



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



**McComb Separate School District**

Audited Financial Statements  
For the Year Ended June 30, 2013

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**McComb Separate School District  
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION .....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	8
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position .....	19
Exhibit B - Statement of Activities .....	20
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet .....	21
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	22
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances .....	23
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	24
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position .....	25
Exhibit F - Statement of Changes in Fiduciary Net Position .....	26
Notes to the Financial Statements .....	28
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund .....	47
Notes to the Required Supplementary Information .....	49
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	51
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	52
<b>OTHER INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years .....	54
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years .....	55
<b>REPORTS ON INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	57
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 .....	59
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	66

FINANCIAL AUDIT REPORT

**FORTENBERRY & BALLARD, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

Superintendent and School Board  
McComb Separate School District

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Separate School District, as of June 30, 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 on pages 8 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of the McComb Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McComb Separate School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
October 15, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of McComb Separate School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$4,999,319, which represents a 24% increase from fiscal year 2012. Total net position for 2012 increased \$3,009,059, including a prior period adjustment of \$(22,674), which represents a 17% increase from fiscal year 2011.
- General revenues amounted to \$20,080,819 and \$21,665,370, or 66% and 76% 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 \$10,289,190, or 34% of total revenues for 2013, and \$6,669,077, or 24% of total revenues for 2012.
- The District had \$25,370,690 and \$25,302,714 in expenses for fiscal years 2013 and 2012; only \$10,289,190 for 2013 and \$6,669,077 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,080,819 for 2013 and \$21,665,370 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,977,458 in revenues and \$17,995,855 in expenditures for 2013, and \$18,953,081 in revenues and \$17,664,842 in expenditures in 2012. The General Fund's fund balance increased by \$3,125,179 from 2012 to 2013, and increased by \$1,618,231, including a prior period adjustment of \$(20,613), from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$552,612 for 2013 and decreased by \$37,588 for 2012. The increase for 2013 was due primarily to the addition of improvements other than buildings, mobile equipment and furniture and equipment during the fiscal year.
- Long-term debt decreased by \$502,156 for 2013 and decreased by \$776,123 for 2012. The decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$14,053 for 2013 and increased by \$8,280 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.

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

### **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, sixteenth section 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

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

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.

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

**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**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$26,183,085 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.

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

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 14,865,745	\$ 11,451,183	29.82 %
Restricted assets	5,382,366	4,620,261	16.49 %
Capital assets, net	11,175,586	10,622,974	5.20 %
<b>Total assets</b>	<b><u>31,423,697</u></b>	<b><u>26,694,418</u></b>	<b>17.72 %</b>
Current liabilities	425,116	193,000	120.27 %
Long-term debt outstanding	4,815,496	5,317,652	-9.44 %
<b>Total liabilities</b>	<b><u>5,240,612</u></b>	<b><u>5,510,652</u></b>	<b>-4.90 %</b>
<b>Net position:</b>			
Net investment in capital assets	7,930,586	7,042,974	12.60 %
Restricted	9,468,760	8,470,665	11.78 %
Unrestricted	8,783,739	5,670,127	54.91 %
<b>Total net position</b>	<b><u>\$ 26,183,085</u></b>	<b><u>\$ 21,183,766</u></b>	<b>23.60 %</b>

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

- Increase in net capital assets in the amount of \$552,612.
- The principal retirement of \$516,209 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 \$30,370,009 and \$28,334,447, respectively. The total cost of all programs and services was \$25,370,690 for 2013 and \$25,302,714 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.

