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COLUMBUS MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013

Charles L. Shivers, CPA  
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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# CHARLES L. SHIVERS

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Columbus Municipal School District

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Columbus Municipal School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information 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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated July 22, 2014, on my consideration of the Columbus Municipal School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbus Municipal School District's internal control over financial reporting and compliance.

*Charles L. Shivers, CPA*

Ridgeland, MS  
July 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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COLUMBUS MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Columbus Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 2013 increased \$4,900,937, including a prior period adjustment of \$(35,360), which represents a 20% increase from fiscal year 2012. Total net position for 2012 increased \$3,306,815, including a prior period adjustment of \$335,951, which represents a 15% increase from fiscal year 2011.
- General revenues amounted to \$33,663,907 and \$33,657,601, or 77% and 75% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,851,790, or 23% of total revenues for 2013, and \$11,073,787, or 25% of total revenues for 2012.
- The District had \$38,579,400 and \$41,760,524 in expenses for fiscal years 2013 and 2012; only \$9,851,790 for 2013 and \$11,073,787 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$33,663,907 for 2013 and \$33,657,601 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$30,891,621 in revenues and \$26,705,040 in expenditures for 2013, and \$31,403,838 in revenues and \$28,307,360 in expenditures in 2012. The General Fund's fund balance increased by \$2,782,184 from 2012 to 2013, and increased by \$1,239,157 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$1,515,140 for 2013 and decreased by \$1,210,806 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$2,795,903 for 2013 and decreased by \$1,594,158 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$13,948 for 2013 and increased by \$27,876 for 2012.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Government-wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District’s near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

## Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

## Notes to the financial statements

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

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

## 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 may serve over time as a useful indicator of the District’s financial position. Assets exceeded liabilities and deferred inflows of resources by \$29,739,358 as of June 30, 2013.

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, 2013 and June 30, 2012.

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 9,058,523	\$ 6,392,242	41.71 %
Restricted assets	6,353,981	5,521,388	15.08 %
Capital assets, net	48,086,862	49,602,002	(3.05) %
<b>Total assets</b>	<b><u>63,499,366</u></b>	<b><u>61,515,632</u></b>	<b>3.22 %</b>
Current liabilities	3,493,025	4,022,090	(13.15) %
Long-term debt outstanding	29,859,218	32,655,121	(8.56) %
<b>Total liabilities</b>	<b><u>33,352,243</u></b>	<b><u>36,677,211</u></b>	<b>(9.07) %</b>
<b>Deferred inflows of resources</b>	<b><u>407,765</u></b>	<b><u>0</u></b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	18,980,514	18,107,712	4.82 %
Restricted	5,386,749	4,650,701	15.83 %
Unrestricted	5,372,095	2,080,008	158.27 %
<b>Total net position</b>	<b><u>\$ 29,739,358</u></b>	<b><u>\$ 24,838,421</u></b>	<b>19.73 %</b>

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

- Decrease in net capital assets in the amount of \$1,515,140.
- The principal retirement of \$2,783,773 of long-term debt.

**Changes in net position**

The District’s total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$43,515,697 and \$44,731,388, respectively. The total cost of all programs and services was \$38,579,400 for 2013 and \$41,760,524 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 839,241	\$ 874,157	(3.99) %
Operating grants and contributions	9,012,549	10,199,630	(11.64) %
General revenues:			
Property taxes	13,158,962	13,126,881	0.24 %
Grants and contributions not restricted	20,360,203	20,221,380	0.69 %
Investment earnings	12,428	49,791	(75.04) %
Sixteenth section sources	10,051	12,490	(19.53) %
Other	122,263	247,059	(50.51) %
<b>Total revenues</b>	<b>43,515,697</b>	<b>44,731,388</b>	<b>(2.72) %</b>
<b>Expenses:</b>			
Instruction	21,169,129	23,204,292	(8.77) %
Support services	13,615,848	14,663,426	(7.14) %
Non-instructional	2,766,158	2,757,314	0.32 %
Interest on long-term liabilities	1,028,265	1,135,492	(9.44) %
<b>Total expenses</b>	<b>38,579,400</b>	<b>41,760,524</b>	<b>(7.62) %</b>
<b>Increase (Decrease) in net position</b>	<b>4,936,297</b>	<b>2,970,864</b>	<b>66.16 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>24,838,421</b>	<b>21,531,606</b>	<b>15.36 %</b>
<b>Prior Period Adjustment</b>	<b>(35,360)</b>	<b>335,951</b>	<b>(110.53) %</b>
<b>Net Position, July 1, as restated</b>	<b>24,803,061</b>	<b>21,867,557</b>	<b>13.42 %</b>
<b>Net Position, June 30</b>	<b>\$ 29,739,358</b>	<b>\$ 24,838,421</b>	<b>19.73 %</b>

**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 21,169,129	\$ 23,204,292	(8.77) %
Support services	13,615,848	14,663,426	(7.14) %
Non-instructional	2,766,158	2,757,314	0.32 %
Interest on long-term liabilities	1,028,265	1,135,492	(9.44) %
<b>Total expenses</b>	<b>\$ 38,579,400</b>	<b>\$ 41,760,524</b>	<b>(7.62) %</b>
	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (16,361,202)	\$ (17,646,662)	(7.28) %
Support services	(11,954,978)	(12,371,479)	(3.37) %
Non-instructional	616,835	466,896	32.11 %
Interest on long-term liabilities	(1,028,265)	(1,135,492)	(9.44) %
<b>Total net (expense) revenue</b>	<b>\$ (28,727,610)</b>	<b>\$ (30,686,737)</b>	<b>(6.38) %</b>

- Net cost of governmental activities (\$28,727,610 for 2013 and \$30,686,737 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$13,158,962 for 2013 and \$13,126,881 for 2012) and state

and federal revenues (\$20,360,203 for 2013 and \$20,221,380 for 2012). In addition, there was \$10,051 and \$12,490 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to \$12,428 for 2013 and \$49,791 for 2012.

