2019	118,307	43,477	161,784
2020	120,307	38,745	159,052
2021 - 2025	465,532	127,021	592,553
2026 - 2030	376,533	46,435	422,968
2031	6,250	250	6,500
Total	\$ 1,431,850	\$ 414,073	\$ 1,845,923

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 541,012
Sixteenth Section Principal Fund	General Fund	105,196
Other Governmental Funds	General Fund	134,903
	Other Governmental Funds	3,719
Total		\$ 784,830

Operating transfers were primarily for the following: indirect cost transfers, vocational education expenditure transfers, the transfer of expendable sixteenth section sources, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$5,794,106 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs.

In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$3,362 and \$1,507,104, respectively, of the QZAB Bond Retirement Fund.

In addition, the restricted assets represent the investment balance totaling \$210,491 of the MAEP Limited Obligation Bond Fund.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 138,362	\$	\$	\$ 138,362
Total non-depreciable capital assets	<u>138,362</u>	-	-	<u>138,362</u>
<u>Depreciable capital assets:</u>				
Buildings	13,807,639			13,807,639
Building improvements	2,258,622		38,838	2,219,784
Improvements other than buildings	1,096,202			1,096,202
Mobile equipment	1,672,922	110,979		1,783,901
Furniture and equipment	1,338,710	504,437	53,387	1,789,760
Total depreciable capital assets	<u>20,174,095</u>	<u>615,416</u>	<u>92,225</u>	<u>20,697,286</u>
<u>Less accumulated depreciation for:</u>				
Buildings	6,276,981	182,924		6,459,905
Building improvements	833,784	90,345	17,089	907,040
Improvements other than buildings	223,243	41,273		264,516
Mobile equipment	1,108,583	98,241		1,206,824
Furniture and equipment	1,005,271	149,193	52,853	1,101,611
Total accumulated depreciation	<u>9,447,862</u>	<u>561,976</u>	<u>69,942</u>	<u>9,939,896</u>
Total depreciable capital assets, net	<u>10,726,233</u>	<u>53,440</u>	<u>22,283</u>	<u>10,757,390</u>
Governmental activities capital assets, net	<u>\$ 10,864,595</u>	<u>\$ 53,440</u>	<u>\$ 22,283</u>	<u>\$ 10,895,752</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 362,002
Support services	125,046
Non-instructional	74,928
Total depreciation expense - Governmental activities	<u>\$ 561,976</u>

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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. Limited obligation bonds payable	\$ 1,695,000	\$	\$ 360,000	\$ 1,335,000	\$ 375,000
B. Shortfall notes payable	321,980	323,514	266,095	379,399	269,999
C. Qualified zone academy bonds payable	2,500,000			2,500,000	-
D. Compensated absences payable	147,049	13,752		160,801	8,040
Total	\$ 4,664,029	\$ 337,266	\$ 626,095	\$ 4,375,200	\$ 653,039

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2006	4.00%	9/14/2006	2/1/2018	\$ 3,730,000	\$ 1,335,000
Total				\$ 3,730,000	\$ 1,335,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 375,000	\$ 45,900	\$ 420,900
2017	390,000	30,600	420,600
2018	570,000	14,700	584,700
Total	\$ 1,335,000	\$ 91,200	\$ 1,426,200

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

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note - 11/20/2014	2.59%	11/20/2014	6/30/2017	\$ 323,514	\$ 216,217
2. Shortfall note - 11/15/2013	2.95%	11/15/2013	6/30/2016	481,400	163,182
Total				<u>\$ 804,914</u>	<u>\$ 379,399</u>

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

1. Shortfall note payable issued on November 20, 2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 106,817	\$ 5,600	\$ 112,417
2017	109,400	3,017	112,417
Total	<u>\$ 216,217</u>	<u>\$ 8,617</u>	<u>\$ 224,834</u>

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

2. Shortfall note payable issued on November 15, 2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 163,182	\$ 5,114	\$ 168,296
Total	<u>\$ 163,182</u>	<u>\$ 5,114</u>	<u>\$ 168,296</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 269,999	\$ 10,714	\$ 280,713
2017	109,400	3,017	112,417
Total	<u>\$ 379,399</u>	<u>\$ 13,731</u>	<u>\$ 393,130</u>