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

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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,515,456	\$ 400,371	778.05 %
Operating grants and contributions	6,773,734	6,268,706	8.06 %
General revenues:			
Property taxes	7,075,932	7,211,987	(1.89) %
Grants and contributions not restricted	11,727,809	12,873,003	(8.90) %
Investment earnings	285,719	264,234	8.13 %
Sixteenth section sources	747,687	901,170	(17.03) %
Other	243,672	414,976	(41.28) %
<b>Total revenues</b>	<b>30,370,009</b>	<b>28,334,447</b>	<b>7.18 %</b>
<b>Expenses:</b>			
Instruction	13,242,363	13,363,656	(0.91) %
Support services	9,652,903	9,471,167	1.92 %
Non-instructional	2,291,754	2,261,136	1.35 %
Sixteenth section	19,283	10,991	75.44 %
Interest on long-term liabilities	164,387	195,764	(16.03) %
<b>Total expenses</b>	<b>25,370,690</b>	<b>25,302,714</b>	<b>0.27 %</b>
<b>Increase (Decrease) in net position</b>	<b>4,999,319</b>	<b>3,031,733</b>	<b>64.90 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>21,183,766</b>	<b>18,174,707</b>	<b>16.56 %</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(22,674)</b>	<b>(100.00) %</b>
<b>Net Position, July 1, as restated</b>	<b>21,183,766</b>	<b>18,152,033</b>	<b>16.70 %</b>
<b>Net Position, June 30</b>	<b>\$ 26,183,085</b>	<b>\$ 21,183,766</b>	<b>23.60 %</b>

**Governmental activities**

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

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

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 13,242,363	\$ 13,363,656	(0.91) %
Support services	9,652,903	9,471,167	1.92 %
Non-instructional	2,291,754	2,261,136	1.35 %
Sixteenth section	19,283	10,991	75.44 %
Interest on long-term liabilities	164,387	195,764	(16.03) %
<b>Total expenses</b>	<b>\$ 25,370,690</b>	<b>\$ 25,302,714</b>	<b>0.27 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (9,950,870)	\$ (10,536,497)	(5.56) %
Support services	(4,625,162)	(7,663,731)	(39.65) %
Non-instructional	(338,837)	(231,187)	46.56 %
Sixteenth section	(2,244)	(6,458)	(65.25) %
Interest on long-term liabilities	(164,387)	(195,764)	(16.03) %
<b>Total net (expense) revenue</b>	<b>\$ (15,081,500)</b>	<b>\$ (18,633,637)</b>	<b>(19.06) %</b>

- Net cost of governmental activities (\$15,081,500 for 2013 and \$18,633,637 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$7,075,932 for 2013 and \$7,211,987 for 2012) and state and federal revenues (\$11,727,809 for 2013 and \$12,873,003 for 2012). In addition, there was \$747,687 and \$901,170 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$285,719 for 2013 and \$264,234 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 \$19,858,821, an increase of \$3,939,031, which includes a decrease in inventory of \$2,081. \$6,493,008, or 33%, 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

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

that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$13,365,813, or 67%, is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted 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 \$3,125,179. The fund balance of Other Governmental Funds showed an increase in the amount of \$270,350, which includes a decrease in inventory of \$2,081. The increase (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	\$	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$	543,502

**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 \$20,173,095, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$906,975 from 2012 due primarily to the addition of a track and the purchase of two new school buses and various items of furniture and equipment. The District also disposed of three school buses and various items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2013, was \$8,997,509, and total depreciation expense for the year was \$501,754, resulting in total net capital assets of \$11,175,586.

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

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 138,362	\$ 138,362	0.00 %
Buildings	7,713,581	7,896,504	(2.32) %
Building improvements	1,515,183	1,605,528	(5.63) %
Improvements other than buildings	914,233	211,506	332.25 %
Mobile equipment	616,242	546,429	12.78 %
Furniture and equipment	277,985	224,645	23.74 %
<b>Total</b>	<b><u>\$ 11,175,586</u></b>	<b><u>\$ 10,622,974</u></b>	<b>5.20 %</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 \$4,815,496 in outstanding long-term debt, of which \$452,462 is due within one year. During the fiscal year, the District made principal payments in the amount of \$516,209 on existing long-term debt. The liability for compensated absences increased \$14,053 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,045,000	\$ 2,380,000	(14.08) %
Shortfall notes payable	93,618	274,827	(65.94) %
Qualified zone academy bonds payable	2,500,000	2,500,000	0.00 %
Compensated absences payable	176,878	162,825	8.63 %
<b>Total</b>	<b><u>\$ 4,815,496</u></b>	<b><u>\$ 5,317,652</u></b>	<b>(9.44) %</b>

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

## CURRENT ISSUES

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

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the McComb Separate School District, P. O. Box 868, McComb, MS 39649-0868.