## 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 \$12,779,337, an increase of \$3,592,319, which includes a prior period adjustment of \$(33,542) and an increase in inventory of \$10,124. \$6,527,705, or 51%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,251,632, or 49%, 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 \$2,782,184. The fund balance of Other Governmental Funds showed an increase in the amount of \$754,455, which includes a prior period adjustment of \$(33,542) and an increase in inventory of \$10,124. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
GO Bond Retirement Fund	\$	(163,581)
QSCB Loan Retirement Fund	\$	219,261

## 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, 2013, the District's total capital assets were \$71,039,073, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$27,352 from 2012. Total accumulated depreciation as of June 30, 2013, was \$22,952,211, and total depreciation expense for the year was \$1,551,402, resulting in total net capital assets of \$48,086,862.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 3,267,436	\$ 3,267,436	0.00 %
Buildings	42,056,184	43,095,541	(2.41) %
Improvements other than buildings	142,000	155,344	(8.59) %
Mobile equipment	2,319,361	2,693,619	(13.89) %
Furniture and equipment	301,881	390,062	(22.61) %
<b>Total</b>	<b>\$ 48,086,862</b>	<b>\$ 49,602,002</b>	<b>(3.05) %</b>

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

**Debt Administration.** At June 30, 2013, the District had \$29,859,218 in outstanding long-term debt, of which \$3,068,411 is due within one year. During the fiscal year, the District made principal payments totaling \$2,783,773 on outstanding long-term debt. The liability for compensated absences decreased \$13,948 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 21,733,000	\$ 23,634,000	(8.04) %
Three mill notes payable	2,485,000	2,870,000	(13.41) %
Shortfall notes payable	773,418	1,226,594	(36.95) %
Energy efficiency loans payable	88,143	130,922	(32.68) %
Qualified zone academy bonds payable	1,480,583	1,480,583	0.00 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	299,074	313,022	(4.46) %
<b>Total</b>	<b>\$ 29,859,218</b>	<b>\$ 32,655,121</b>	<b>(8.56) %</b>

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

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

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COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,780,616
Due from other governments	1,244,453
Inventories	33,454
Restricted assets (Note 4)	6,353,981
Non-depreciable capital assets (Note 5)	3,267,436
Depreciable capital assets, net (Note 5)	44,819,426
<b>Total Assets</b>	<u>63,499,366</u>
<b>Total Deferred Outflows of Resources</b>	<u>0</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,633,167
Interest payable on long-term liabilities	859,858
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	2,546,000
Non-capital related liabilities	522,411
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	26,152,583
Non-capital related liabilities	638,224
<b>Total Liabilities</b>	<u>33,352,243</u>
<b>Deferred Inflows of Resources</b>	
Deferred credit on bonds payable (Note 16)	407,765
<b>Total Deferred Inflows of Resources</b>	<u>407,765</u>
<b>Net Position</b>	
Net investment in capital assets	18,980,514
Restricted net position	
Expendable	
School-based activities	973,256
Debt service	4,246,069
Unemployment benefits	167,424
Unrestricted	<u>5,372,095</u>
<b>Total Net Position</b>	<u>\$ 29,739,358</u>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Governmental Activities				
Instruction	\$ 21,169,129	533,376	4,274,551	(16,361,202)
Support services	13,615,848	25,865	1,635,005	(11,954,978)
Non-instructional	2,766,158	280,000	3,102,993	616,835
Interest on long-term liabilities	1,028,265			(1,028,265)
Total Governmental Activities	<u>38,579,400</u>	<u>839,241</u>	<u>9,012,549</u>	<u>(28,727,610)</u>
General Revenues				
Taxes				
General purpose levies				9,806,978
Debt purpose levies				3,351,984
Unrestricted grants and contributions				
State				19,434,978
Federal				925,225
Unrestricted investment earnings				12,428
Sixteenth section sources				10,051
Other				122,263
Total General Revenues				<u>33,663,907</u>
Changes in Net Position				4,936,297
Net Position - Beginning , as previously reported				24,838,421
Prior Period Adjustments (Note 9)				(35,360)
Net Position - Beginning - as restated				<u>24,803,061</u>
Net Position - Ending				<u>\$ 29,739,358</u>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2013