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

C. Qualified zone academy bonds payable

As more fully explained in Note 13, 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, Series 2005	0%	8/15/2005	9/15/2016	\$ 2,500,000	\$ 2,500,000
Total				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

D. 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 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Pitney Bowes postage machine
2. Xerox Copier

Lease expenditures for the year ended June 30, 2015, amounted to \$23,417.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 23,417
2017	9,052
Total	<u>\$ 32,469</u>

Note 8 – 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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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 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 \$2,184,951, \$2,060,678 and \$1,985,945, respectively, which equaled the required contributions for each year.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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 \$25,989,883 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 0.214117 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,252,279. 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	\$ 405,434	\$
Net difference between projected and actual earnings on pension plan investments		3,767,425
Difference between net impact of entries and calculated balance of net pension liability		1,412,004
District contributions subsequent to the measurement date	2,184,951	
Total	<u>\$ 2,590,385</u>	<u>\$ 5,179,429</u>

\$2,184,951 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	\$ (1,303,931)
2017	(1,303,931)
2018	(1,224,275)
2019	(941,858)

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:

McCOMB SEPARATE 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	<u>100 %</u>	

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

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District’s proportionate share of the net pension liability	\$ 35,431,961	\$ 25,989,883	\$ 18,113,786

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 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2016	\$ 9,300
2017	9,300
2018	9,300
2019	9,300
2020	9,300
2021 – 2025	27,308
2026 – 2030	14,570
2031 – 2035	11,120
2036 – 2040	4,668
Thereafter	5,082
Total	<u>\$ 109,248</u>

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 10 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ 31,572,277
Deferred outflows - contributions made during fiscal year 2014	<u>(2,060,678)</u>
Total prior period adjustment related to GASB 68 and 71	<u>\$ 29,511,599</u>
Total	<u><u>\$ 29,511,599</u></u>

Note 11 – 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 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members’ employees. The Mississippi Workers'

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – 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 Southern Professional Properties, LLC, has entered into such an arrangement dated February 5, 2005. Southern Professional Properties, LLC, donated a building that was renovated into an activity center for the district.

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 September 1. The amount on deposit at June 30, 2015 was \$1,510,466. 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	\$ 380,000
2017	101,741
Total	<u>\$ 481,741</u>

Note 14 - Insurance loss recoveries

The McComb Separate School District received \$1,577,024 in insurance loss recoveries during the 2014-2015 fiscal year related to storm and hail damage on March 18, 2013. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

McCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Note 15 – Effects of Deferred Amounts on Net Position

The unrestricted net position amount of (\$20,488,927) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,590,385 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$20,488,927) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$5,179,429 balance of deferred inflow of resources, at June 30, 2015 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Note 16 – Fund Reclassification

The Sixteenth Section Interest Fund beginning fund balance of \$830,447 was reclassified from the Special Revenue Funds to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

Note 17 - 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 McComb Separate School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MCCOMB SEPARATE SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
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	\$ 7,244,221	\$ 7,194,467	\$ 7,194,467	\$ (49,754)	\$ -
State sources	11,580,077	11,593,194	11,593,194	13,117	-
Federal sources	334,963	157,615	157,615	(177,348)	-
Sixteenth section sources	-	252,437	252,437	252,437	-
Total Revenues	19,159,261	19,197,713	19,197,713	38,452	-
Expenditures:					
Instruction	9,557,654	9,324,201	9,324,201	233,453	-
Support services	8,725,672	10,575,052	10,575,052	(1,849,380)	-
Noninstructional services	326,673	293,465	293,465	33,208	-
Sixteenth section	-	7,299	7,299	(7,299)	-
Debt service:					
Principal	112,307	-	-	112,307	-
Interest	61,516	61,766	61,766	(250)	-
Total Expenditures	18,783,822	20,261,783	20,261,783	(1,477,961)	-
Excess (Deficiency) of Revenues over (under) Expenditures	375,439	(1,064,070)	(1,064,070)	(1,439,509)	-
Other Financing Sources (Uses):					
Bonds and notes issued	-	323,514	323,514	323,514	-
Insurance recovery	-	1,577,024	1,577,024	1,577,024	-
Sale of transportation equipment	-	2,000	2,000	2,000	-
Sale of other property	-	600	600	600	-
Operating transfers in	2,314,136	3,153,463	240,099	839,327	(2,913,364)
Operating transfers out	(2,689,575)	(3,454,375)	(541,012)	(764,800)	2,913,363
Total Other Financing Sources (Uses)	(375,439)	1,602,226	1,602,225	1,977,665	(1)
Net Change in Fund Balances	-	538,156	538,155	538,156	(1)
Fund Balances:					
July 1, 2014	5,092,000	9,352,352	8,521,906	4,260,352	(830,446)
Fund reclassification	-	-	830,447	-	830,447
July 1, 2014, as restated	5,092,000	9,352,352	9,352,353	4,260,352	1
June 30, 2015	\$ 5,092,000	\$ 9,890,508	\$ 9,890,508	\$ 4,798,508	\$ -