FINANCIAL STATEMENTS

**MCCOMB SEPARATE SCHOOL DISTRICT**

**Statement of Net Position**

**Exhibit A**

**June 30, 2013**

		Governmental Activities
<b>Assets</b>		
Cash and cash equivalents	\$	13,693,095
Due from other governments		1,139,981
Inventories		32,669
Restricted assets		5,382,366
Capital assets, non-depreciable:		
Land		138,362
Capital assets, net of accumulated depreciation:		
Buildings		7,713,581
Building improvements		1,515,183
Improvements other than buildings		914,233
Mobile equipment		616,242
Furniture and equipment		277,985
Total Assets		31,423,697
<b>Liabilities</b>		
Accounts payable and accrued liabilities		383,241
Unearned revenue		6,049
Interest payable on long-term liabilities		35,826
Long-term liabilities, due within one year:		
Capital related liabilities		350,000
Non-capital related liabilities		102,462
Long-term liabilities, due beyond one year:		
Capital related liabilities		2,895,000
Non-capital related liabilities		1,468,034
Total Liabilities		5,240,612
<b>Net Position</b>		
Net investment in capital assets		7,930,586
Restricted for:		
Expendable:		
School-based activities		1,308,649
Debt service		1,837,169
Forestry improvements		46,802
Unemployment benefits		69,240
Sixteenth section		49,228
Non-expendable:		
Sixteenth section		6,157,672
Unrestricted		8,783,739
Total Net Position	\$	26,183,085

**MCCOMB SEPARATE SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Governmental Activities:</b>				
Instruction	\$ 13,242,363	\$ 301,022	\$ 2,990,471	\$ (9,950,870)
Support services	9,652,903	3,091,770	1,935,971	(4,625,162)
Non-instructional	2,291,754	105,625	1,847,292	(338,837)
Sixteenth section	19,283	17,039	-	(2,244)
Interest on long-term liabilities	164,387	-	-	(164,387)
Total Governmental Activities	\$ 25,370,690	\$ 3,515,456	\$ 6,773,734	\$ (15,081,500)

General Revenues:

Taxes:

General purpose levies	6,586,611
Debt purpose levies	489,321

Unrestricted grants and contributions:

State	11,330,489
Federal	397,320
Unrestricted investment earnings	285,719
Sixteenth section sources	747,687
Other	243,672

Total General Revenues	20,080,819
------------------------	------------

Change in Net Position	4,999,319
Net Position - Beginning	21,183,766
Net Position - Ending	\$ 26,183,085

**MCCOMB SEPARATE SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2013**

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 11,027,532	4,552,437	2,665,563	18,245,532
Cash with fiscal agents	-	-	63	63
Investments	-	-	829,866	829,866
Due from other governments	212,281	-	898,628	1,110,909
Due from other funds	821,723	-	17,079	838,802
Advance to other funds	-	1,654,463	-	1,654,463
Inventories	-	-	32,669	32,669
Total assets	\$ 12,061,536	6,206,900	4,443,868	22,712,304
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 319,359	-	63,882	383,241
Due to other funds	-	-	809,730	809,730
Advances from other funds	1,654,463	-	-	1,654,463
Unearned revenue	-	-	6,049	6,049
Total Liabilities	1,973,822	-	879,661	2,853,483
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	32,669	32,669
Permanent fund principal	-	4,503,209	-	4,503,209
Advances	-	1,654,463	-	1,654,463
<b>Restricted:</b>				
Debt service	-	-	1,872,995	1,872,995
Forestry improvement purposes	-	-	46,802	46,802
Unemployment benefits	-	-	69,240	69,240
Food service	-	-	758,655	758,655
Sixteenth section	-	-	455,212	455,212
Other purposes	-	49,228	62,113	111,341
<b>Assigned:</b>				
Insurance recoveries for hail storm projects	2,964,905	-	-	2,964,905
Insurance premium increase for FY2014	125,000	-	-	125,000
Activity funds	84,264	-	-	84,264
Other purposes	420,537	-	266,521	687,058
<b>Unassigned</b>	6,493,008	-	-	6,493,008
Total Fund Balances	10,087,714	6,206,900	3,564,207	19,858,821
Total Liabilities and Fund Balances	\$ 12,061,536	6,206,900	4,443,868	22,712,304