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	GO Bond Retirement Fund	QSCB Loan Retirement Fund		
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 7,780,616	1,594,997	1,860,393	1,787,944	13,023,950
Cash with fiscal agent (Note 2)				277,750	277,750
Investments (Note 2)			58,173	774,724	832,897
Due from other governments	450,686	50,909		742,858	1,244,453
Due from other funds (Note 3)	301,483				301,483
Inventories				33,454	33,454
<b>Total Assets</b>	<b>8,532,785</b>	<b>1,645,906</b>	<b>1,918,566</b>	<b>3,616,730</b>	<b>15,713,987</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable & accrued liabilities	2,005,080			628,087	2,633,167
Due to other funds (Note 3)				301,483	301,483
<b>Total Liabilities</b>	<b>2,005,080</b>	<b>0</b>	<b>0</b>	<b>929,570</b>	<b>2,934,650</b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventory				33,454	33,454
<b>Restricted</b>					
Debt service		1,645,906	1,918,566	1,541,455	5,105,927
Unemployment benefits				167,424	167,424
Grant activities				939,802	939,802
<b>Assigned</b>					
Other purposes				5,025	5,025
Unassigned	6,527,705				6,527,705
<b>Total Fund Balances</b>	<b>6,527,705</b>	<b>1,645,906</b>	<b>1,918,566</b>	<b>2,687,160</b>	<b>12,779,337</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,532,785</b>	<b>1,645,906</b>	<b>1,918,566</b>	<b>3,616,730</b>	<b>15,713,987</b>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2013

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 12,779,337

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

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

Land	3,267,436	
Buildings	60,192,063	
Improvement other than buildings	576,558	
Mobile equipment	5,226,934	
Furniture and equipment	1,776,082	
Accumulated depreciation	<u>(22,952,211)</u>	48,086,862

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

General obligation bonds	(21,733,000)	
Other bonds payable	(4,480,583)	
Notes payable	(3,258,418)	
Energy efficiency lease obligations	(88,143)	
Compensated absences	(299,074)	
Deferred credit on bonds payable	(407,765)	
Accrued interest payable	<u>(859,858)</u>	<u>(31,126,841)</u>

Total Net Position - Governmental Activities

\$ 29,739,358

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

## COLUMBUS MUNICIPAL SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	GO Bond Retirement Fund	QSCB Loan Retirement Fund	Other Governmental Funds	
<b>Revenues</b>					
Local sources	\$ 10,406,684	2,525,704	788	1,067,631	14,000,807
State sources	19,640,496			792,301	20,432,797
Federal sources	834,390			8,108,220	8,942,610
Sixteenth section sources	10,051				10,051
<b>Total Revenues</b>	<b>30,891,621</b>	<b>2,525,704</b>	<b>788</b>	<b>9,968,152</b>	<b>43,386,265</b>
<b>Expenditures</b>					
Instruction	15,307,676			4,763,642	20,071,318
Support services	11,374,686			1,810,023	13,184,709
Noninstructional services	22,678			2,731,362	2,754,040
Debt service					
Principal (Note 6)		1,901,000		882,773	2,783,773
Interest		783,329	28,200	130,761	942,290
Other		4,956	3,327	3,605	11,888
<b>Total Expenditures</b>	<b>26,705,040</b>	<b>2,689,285</b>	<b>31,527</b>	<b>10,322,166</b>	<b>39,748,018</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,186,581</b>	<b>(163,581)</b>	<b>(30,739)</b>	<b>(354,014)</b>	<b>3,638,247</b>
<b>Other Financing Sources (Uses)</b>					
Insurances loss recoveries	25,865				25,865
Operating transfers in (Note 3)	241,104		250,000	1,676,262	2,167,366
Other financing sources				1,625	1,625
Operating transfers out (Note 3)	(1,671,366)			(496,000)	(2,167,366)
Other financing uses				(50,000)	(50,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,404,397)</b>	<b>0</b>	<b>250,000</b>	<b>1,131,887</b>	<b>(22,510)</b>
<b>Net Change in Fund Balances</b>	<b>2,782,184</b>	<b>(163,581)</b>	<b>219,261</b>	<b>777,873</b>	<b>3,615,737</b>
<b>Fund Balances</b>					
July 1, 2012, as previously reported	3,745,521	1,809,487	1,699,305	1,932,705	9,187,018
Prior period adjustments (Note 9)				(33,542)	(33,542)
July 1, 2012, as restated	3,745,521	1,809,487	1,699,305	1,899,163	9,153,476
Increase in reserve for inventory				10,124	10,124
<b>June 30, 2013</b>	<b>\$ 6,527,705</b>	<b>1,645,906</b>	<b>1,918,566</b>	<b>2,687,160</b>	<b>12,779,337</b>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
 and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2013

Exhibit D-1

Amount

Net Change in Fund Balance - Governmental Funds

\$ 3,615,737

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

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

Capital outlay	36,352	
Depreciation expense	<u>(1,551,402)</u>	(1,515,050)

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

(90)

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 issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	2,783,773	
Accrued interest payable	(74,087)	
Deferred credit of bonds payable	<u>101,942</u>	2,811,628

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

Change in compensated absences	13,948	
Change in inventory reserve	<u>10,124</u>	<u>24,072</u>

Changes in Net Position of Governmental Activities

\$ 4,936,297

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Statement of Net Position - Fiduciary Funds  
June 30, 2013

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 7,546	\$ 592,297
Total Assets	<u>7,546</u>	<u>592,297</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		523,626
Due to student clubs		68,671
Total Liabilities	<u>0</u>	<u>\$ 592,297</u>
<b>Net Position</b>		
Reserved for endowments	<u>7,546</u>	
Total Net Position	<u>\$ 7,546</u>	

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2013

Exhibit F

	Private-Purpose Trust Funds
Total Additions	\$ <u>0</u>
Total Deductions	<u>0</u>
Changes in Net Assets	<u>0</u>
Net Position	
July 1, 2012	<u>7,546</u>
June 30, 2013	<u>\$ 7,546</u>

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

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.