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

McComb Separate 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)	\$ 25,989,883
District's proportionate share of the net pension liability (asset)	0.214117%
District's covered - employee payroll	13,083,670
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.643681%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

* 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.

McComb Separate School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ <u>2,184,951</u>
Contributions in relation to the contractually required contribution	2,184,951
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	13,872,705
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.

McComb Separate School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Change of benefit terms

None

(2) Changes of assumptions

None

SUPPLEMENTARY INFORMATION

McComb Separate School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 595,557
National School Lunch Program	10.555	1,515,935
Summer Food Service Program for Children	10.559	78,352
Total Child Nutrition Cluster		<u>2,189,844</u>
Total passed-through Mississippi Department of Education		<u>2,189,844</u>
Total U. S. Department of Agriculture		<u>2,189,844</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	54,750
Total U.S. Department of Defense		<u>54,750</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	145,531
Total Federal Communications Commission		<u>145,531</u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Adult Education - Basic Grants to States	84.002	154,782
Title I - Grants to Local Educational Agencies	84.010	1,442,348
Impact Aid	84.041	10,640
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	37,726
Innovative Approach to Literacy	84.215	58,011
Twenty-First Century Community Learning Centers	84.287	396,909
Rural Education	84.358	53,392
Improving Teacher Quality - State Grants	84.367	240,500
Subtotal		<u>2,394,308</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	796,144
Special Education - Preschool Grants	84.173	24,359
Total Special Education Cluster		<u>820,503</u>
Total passed-through the Mississippi Department of Education		<u>3,214,811</u>
Total U. S. Department of Education		<u>3,214,811</u>
<u>U. S. Department of Health and Human Services</u>		
Administered through the Centers for Disease Control and Prevention		
Passed through the Mississippi Department of Education:		
Temporary Assistance for Needy Families	93.558	44,210
Medical Assistance Program	93.778	65,207
Total passed-through the Mississippi Department of Education		<u>109,417</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>109,417</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 5,714,353</u>

Notes to Schedule

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

McComb Separate School District

Schedule 2

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 19,140,343	13,710,219	942,543	1,834,040	2,653,541
Other	9,516,935	2,395,554	758,123	105,999	6,257,259
Total	\$ <u>28,657,278</u>	<u>16,105,773</u>	<u>1,700,666</u>	<u>1,940,039</u>	<u>8,910,800</u>
Total number of students *	<u>2,726</u>				
Cost per student	\$ <u>10,513</u>	<u>5,908</u>	<u>624</u>	<u>712</u>	<u>3,269</u>

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

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

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

School Administration - includes expenditures for the following functions: Support Services - School Administration