MCCOMB SEPARATE SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2013

Exhibit C-1

Total fund balances for governmental funds \$ 19,858,821

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

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

Land	\$ 138,362	
Buildings	13,807,639	
Building improvements	2,258,622	
Improvements other than buildings	1,096,202	
Mobile equipment	1,634,576	
Furniture and equipment	1,237,694	
Accumulated depreciation	<u>(8,997,509)</u>	11,175,586

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

Limited obligation bonds	(2,045,000)	
Other bonds payable	(2,500,000)	
Notes payable	(93,618)	
Compensated absences	(176,878)	
Accrued interest payable	<u>(35,826)</u>	(4,851,322)

Net Position of governmental activities \$ 26,183,085

**MCCOMB SEPARATE SCHOOL DISTRICT**

Governmental Funds

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

**Exhibit D**

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 7,097,313	\$ -	\$ 807,367	\$ 7,904,680
State sources	10,704,248	-	1,271,405	11,975,653
Federal sources	175,897	-	6,349,993	6,525,890
Sixteenth section sources	-	665,937	224,119	890,056
<b>Total Revenues</b>	<b>17,977,458</b>	<b>665,937</b>	<b>8,652,884</b>	<b>27,296,279</b>
<b>Expenditures:</b>				
Instruction	9,387,008	-	3,549,654	12,936,662
Support services	7,587,655	-	2,149,534	9,737,189
Noninstructional services	206,641	-	2,102,691	2,309,332
Sixteenth section	-	-	19,283	19,283
Facilities acquisition and construction	744,000	-	-	744,000
Debt service:				
Principal	-	-	516,209	516,209
Interest	70,551	-	98,106	168,657
Other	-	-	1,250	1,250
<b>Total Expenditures</b>	<b>17,995,855</b>	<b>-</b>	<b>8,436,727</b>	<b>26,432,582</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(18,397)	665,937	216,157	863,697
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	3,073,730	-	-	3,073,730
Payments held by escrow agent	-	-	75,000	75,000
Payment to QZAB debt escrow agent	-	-	(75,000)	(75,000)
Sale of transportation equipment	3,685	-	-	3,685
Operating transfers in	539,151	-	595,425	1,134,576
Other financing sources	-	-	1,625	1,625
Operating transfers out	(472,990)	(122,435)	(539,151)	(1,134,576)
Other financing uses	-	-	(1,625)	(1,625)
<b>Total Other Financing Sources (Uses)</b>	<b>3,143,576</b>	<b>(122,435)</b>	<b>56,274</b>	<b>3,077,415</b>
<b>Net Change in Fund Balances</b>	<b>3,125,179</b>	<b>543,502</b>	<b>272,431</b>	<b>3,941,112</b>
<b>Fund Balances:</b>				
July 1, 2012	6,962,535	5,663,398	3,293,857	15,919,790
Increase (Decrease) in inventory	-	-	(2,081)	(2,081)
<b>June 30, 2013</b>	<b>\$ 10,087,714</b>	<b>\$ 6,206,900</b>	<b>\$ 3,564,207</b>	<b>\$ 19,858,821</b>

**MCCOMB SEPARATE SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2013** **Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 3,941,112

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 1,069,601	
Depreciation expense	<u>(501,754)</u>	567,847
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(15,235)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, 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	516,209	
Accrued interest payable	<u>5,520</u>	521,729
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(14,053)	
Change in inventory	<u>(2,081)</u>	(16,134)
 <b>Change in Net Position of governmental activities</b>		 <u><u>\$ 4,999,319</u></u>

**MCCOMB SEPARATE SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Net Position**  
**June 30, 2013**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 36,567	\$ 817,742
Total Assets	<u>36,567</u>	<u>817,742</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 778,528
Due to other funds	-	29,072
Due to student clubs	-	10,142
Total Liabilities	<u>-</u>	<u>\$ 817,742</u>
<b>Net Position</b>		
Reserved for endowments	28,000	
Held in trust	<u>8,567</u>	
Total Net Position	<u>\$ 36,567</u>	