**GO Bond Retirement Fund** - This debt service fund is used to account for the debt payments on the General Obligation Bonds.

**QSCB Loan Fund** - This debt service fund is used to account for the debt payments on the Qualified School Construction Bonds.

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

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

The District's fiduciary funds include the following:

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

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

**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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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

**D. Encumbrances**

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

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

**I. 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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

these depositories are to be selected.

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

table below.

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

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

The following schedule details the capitalization thresholds:

	<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

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 did not report any deferred outflows.

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 district report a deferred credit on bonds payable as deferred inflows.

See Note 16 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 leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

9. Long-term Liabilities

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

10. 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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

amounts in those funds can be spent.

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

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

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

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

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

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

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

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

**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

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Notes to the Financial Statements

For Year Ended June 30, 2013

or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$13,023,950 and \$599,843 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$277,750.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds, Common	Aaa	Less than 1	\$ 58,173
US Treasury Notes	AAA	6 to 10	774,724
Total			<u>\$ 832,897</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 June 30, 2013, the district did not have any investments to which this would apply.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	<u>\$ 301,483</u>

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
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The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal funds as part of the normal year-end close out procedures.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Major fund - QSCB Loan Retirement fund	\$ 250,000
	Other governmental funds	1,421,366
Other governmental funds	General Fund	241,104
	Other governmental funds	254,896
Total		<u>\$ 2,167,366</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, workers' compensation and other programs in the Other Governmental Funds and to finance the sinking fund requirements of the Major Fund – QSCB Loan Retirement Fund. The transfer to General Fund from Other governmental was to transfer and indirect costs. The transfers within the Other Governmental Funds were to finance the summer feeding program and other debt requirements of the school district. .

**Note 4 – Restricted Assets**

Restricted assets consist of an asset (cash, cash with fiscal agent and investments) whose use is legally restricted and may not be used for purposes that support the district's programs, such as, debt service funds (\$5,085,673) and the assets of various state and federal programs (\$1,268,308).

**Note 5 – Capital Assets**

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 3,267,436			3,267,436
Total non-depreciable capital assets	<u>3,267,436</u>	<u>0</u>	<u>0</u>	<u>3,267,436</u>
<u>Depreciable capital assets:</u>				
Buildings	60,192,063			60,192,063
Improvements other than buildings	576,558			576,558
Mobile equipment	5,226,934			5,226,934
Furniture and equipment	1,748,730	36,352	(9,000)	1,776,082
Total depreciable capital assets	<u>67,744,285</u>	<u>36,352</u>	<u>(9,000)</u>	<u>67,771,637</u>
<u>Less accumulated depreciation for:</u>				
Buildings	17,096,522	1,039,357		18,135,879
Improvements other than buildings	421,214	13,344		434,558
Mobile equipment	2,533,315	374,258		2,907,573
Furniture and equipment	1,358,668	124,443	(8,910)	1,474,201
Total accumulated depreciation	<u>21,409,719</u>	<u>1,551,402</u>	<u>(8,910)</u>	<u>22,952,211</u>
Total depreciable capital assets, net	<u>46,334,566</u>	<u>(1,515,050)</u>	<u>(90)</u>	<u>44,819,426</u>
Governmental activities capital assets, net	<u>\$ 49,602,002</u>	<u>(1,515,050)</u>	<u>(90)</u>	<u>48,086,862</u>

Depreciation expense was charged to the following governmental functions:

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
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	Amount
<b>Governmental activities:</b>	
Instruction	\$ 1,080,022
Support services	440,040
Non-instructional	31,340
Total depreciation expense - Governmental activities	\$ 1,551,402

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2012	Additions	Reductions	Adjustments	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 23,634,000		1,901,000		21,733,000	2,146,000
B. Three mill notes payable	2,870,000		385,000		2,485,000	400,000
C. Shortfall notes payable	1,226,594		454,994	1,818	773,418	463,821
D. Obligations under energy efficiency leases	130,922		42,779		88,143	43,635
E. Qualified zone academy bonds payable	1,480,583				1,480,583	0
F. Qualified school construction bonds payable	3,000,000				3,000,000	0
G. Compensated absences payable	313,022		13,948		299,074	14,884
Total	\$ 32,655,121	0	2,797,721	1,818	29,859,218	3,068,340

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2007	3.6	12/19/2007	9/1/2014	\$ 8,394,000	2,533,000
2. General obligation bonds, 2008	3.75	5/9/2008	5/1/2023	9,950,000	8,350,000
3. General obligation bonds, 2009A	3.1-4.4	3/1/2009	3/1/2024	9,950,000	9,150,000
4. General obligation bonds, 2009B	2.5-3.0	5/1/2009	5/1/2018	2,100,000	1,700,000
Total				\$ 30,394,000	21,733,000

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

1. General obligation refunding bonds, 2007:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,246,000	66,715	1,312,715
2015	1,287,000	23,488	1,310,488
Total	\$ 2,533,000	90,203	2,623,203

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
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This debt will be retired from the GO Bond Retirement Fund (Debt Service Fund).