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

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

OTHER INFORMATION

MCCOMB SEPARATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
Revenues:				
Local sources	\$ 7,194,467	\$ 7,186,499	\$ 7,097,313	\$ 7,170,743
State sources	11,593,194	10,802,189	10,704,248	11,268,793
Federal sources	157,615	133,664	175,897	513,545
Sixteenth section sources	252,437	-	-	-
Total Revenues	<u>19,197,713</u>	<u>18,122,352</u>	<u>17,977,458</u>	<u>18,953,081</u>
Expenditures:				
Instruction	9,324,201	9,249,569	9,387,008	9,887,291
Support services	10,575,052	12,052,675	7,587,655	7,542,449
Noninstructional services	293,465	298,666	206,641	160,259
Sixteenth section	7,299	-	-	-
Facilities acquisition and construction	-	-	744,000	-
Debt Service:				
Principal	-	-	70,551	-
Interest	61,766	65,928	-	74,843
Total Expenditures	<u>20,261,783</u>	<u>21,666,838</u>	<u>17,995,855</u>	<u>17,664,842</u>
Excess (Deficiency) of Revenues (under) Expenditures	<u>(1,064,070)</u>	<u>(3,544,486)</u>	<u>(18,397)</u>	<u>1,288,239</u>
Other Financing Sources (Uses):				
Bonds and notes issued	323,514	481,400	-	-
Insurance loss recoveries	1,577,024	1,834,220	3,073,730	1,572
Sale of transportation equipment	2,000	-	3,685	-
Sale of other property	600	-	-	-
Operating transfers in	240,099	143,101	539,151	837,826
Operating transfers out	(541,012)	(480,043)	(472,990)	(488,793)
Total Other Financing Sources (Uses)	<u>1,602,225</u>	<u>1,978,678</u>	<u>3,143,576</u>	<u>350,605</u>
Net Change in Fund Balances	<u>538,155</u>	<u>(1,565,808)</u>	<u>3,125,179</u>	<u>1,638,844</u>
Fund Balances:				
July 1, as previously reported	8,521,906	10,087,714	6,962,535	5,344,304
Prior period adjustments	-	-	-	(20,613)
Fund reclassification	830,447	-	-	-
July 1, as restated	<u>9,352,353</u>	<u>10,087,714</u>	<u>6,962,535</u>	<u>5,323,691</u>
June 30,	<u>\$ 9,890,508</u>	<u>\$ 8,521,906</u>	<u>\$ 10,087,714</u>	<u>\$ 6,962,535</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MCCOMB SEPARATE 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	\$ 7,890,229	\$ 7,940,977	\$ 7,904,680	\$ 7,993,871
State sources	13,735,897	12,217,428	11,975,653	12,544,063
Federal sources	5,714,352	5,995,349	6,525,890	6,597,648
Sixteenth section sources	722,531	1,077,261	890,056	1,030,668
Total Revenues	<u>28,063,009</u>	<u>27,231,015</u>	<u>27,296,279</u>	<u>28,166,250</u>
Expenditures:				
Instruction	13,319,445	12,733,478	12,936,662	13,066,901
Support services	12,049,309	13,702,222	9,737,189	9,548,234
Noninstructional services	2,499,150	2,369,283	2,309,332	2,268,970
Sixteenth section	25,045	10,542	19,283	10,991
Facilities acquisition and construction	-	-	744,000	-
Debt service:				
Principal	626,095	603,038	516,209	784,403
Interest	136,984	152,650	168,657	206,858
Other	1,250	1,250	1,250	1,000
Total Expenditures	<u>28,657,278</u>	<u>29,572,463</u>	<u>26,432,582</u>	<u>25,887,357</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(594,269)</u>	<u>(2,341,448)</u>	<u>863,697</u>	<u>2,278,893</u>
Other Financing Sources (Uses):				
Bonds and notes issued	323,514	481,400	-	-
Insurance recovery	1,577,024	1,834,220	3,073,730	1,572
Payment to escrow agent	380,000	380,000	75,000	75,000
Payment to QZAB debt escrow agent	(380,000)	(380,000)	(75,000)	(75,000)
Sale of transportation equipment	2,000	-	3,685	-
Sale of other property	3,900	-	-	-
Operating transfers in	784,830	637,948	1,134,576	2,260,080
Other financing sources	1,625	2,425	1,625	1,625
Operating transfers out	(784,830)	(637,948)	(1,134,576)	(2,260,080)
Other financing uses	-	-	(1,625)	(1,625)
Total Other Financing Sources (Uses)	<u>1,908,063</u>	<u>2,318,045</u>	<u>3,077,415</u>	<u>1,572</u>
Net Change in Fund Balances	<u>1,313,794</u>	<u>(23,403)</u>	<u>3,941,112</u>	<u>2,280,465</u>
Fund Balances:				
July 1, as previously reported	19,824,394	19,858,821	15,919,790	13,661,360
Prior period adjustment	-	-	-	(22,674)
July 1, as restated	<u>19,824,394</u>	<u>19,858,821</u>	<u>15,919,790</u>	<u>13,638,686</u>
Increase (decrease) in inventory	13,206	(11,024)	(2,081)	639
June 30,	<u>\$ 21,151,394</u>	<u>\$ 19,824,394</u>	<u>\$ 19,858,821</u>	<u>\$ 15,919,790</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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*