MCCOMB SEPARATE SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2013

Exhibit F

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Interest on investments	\$ 434
Total Additions	<u>434</u>
<b>Deductions</b>	
Scholarships awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	<u>(566)</u>
<b>Net Position</b>	
July 1, 2012	<u>37,133</u>
June 30, 2013	<u>\$ 36,567</u>

**McComb Separate School District**

Notes to the Financial Statements  
June 30, 2013

## MCCOMB SEPARATE 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 McComb since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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

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

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

1. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

## MCCOMB SEPARATE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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.

The school district reports the following major governmental funds:

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

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

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

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

The District's fiduciary funds include the following:

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

## MCCOMB SEPARATE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### FIDUCIARY FUNDS

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

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to

## MCCOMB SEPARATE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by

## MCCOMB SEPARATE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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
Leased property under capital leases	*	*

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

7. 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.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are

# MCCOMB SEPARATE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

### 9. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, 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, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

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

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

## MCCOMB SEPARATE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

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

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

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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 \$18,245,532 and \$854,309, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$20,542,230 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$63.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury Bill	N/A	Less than 1 year	\$ 633,575
Federal US Treasury Cash Reserve	AAAm-G	Less than 1 year	196,291
Total			<u>\$ 829,866</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.

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

*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.

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

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 792,651
	Fiduciary funds	29,072
Other governmental funds	Other governmental funds	17,079
Total		<u>\$ 838,802</u>

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

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 1,654,463
Total		<u>\$ 1,654,463</u>

Sixteenth section principal loans payable

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

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 110,307	\$ 66,179	\$ 176,486
2015	112,307	61,766	174,073
2016	113,307	57,274	170,581
2017	115,307	52,742	168,049
2018	116,307	48,129	164,436
2019 - 2023	553,535	169,583	723,118
2024 - 2028	376,535	76,557	453,092
2029 - 2031	156,858	9,788	166,646
Total	\$ 1,654,463	\$ 542,018	\$ 2,196,481

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 472,990
Sixteenth Section Principal Fund	Other governmental funds	122,435
Other governmental funds	General Fund	539,151
Total		\$ 1,134,576

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$4,552,437 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$63 and \$633,575, respectively, of the QZAB Bond Retirement Fund.

In addition, the restricted assets represent the investment balance totaling \$196,291 of the MAEP Limited Obligation Bond/Note Fund.

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**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	\$ 138,362	\$	\$	\$ 138,362
Total non-depreciable capital assets	138,362	-	-	138,362
<u>Depreciable capital assets:</u>				
Buildings	13,807,639			13,807,639
Building improvements	2,258,622			2,258,622
Improvements other than buildings	352,202	744,000		1,096,202
Mobile equipment	1,605,579	180,197	151,200	1,634,576
Furniture and equipment	1,103,716	145,404	11,426	1,237,694
Total depreciable capital assets	19,127,758	1,069,601	162,626	20,034,733
<u>Less accumulated depreciation for:</u>				
Buildings	5,911,135	182,923		6,094,058
Building improvements	653,094	90,345		743,439
Improvements other than buildings	140,696	41,273		181,969
Mobile equipment	1,059,150	95,264	136,080	1,018,334
Furniture and equipment	879,071	91,949	11,311	959,709
Total accumulated depreciation	8,643,146	501,754	147,391	8,997,509
Total depreciable capital assets, net	10,484,612	567,847	15,235	11,037,224
Governmental activities capital assets, net	\$ 10,622,974	\$ 567,847	\$ 15,235	\$ 11,175,586

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 343,108
Support services	129,044
Non-instructional	29,602
Total depreciation expense - Governmental activities	\$ 501,754

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**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	Balance 6/30/2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,380,000	\$	\$ 335,000	\$ 2,045,000	\$ 350,000
B. Shortfall notes payable	274,827		181,209	93,618	93,618
C. Qualified zone academy bonds payable	2,500,000			2,500,000	-
D. Compensated absences payable	162,825	14,053		176,878	8,844
Total	\$ 5,317,652	\$ 14,053	\$ 516,209	\$ 4,815,496	\$ 452,462