2. General obligation bonds, 2008:

Year Ending June 30	Principal	Interest	Total
2014	\$ 400,000	281,813	681,813
2015	550,000	268,312	818,312
2016	600,000	249,750	849,750
2017	650,000	229,500	879,500
2018	750,000	207,562	957,562
2019 – 2023	<u>5,400,000</u>	<u>530,718</u>	<u>5,930,718</u>
Total	<u>\$ 8,350,000</u>	<u>1,767,655</u>	<u>10,117,655</u>

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

3. General obligation bonds, 2009A:

Year Ending June 30	Principal	Interest	Total
2014	\$ 200,000	311,500	511,500
2015	450,000	302,700	752,700
2016	475,000	282,900	757,900
2017	475,000	262,000	737,000
2018	475,000	247,275	722,275
2019 – 2023	4,575,000	967,824	5,542,824
2024	<u>2,500,000</u>	<u>85,000</u>	<u>2,585,000</u>
Total	<u>\$ 9,150,000</u>	<u>2,459,199</u>	<u>11,609,199</u>

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

4. General obligation bonds, 2009B:

Year Ending June 30	Principal	Interest	Total
2014	\$ 300,000	49,250	349,250
2015	350,000	40,250	390,250
2016	350,000	29,750	379,750
2017	400,000	19,250	419,250
2018	<u>300,000</u>	<u>8,250</u>	<u>308,250</u>
Total	<u>\$ 1,700,000</u>	<u>146,750</u>	<u>1,846,750</u>

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

Total general obligation bond payments for all issues:

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 2,146,000	712,278	2,858,278
2015	2,637,000	634,750	3,271,750
2016	1,425,000	562,400	1,987,400
2017	1,525,000	510,750	2,035,750
2018	1,525,000	463,087	1,988,087
2019 – 2023	9,975,000	1,498,542	11,473,542
2024	2,500,000	85,000	2,585,000
Total	<u>\$ 21,733,000</u>	<u>4,466,807</u>	<u>26,199,807</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 10.4% of property assessments as of October 1, 2012.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2005	3.5-5.0	9/1/2004	4/1/2019	<u>\$ 6,500,000</u>	<u>2,485,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 400,000	90,338	490,338
2015	400,000	76,338	476,338
2016	425,000	62,388	487,388
2017	425,000	47,038	472,038
2018	425,000	31,312	456,312
2019	410,000	15,375	425,375
Total	<u>\$ 2,485,000</u>	<u>322,789</u>	<u>2,807,789</u>

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

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall notes, 2010	2.04	9/20/2010	8/20/2013	\$ 474,047	160,593
2. Shortfall notes, 2011	2.1	9/15/2011	9/15/2014	908,000	612,825
Total				<u>\$ 1,382,047</u>	<u>773,418</u>

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

1. Shortfall notes, 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 160,593	2,634	163,227

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

2. Shortfall notes, 2011:

Year Ending June 30	Principal	Interest	Total
2014	\$ 303,228	12,869	316,097
2015	309,597	6,502	316,099
Total	<u>\$ 612,825</u>	<u>19,371</u>	<u>632,196</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
2014	\$ 463,821	15,303	479,124
2015	309,597	6,502	316,099
Total	<u>\$ 773,418</u>	<u>21,805</u>	<u>795,223</u>

**D. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency loan	2.0	7/1/2008	7/1/2014	\$ 293,815	88,143

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

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Year Ending June 30	Principal	Interest	Total
2014	\$ 43,635	1,763	45,398
2015	44,508	890	45,398
Total	<u>\$ 88,143</u>	<u>2,653</u>	<u>90,796</u>

This debt will be retired from the General Fund.

**E. Qualified zone academy bonds payable**

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

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

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

**F. Qualified school construction bonds payable**

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

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$	28,200	28,200
2015		28,200	28,200
2016		28,200	28,200
2017		28,200	28,200
2018		28,200	28,200
2019 – 2023		141,000	141,000
2024 – 2025	3,000,000	28,200	3,028,200
Total	<u>\$ 3,000,000</u>	<u>310,200</u>	<u>3,310,200</u>

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

**G. 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.

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 7 – Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 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, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$2,817,862, \$2,754,329 and \$2,881,805, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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
2014	\$ 3,350
2015	3,350
2016	3,350
2017	3,350
2018	3,350
2019 – 2023	16,750
2024 – 2028	16,750
2029 – 2033	16,750
Thereafter	13,400
Total	<u>\$ 80,400</u>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior year receivable/current year revenue	\$ (33,542)
2. Adjustment to long term debt	(1,818)
Total	<u>\$ (35,360)</u>

COLUMBUS MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
Other governmental funds	Correction of prior year receivalbe/current year revenue	<u>\$ (33,542)</u>

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

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

**Note 12 – Qualified Zone Academy Bonds**

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 30. The amount on deposit at June 30, 2013 was \$802,474. 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
2014	\$ 250,000
2015	250,000
2016	250,000
2017	250,000
2018	240,000
Total	<u>\$ 1,240,000</u>

**Note 13 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$58,173. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 20,000
2015	30,000
2016	10,000
2017	30,000
2018	30,000
2019 – 2023	1,780,000
2024	1,010,000
Total	<u>\$ 2,910,000</u>

**Note 14 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated July 1, 2009 creating the Alternative Learning Center. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Columbus School District and Lowndes County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Columbus School District has been designated as the lead school district for the Alternative Learning Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Alternative Learning Center.