Superintendent and School Board
McComb Separate School District

We 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 McComb Separate School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the McComb Separate School District's basic financial statements, and have issued our report thereon dated October 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 7, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

Superintendent and School Board
McComb Separate School District

Report on Compliance for Each Major Federal Program

We have audited McComb Separate School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McComb Separate School District's major federal programs for the year ended June 30, 2015. The McComb Separate School District's major federal programs are identified in the summary of the 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

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the McComb Separate 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item Finding 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

McComb Separate School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. McComb Separate School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the McComb Separate 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 our audit of compliance, we considered McComb Separate 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, we do not express an opinion on the effectiveness of the 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.

Our consideration of the 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. We

identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item Finding 2015-001, that we consider to be material weakness.

McComb Separate School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. McComb Separate School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 7, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
McComb Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Separate School District as of and for the year ended June 30, 2015, which collectively comprise McComb Separate School District's basic financial statements and have issued our report thereon dated October 7, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$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 ensure 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 our 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and 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. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 7, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

McComb Separate School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

CFDA Numbers

10.553, 10.555 & 10.559

84.010

Name of Federal Program or Cluster

Child Nutrition Cluster

Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our test disclosed the following finding and questioned costs related to the federal awards.

Finding 2015-001

Material Weakness and Non-Compliance

Program CFDA #: 84.010 Questioned Costs: \$221,242
Program Name: Title I Grants to Local Educational Agencies Program

Program CFDA #: 84.367 Questioned Costs: \$110,961
Program Name: Improving Teacher Quality - State Grants Program

Compliance requirement: Matching, Level of Effect, Earmarking

Condition:

Per Mississippi State Department of Education monitoring report, the McComb Separate School District used federal funds to supplant state and local funds when funding teacher salaries.

Criteria:

The school district should calculate student teacher ratios to ensure federal funds are used to supplement and not supplant state and local funds when funding teacher salaries.

Cause:

Lack of policies and procedures for calculating student teacher ratios.

Effect:

Per Mississippi Department of Education monitoring report, the school district incurred in question costs that will have to be remitted to MDE and payable to the MS State Treasury for the amounts mentioned above.

Recommendation:

The McComb Separate School District must develop policies and procedures for calculating student teacher ratios to ensure federal funds are used to supplement and not supplant state and local funds when funding teacher salaries.

AUDITEE'S CORRECTIVE ACTION PLAN



AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Betty Wilson-McSwain Title: Curriculum and Federal Programs Director Phone Number: 601-684-4661</p> <p>b. Corrective Action Planned:</p> <p>Mississippi Public School Accountability Standards, 2014, # 27 states the curriculum of each elementary and or middle school at a minimum consists of reading/language arts, mathematics, science, social studies, the arts, health education, and physical education, which may be taught by a regular classroom teacher. Standard #28 states the required student teacher ratios. Prior to FY 2013-2014, the McComb School District used average daily attendance to determine this required ratio. The monitoring instrument used by the Mississippi Department of Education referenced "ADA Report" for determining the number of teachers required per classroom. McComb School District was in compliance based on this interpretation. McComb School District also passed the Maintenance of Effort Requirement for FY 2013-2014. The use of "membership" instead of "average daily attendance" by the Mississippi Department of Education led to the appearance that the McComb School District was supplanting, not supplementing. Secondly, if the physical education, art, and music teachers were included, the McComb School District would meet the student teacher ratio if "membership" enrollment was used. Thirdly, there was not sufficient training by the Mississippi Department of Education regarding the change in this interpretation prior to FY 2013-2014, the monitoring year. The McComb School District is still in conversation with the Mississippi</p>

AUDITEE'S CORRECTIVE ACTION PLAN

- b. Corrective Action Planned: Continued (Page two)

Department of Education concerning the monitoring citation.

The school district will develop procedures for calculating student teacher ratios using "membership" to ensure federal funds are used to supplement and not supplant state and local funds when funding teacher salaries.

- c. Anticipated Completion Date:

06/30/2016