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2006	4%	9/14/2006	2/1/2018	\$ 3,730,000	\$ 2,045,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 350,000	\$ 74,800	\$ 424,800
2015	360,000	60,600	420,600
2016	375,000	45,900	420,900
2017	390,000	30,600	420,600
2018	570,000	14,700	584,700
Total	\$ 2,045,000	\$ 226,600	\$ 2,271,600

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

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

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note - 11/10/2010	3.23%	11/10/2010	3/1/2014	\$ 269,366	\$ 93,618

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 93,618	\$ 3,046	\$ 96,664

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

**C. Qualified zone academy bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2005	0%	8/15/2005	8/15/2015	\$ 2,500,000	\$ 2,500,000

**D. Compensated absences payable**

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

**Note 7 – Other Commitments**

Operating Leases:

The school district has several operating leases for the following:

1. Pitney Bowes postage machine
2. Xerox Copier

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Lease expenditures for the year ended June 30, 2013, amounted to \$23,417.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 23,417
2015	23,417
2016	23,417
2017	9,052
Total	<u>\$ 79,303</u>

**Note 8 – 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 \$1,973,644, \$1,710,479 and \$1,591,179, respectively, which equaled the required contributions for each year.

**Note 9 – Sixteenth Section Lands**

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

# MCCOMB SEPARATE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

Year Ending June 30		Amount
2014	\$	7,678
2015		7,678
2016		7,210
2017		7,210
2018		7,210
2019 – 2023		29,630
2024 – 2028		14,570
2029 – 2033		13,420
2034 – 2038		6,744
Thereafter		6,534
Total	\$	107,884

### **Note 10 – Contingencies**

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

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

### **Note 11 – Risk Management**

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

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

MCCOMB SEPARATE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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 August 15. The amount on deposit at June 30, 2013 was \$633,638. 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	\$ 380,000
2015	380,000
2016	380,000
Total	<u>\$ 1,140,000</u>

**Note 13 - Insurance loss recoveries**

The McComb Separate School District received \$3,073,730 in insurance loss recoveries related primarily to storm and hail 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 to the support services expense function.

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the McComb Separate School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- 1) Insurance loss recoveries were received for hail storm damage in the amount of \$1,646,282.35.
- 2) A shortfall note was approved by the Board to be issued in the amount of \$481,400 but the proceeds have not been received as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

MCCOMB SEPARATE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

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
<b>Revenues:</b>					
Local sources	\$ 6,908,336	\$ 7,097,313	\$ 7,097,313	\$ 188,977	\$ -
State sources	10,640,428	10,704,248	10,704,248	63,820	-
Federal sources	129,082	175,897	175,897	46,815	-
<b>Total Revenues</b>	<b>17,677,846</b>	<b>17,977,458</b>	<b>17,977,458</b>	<b>299,612</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	9,632,338	9,387,008	9,387,008	245,330	-
Support services	8,288,338	7,587,655	7,587,655	700,683	-
Noninstructional services	180,695	206,641	206,641	(25,946)	-
Facilities acquisition and construction	-	744,000	744,000	(744,000)	-
Debt service:					
Principal	109,306	-	-	109,306	-
Interest	70,551	70,551	70,551	-	-
<b>Total Expenditures</b>	<b>18,281,228</b>	<b>17,995,855</b>	<b>17,995,855</b>	<b>285,373</b>	<b>-</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(603,382)	(18,397)	(18,397)	584,985	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	3,073,730	3,073,730	3,073,730	-
Sale of transportation equipment	-	3,685	3,685	3,685	-
Operating transfers in	2,221,110	2,450,490	539,151	229,380	(1,911,339)
Operating transfers out	(2,467,728)	(2,384,329)	(472,990)	83,399	1,911,339
<b>Total Other Financing Sources (Uses)</b>	<b>(246,618)</b>	<b>3,143,576</b>	<b>3,143,576</b>	<b>3,390,194</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(850,000)</b>	<b>3,125,179</b>	<b>3,125,179</b>	<b>3,975,179</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2012	850,000	6,962,535	6,962,535	6,112,535	-
June 30, 2013	\$ -	\$ 10,087,714	\$ 10,087,714	\$ 10,087,714	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## MCCOMB SEPARATE SCHOOL DISTRICT