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2013

<b>Revenues</b>	
Local sources:	
Tuition from other LEA's within the state:	\$ 260,000
Interest	4
Total Revenues	260,004
 <b>Expenditures</b>	
Salaries	312,390
Employee benefits	86,203
Other professional services	280
Supplies	1,839
Other	592
Total Expenditures	401,304
Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,300)
 <b>Other Financing Sources/Uses:</b>	
Operating transfers in	141,985
Total Other Financing Sources/Uses	141,985
Net Change in Fund Balance	685
 Fund Balance:	
July 1, 2012	211
June 30, 2013	\$ 896

**Note 15 - Insurance loss recoveries**

The School District received \$25,865 in insurance loss recoveries related to property damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 25,865	100%	Instruction

**Note 16 - Effect of Deferred Amounts on Net Position**

The restricted debt service fund balance amount of \$4,246,069 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted for the issuance of an interest free debt obligation. The \$407,765 balance of the deferred inflow of resources at June 30, 2013 will be recognized as revenue and increase unrestricted net position over the remaining two years of the outstanding debt obligation.

**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 School District evaluated the activity of the district through July 22, 2014 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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COLUMBUS MUNICIPAL SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 10,932,004	10,406,550	10,406,684	(525,454)	134
State sources	18,436,827	19,640,496	19,640,496	1,203,669	0
Federal sources	408,000	834,390	834,390	426,390	0
Sixteenth section sources	0	0	10,051	0	10,051
Total Revenues	<u>29,776,831</u>	<u>30,881,436</u>	<u>30,891,621</u>	<u>1,104,605</u>	<u>10,185</u>
Expenditures					
Instruction	15,531,476	15,307,676	15,307,676	223,800	0
Support services	12,071,429	11,374,686	11,374,686	696,743	0
Noninstructional services	21,150	22,678	22,678	(1,528)	0
Total Expenditures	<u>27,624,055</u>	<u>26,705,040</u>	<u>26,705,040</u>	<u>919,015</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,152,776</u>	<u>4,176,396</u>	<u>4,186,581</u>	<u>2,023,620</u>	<u>10,185</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	25,865	25,865	25,865	0
Operating transfers in	274,244	3,883,968	241,104	3,609,724	(3,642,864)
Operating transfers out	(1,670,710)	(5,314,230)	(1,671,366)	(3,643,520)	3,642,864
Total Other Financing Sources (Uses)	<u>(1,396,466)</u>	<u>(1,404,397)</u>	<u>(1,404,397)</u>	<u>(7,931)</u>	<u>0</u>
Net Change in Fund Balances			<u>2,782,184</u>		
Fund Balances					
July 1, 2012			<u>3,745,521</u>		
June 30, 2013			<u>\$ 6,527,705</u>		

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

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

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

SUPPLEMENTARY INFORMATION

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COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 854,147
National school lunch program	10.555	1,877,708
Summer food service program for children	10.559	62,260
Total child nutrition cluster		2,794,115
Fresh fruit and vegetable program	10.582	61,377
Total U.S. Department of Agriculture		2,855,492
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	227,474
Total Federal Communications Commission		227,474
 <u>U.S. Department of Education</u>		
Direct programs:		
Impact aid	84.041	14,531
Fund for the improvement of education	84.215	90,835
Advanced placement program	84.330	103,489
Total		208,855
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	2,724,874
Career and technical education - basic grants to states	84.048	64,809
Twenty first century community learning centers	84.287	130,883
Rural education	84.358	76,556
English language acquisition grant	84.365	18,849
Improving teacher quality - state grants	84.367	399,582
Teacher incentive fund	84.374	306,773
Total		3,722,326
Special education cluster:		
Special education - grants to states	84.027	1,063,708
Special education - preschool grants	84.173	42,533
Total special education cluster		1,106,241
Total passed-through Mississippi Department of Education		4,828,567
Total U.S. Department of Education		5,037,422
 <u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	49,300
Total Other Federal Assistance		49,300
Total for All Federal Awards		\$ 8,169,688

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out.

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 26,830,242	\$ 21,166,076	\$ 862,182	\$ 1,905,460	\$ 2,896,524
Other	\$ 12,917,776	\$ 2,422,676	\$ 357,663	\$ 54,186	\$ 10,083,251
 Total	 <u>\$ 39,748,018</u>	 <u>\$ 23,588,752</u>	 <u>\$ 1,219,845</u>	 <u>\$ 1,959,646</u>	 <u>\$ 12,979,775</u>
 Total number of students	 <u>4,098</u>				
 Cost per student	 <u>\$ 9,699</u>	 <u>\$ 5,756</u>	 <u>\$ 298</u>	 <u>\$ 478</u>	 <u>\$ 3,167</u>

Notes to the schedule.