### Notes to the Required Supplementary Information For the Year Ended June 30, 2013

#### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**McComb Separate School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 481,479
National School Lunch Program	10.555	1,359,819
Summer Food Service Program for Children	10.559	66,387
Total Child Nutrition Cluster		<u>1,907,685</u>
Total passed-through Mississippi Department of Education		<u>1,907,685</u>
<b>Total U. S. Department of Agriculture</b>		<u>1,907,685</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	67,075
<b>Total U.S. Department of Defense</b>		<u>67,075</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	167,292
<b>Total Federal Communications Commission</b>		<u>167,292</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Adult Education - Basic Grants to States	84.002	161,942
Title I - Grants to Local Educational Agencies	84.010	1,931,481
Impact Aid	84.041	7,597
Career and Technical Education - Basic Grants to States	84.048	48,058
Fund for the Improvement of Education	84.215X	327,895
Fund for the Improvement of Education	84.215G	269,513
Twenty-First Century Community Learning Centers	84.287	286,855
Rural Education	84.358	56,567
Improving Teacher Quality - State Grants	84.367	274,815
Subtotal		<u>3,364,723</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	870,853
Special Education - Preschool Grants	84.173	26,213
Total Special Education Cluster		<u>897,066</u>
Total passed-through the Mississippi Department of Education		<u>4,261,789</u>
<b>Total U. S. Department of Education</b>		<u>4,261,789</u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Administered through the Centers for Disease Control and Prevention		
Passed through the Mississippi Department of Education:		
Temporary Assistance for Needy Families	93.558	181,875
Medical Assistance Program	93.778	51,079
Total passed-through the Mississippi Department of Education		<u>232,954</u>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u>232,954</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>6,636,795</u></b>

**Notes to Schedule**

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

McComb Separate School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2013

Schedule 2

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,828,244	13,623,907	840,816	1,735,440	2,628,081
Other	7,604,338	2,674,948	333,200	101,712	4,494,478
Total	<u>\$ 26,432,582</u>	<u>16,298,855</u>	<u>1,174,016</u>	<u>1,837,152</u>	<u>7,122,559</u>
Total number of students *	<u>2,277</u>				
Cost per student	<u>\$ 11,609</u>	<u>7,158</u>	<u>516</u>	<u>807</u>	<u>3,128</u>