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

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

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

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

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

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OTHER INFORMATION

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COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2013	2012 *	2011 *	2010 *
Revenues				
Local sources	\$ 10,406,684	11,175,530	10,151,730	10,732,799
State sources	19,640,496	19,466,050	17,790,801	18,337,394
Federal sources	834,390	749,768	864,425	593,619
Sixteenth section sources	10,051	12,490	0	0
Total Revenues	<u>30,891,621</u>	<u>31,403,838</u>	<u>28,806,956</u>	<u>29,663,812</u>
Expenditures				
Instruction	15,307,676	16,511,091	15,982,257	16,866,793
Support services	11,374,686	11,767,802	13,521,579	13,022,322
Noninstructional services	22,678	28,467	50,044	87,053
Total Expenditures	<u>26,705,040</u>	<u>28,307,360</u>	<u>29,553,880</u>	<u>29,976,168</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,186,581</u>	<u>3,096,478</u>	<u>(746,924)</u>	<u>(312,356)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	829,000	341,252	0
Insurances loss recoveries	25,865	0	59,979	22,562
Sale of transportation equipment	0	0	0	693
Sale of other property	0	0	9,000	135,000
Operating transfers in	241,104	556,094	985,821	6,790,662
Other financing sources	0	975	0	0
Operating transfers out	(1,671,366)	(3,243,049)	(3,727,588)	(2,908,810)
Other financing uses	0	(341)	0	0
Total Other Financing Sources (Uses)	<u>(1,404,397)</u>	<u>(1,857,321)</u>	<u>(2,331,536)</u>	<u>4,040,107</u>
Net Change in Fund Balances	<u>2,782,184</u>	<u>1,239,157</u>	<u>(3,078,460)</u>	<u>3,727,751</u>
Fund Balances				
July 1	<u>3,745,521</u>	<u>2,506,364</u>	<u>5,584,824</u>	<u>1,857,073</u>
June 30	<u>\$ 6,527,705</u>	<u>3,745,521</u>	<u>2,506,364</u>	<u>5,584,824</u>

\* Source - Prior year audit reports.

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

	2013	2012 *	2011 *	2010 *
<b>Revenues</b>				
Local sources	\$ 14,000,807	14,190,180	13,415,555	14,366,355
State sources	20,432,797	20,298,631	18,483,714	19,020,459
Federal sources	8,942,610	10,124,702	13,345,267	12,842,412
Sixteenth section sources	10,051	12,490	13,075	8,872
<b>Total Revenues</b>	<b>43,386,265</b>	<b>44,626,003</b>	<b>45,257,611</b>	<b>46,238,098</b>
<b>Expenditures</b>				
Instruction	20,071,318	22,108,751	25,381,924	24,214,810
Support services	13,184,709	14,233,979	16,189,460	18,310,952
Noninstructional services	2,754,040	2,700,138	2,982,299	2,764,597
Facilities acquisition and construction	0	0	6,896,888	16,468,685
Debt service				
Principal	2,783,773	2,530,034	2,375,704	2,235,230
Interest	942,290	1,012,467	1,085,085	1,152,545
Other	11,888	16,833	19,025	9,349
<b>Total Expenditures</b>	<b>39,748,018</b>	<b>42,602,202</b>	<b>54,930,385</b>	<b>65,156,168</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,638,247</b>	<b>2,023,801</b>	<b>(9,672,774)</b>	<b>(18,918,070)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	0	908,000	474,047	3,000,000
Insurances loss recoveries	25,865	0	59,979	22,562
Sale of transportation equipment	0	0	0	693
Sale of other property	0	0	9,000	135,000
Operating transfers in	2,167,366	4,037,444	4,915,447	9,699,472
Other financing sources	1,625	3,443	0	0
Operating transfers out	(2,167,366)	(4,037,444)	(4,915,447)	(9,699,472)
Other financing uses	(50,000)	(518)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(22,510)</b>	<b>910,925</b>	<b>543,026</b>	<b>3,158,255</b>
<b>Net Change in Fund Balances</b>	<b>3,615,737</b>	<b>2,934,726</b>	<b>(9,129,748)</b>	<b>(15,759,815)</b>
<b>Fund Balances</b>				
July 1, as previously reported	9,187,018	6,259,305	15,383,250	31,138,855
Prior period adjustments	(33,542)	0	0	0
<b>July 1, as restated</b>	<b>9,153,476</b>	<b>6,259,305</b>	<b>15,383,250</b>	<b>31,138,855</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>10,124</b>	<b>(7,013)</b>	<b>5,803</b>	<b>4,210</b>
<b>June 30</b>	<b>\$ 12,779,337</b>	<b>9,187,018</b>	<b>6,259,305</b>	<b>15,383,250</b>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS

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

### Independent Auditor's Report

Superintendent and School Board  
Columbus Municipal School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbus Municipal School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Columbus Municipal School District's basic financial statements, and have issued my report thereon dated July 22, 2014.

### **Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2013-01].

### **Compliance and Other Matters**

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

### **Columbus Municipal School District's Response to Findings**

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

#### **Purpose of this Report**

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

*Charles L Shivers, CPA*

Ridgeland, MS  
July 22, 2014

# CHARLES L. SHIVERS

*Certified Public Accountant*

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

### Independent Auditor's Report

Superintendent and School Board  
Columbus Municipal School District

#### **Report on Compliance for Each Major Federal Program**

I have audited Columbus Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Columbus Municipal School District's major federal programs for the year ended June 30, 2013. Columbus Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In my opinion, Columbus Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

#### **Report on Internal Control Over Compliance**

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

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2013-02 and 2013-03], that I consider to be significant deficiencies.

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

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

*Charles L Shivers, CPA*

Ridgeland, MS  
July 22, 2014

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

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

Superintendent and School Board  
Columbus Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2013, which collectively comprise Columbus Municipal School District's basic financial statements and have issued my report thereon dated July 22, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$7,345 of classroom supply funds carried over from previous years.