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

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

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

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

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

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

OTHER INFORMATION

**MCCOMB SEPARATE SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 General Fund  
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 7,097,313	\$ 7,170,743	\$ 7,249,198	\$ 7,171,991
State sources	10,704,248	11,268,793	10,425,780	11,325,255
Federal sources	175,897	513,545	134,340	98,850
Total Revenues	<u>17,977,458</u>	<u>18,953,081</u>	<u>17,809,318</u>	<u>18,596,096</u>
<b>Expenditures:</b>				
Instruction	9,387,008	9,887,291	8,209,201	9,279,889
Support services	7,587,655	7,542,449	7,791,603	8,163,231
Noninstructional services	206,641	160,259	144,903	235,893
Facilities acquisition and construction	744,000			
Debt Service:				
Principal	70,551		16,726	58,315
Interest		74,843	72,974	21,898
Total Expenditures	<u>17,995,855</u>	<u>17,664,842</u>	<u>16,235,407</u>	<u>17,759,226</u>
Excess (Deficiency) of Revenues (under) Expenditures	<u>(18,397)</u>	<u>1,288,239</u>	<u>1,573,911</u>	<u>836,870</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes issued			269,366	242,990
Insurance loss recoveries	3,073,730	1,572	6,911	8,963
Sale of transportation equipment	3,685		4,626	
Operating transfers in	539,151	837,826	167,744	237,086
Operating transfers out	(472,990)	(488,793)	(196,884)	(790,154)
Total Other Financing Sources (Uses)	<u>3,143,576</u>	<u>350,605</u>	<u>251,763</u>	<u>(301,115)</u>
Net Change in Fund Balances	<u>3,125,179</u>	<u>1,638,844</u>	<u>1,825,674</u>	<u>535,755</u>
<b>Fund Balances:</b>				
July 1, as previously reported	6,962,535	5,344,304	3,495,661	2,983,246
Prior period adjustments		(20,613)	22,969	(23,340)
July 1, as restated	<u>6,962,535</u>	<u>5,323,691</u>	<u>3,518,630</u>	<u>2,959,906</u>
June 30,	<u>\$ 10,087,714</u>	<u>\$ 6,962,535</u>	<u>\$ 5,344,304</u>	<u>\$ 3,495,661</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**MCCOMB SEPARATE SCHOOL DISTRICT**  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Funds  
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 7,904,680	\$ 7,993,871	\$ 8,007,200	\$ 7,944,096
State sources	11,975,653	12,544,063	12,040,777	12,697,731
Federal sources	6,525,890	6,597,648	8,028,840	7,725,407
Sixteenth section sources	890,056	1,030,668	1,036,125	873,301
Total Revenues	<u>27,296,279</u>	<u>28,166,250</u>	<u>29,112,942</u>	<u>29,240,535</u>
<b>Expenditures:</b>				
Instruction	12,936,662	13,066,901	13,323,639	15,042,887
Support services	9,737,189	9,548,234	9,746,745	9,896,014
Noninstructional services	2,309,332	2,268,970	2,072,050	1,944,247
Sixteenth section	19,283	10,991	8,032	10,754
Facilities acquisition and construction	744,000			
Debt service:				
Principal	516,209	784,403	780,718	711,915
Interest	168,657	206,858	225,364	198,490
Other	1,250	1,000	1,035	1,000
Total Expenditures	<u>26,432,582</u>	<u>25,887,357</u>	<u>26,157,583</u>	<u>27,805,307</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>863,697</u>	<u>2,278,893</u>	<u>2,955,359</u>	<u>1,435,228</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			269,366	261,640
Insurance recovery	3,073,730	1,572	6,911	8,963
Payment to escrow agent	75,000	75,000	75,000	75,000
Payment to QZAB debt escrow agent	(75,000)	(75,000)	(75,000)	(75,000)
Sale of transportation equipment	3,685		4,626	
Operating transfers in	1,134,576	2,260,080	383,399	1,046,812
Other financing sources	1,625	1,625	1,625	1,625
Operating transfers out	(1,134,576)	(2,260,080)	(383,399)	(1,046,812)
Other financing uses	(1,625)	(1,625)	(1,625)	(1,625)
Total Other Financing Sources (Uses)	<u>3,077,415</u>	<u>1,572</u>	<u>280,903</u>	<u>270,603</u>
Net Change in Fund Balances	<u>3,941,112</u>	<u>2,280,465</u>	<u>3,236,262</u>	<u>1,705,831</u>
<b>Fund Balances:</b>				
July 1, as previously reported	15,919,790	13,661,360	10,428,663	8,730,548
Prior period adjustment		(22,674)	877	
July 1, as restated	<u>15,919,790</u>	<u>13,638,686</u>	<u>10,429,540</u>	<u>8,730,548</u>
Increase (decrease) in inventory	(2,081)	639	(4,442)	(7,716)
June 30,	<u>\$ 19,858,821</u>	<u>\$ 15,919,790</u>	<u>\$ 13,661,360</u>	<u>\$ 10,428,663</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
McComb Separate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Separate School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the McComb Separate School District's basic financial statements, and have issued our report thereon dated October 15, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
October 15, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
McComb Separate School District

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

We have audited McComb Separate School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McComb Separate School District's major federal programs for the year ended June 30, 2013. The McComb Separate School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

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

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

Management of the McComb Separate School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McComb Separate School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
October 15, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
McComb Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Separate School District as of and for the year ended June 30, 2013, which collectively comprise McComb Separate School District's basic financial statements and have issued our report thereon dated October 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$9,263 of classroom supply funds carried over from previous years.

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

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

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
October 15, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**McComb Separate School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Program
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.