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.

*Charles L. Shivers, CPA*

Ridgeland, MS  
July 22, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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COLUMBUS MUNICIPAL SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 June 30, 2013

Section I: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |     |  |            |
|-----|--|------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unmodified |
| 5.  | Internal control over major programs:  |            |
|     | a. Material weaknesses identified?   | No         |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?  | Yes        |
| 6.  | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   | Yes        |
| 7.  | Federal program identified as major program:   |            |
|     | a. Child nutrition cluster   |            |
|     | CFDA #: 10.553   |            |
|     | CFDA #: 10.555   |            |
|     | CFDA #: 10.559   |            |
|     | b. Title I grants to local educational agencies cluster  |            |
|     | CFDA #: 84.010   |            |
|     | c. Teacher incentive fund  |            |
|     | CFDA #: 84.374   |            |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000  |
| 9.  | Auditee qualified as a low-risk auditee?   | No         |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | Yes        |

Section II: Financial Statement Findings

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

Finding 2013-01

CONDITION: The design of the financial accounting software is such that both the payroll clerk and the personnel director have total rights and access to the entire payroll module. It was also noted that the business office supervisor had the ability to alter or change the direct deposit file generated by the financial accounting software.

CRITERIA: A well design system of accounting controls would segregate portions of the payroll module of the accounting software between the payroll clerk and the personnel office. The direct deposit file generated by the accounting software system should be a "read only" file.

COLUMBUS MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2013

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

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

RECOMMENDATION: It is recommended that the duties and responsibilities of the payroll clerk and the personnel office be segregated within the financial accounting software. It is also recommended that the system generated direct deposit file be in a read only format.

Section III: Federal Award Findings and Questioned Costs

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

Finding 2013-02

Compliance Requirement - Cash Management

Program CFDA No.: 84.010  
84.374

CFDA program title: Title I grants to local educational agencies  
Teacher incentive fund

CONDITION: A deficiency in the administrative controls of the district's procedures permitted excessive cash balances for several months for each of these programs.

CRITERIA: The administrative controls and related procedures should be such that cash draws do not cause excessive cash balances.

EFFECT OF CONDITION: The effect of this condition could result in material non-compliance with federal requirements associated with these programs.

CAUSE OF CONDITION: The cause of the condition is the result of inconsistent procedures being applied for monthly cash draws.

PREVALENCE AND CONSEQUENCE: This condition is considered to be an isolated matter.

RECOMMENDATION: It is recommended that consistent procedures be applied in determining monthly cash draws such that the possibility of excessive cash draws is minimized.

Finding 2013-03

Reporting

Program CFDA No.: 84.374

CFDA program title: Teacher incentive fund

CONDITION: The school district was unable to locate one teacher performance evaluation.

CRITERIA: The Teacher Incentive Fund requires that performance evaluations be conducted for those teachers participating in the program.

EFFECT OF CONDITION: The effect of the failure to properly maintain performance evaluation reports could result in sanctions placed against the district by the Mississippi Department of Education.

CAUSE OF CONDITION: The cause of the condition appears to be an oversight on the part of program management.

PREVALENCE AND CONSEQUENCE: This condition is considered to be an isolated matter.

RECOMMENDATION: It is recommended that program management exercise caution and due diligence in maintaining (filing) performance evaluation reports as required by the program.

AUDITEE'S CORRECTIVE ACTION PLAN

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# Columbus Municipal School District

Edna McGill, Ed. S. Interim Superintendent

2630 McArthur Drive P.O. Box 1308

Columbus, Mississippi 39703

TELEPHONE (662) 241-7400

FAX (662) 241-7453

Craig Shannon  
Deputy Superintendent

Anthony Brown  
Assistant Superintendent of Federal & Special Programs

July 18, 2014

As required by Section 315(c) of OMB Circular A-133, the Columbus Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

## Finding 2013-01

### Corrective Action Plan

- a. Contact person responsible for corrective action: Tammie McGarr
- b. Description of correction action to be taken: We will work with our software provider to correct this.
- c. Anticipated completion date of corrective action: Immediately

## Finding 2013-02

### Corrective Action Plan

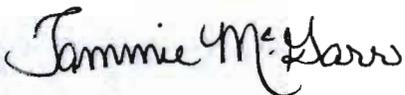
- a. Contact person responsible for corrective action: Tammie McGarr / Holly Rogers
- b. Description of correction action to be taken: We will put into place a consistent method of only requesting funds to cover deficit cash in the federal funds. We will apply this on a consistent basis from month to month.
- c. Anticipated completion date of corrective action: Immediately

## Finding 2013-03

### Corrective Action Plan

- a. Contact person responsible for corrective action: Tammie McGarr / Holly Rogers
- b. Description of correction action to be taken: We will maintain copies of all teacher performance evaluations at the Central Office as well as at the individual school locations.
- c. Anticipated completion date of corrective action: Immediately

Sincerely,



Business Administrator

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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## Summary Schedule of Prior Audit Findings

June 30, 2014

Financial and Compliance Audit Division

As required by Section \_\_\_\_ .315(b) of OMB Circular A-133, the Columbus Municipal School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2012.

<u>Finding</u>	<u>Status</u>
2012-01	Corrected

Sincerely,



Tammie McGarr  
Business Manager

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