



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.

Montgomery County School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Montgomery County School District
TABLE OF CONTENTS**

	PAGE #	
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4	
MANAGEMENT’S DISCUSSION AND ANALYSIS	8	
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Exhibit A - Statement of Net Position	20	
Exhibit B - Statement of Activities	21	
Governmental Funds Financial Statements		
Exhibit C - Balance Sheet	22	
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	24	
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26	
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28	
Fiduciary Funds Financial Statements		
Exhibit E - Statement of Fiduciary Net Position	29	
Exhibit F - Statement of Changes in Fiduciary Net Position	30	
Notes to the Financial Statements	32	
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	52	
Budgetary Comparison Schedule - Forestry Escrow Fund	53	
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	54	
Notes to the Required Supplementary Information	55	
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards	57	
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds	58	
OTHER INFORMATION		
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Last Four Years	60	
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds - Last Four Years	61	
REPORTS ON INTERNAL CONTROL AND COMPLIANCE		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63	
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	65	
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		69
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72	

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
Montgomery County 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 Montgomery County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Montgomery County 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 entity'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 financial statements.

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

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

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 Montgomery County 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 to 18 and 52 to 55 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 Montgomery County 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 30, 2013, on our consideration of the Montgomery County 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 Montgomery County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 30, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The following discussion and analysis of Montgomery County 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 \$345,651, including a prior period adjustment of \$7,330, which represents a 37% increase from fiscal year 2012. Total net position for 2012 increased \$198,394, which represents a 27% increase from fiscal year 2011.
- General revenues amounted to \$3,448,887 and \$3,421,696, or 75% and 71% 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 \$1,149,024, or 25% of total revenues for 2013, and \$1,414,344, or 29% of total revenues for 2012.
- The District had \$4,259,590 and \$4,637,646 in expenses for fiscal years 2013 and 2012; only \$1,149,024 for 2013 and \$1,414,344 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,448,887 for 2013 and \$3,421,696 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$3,243,896 in revenues and \$3,015,441 in expenditures for 2013, and \$3,284,200 in revenues and \$3,107,228 in expenditures for 2012. The General Fund's fund balance increased by \$200,424 from 2012 to 2013, and increased by \$83,075 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$42,930 for 2013 and decreased by \$45,119 for 2012. The decrease for 2013 was due to retirements of several buses and some items of furniture and equipment.
- Long-term debt decreased by \$56,120 for 2013 and decreased by \$91,843 for 2012. This decrease was due primarily to principal payments on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$6,325 for 2013 and decreased by \$12,200 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.

Montgomery County 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.

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Notes to the financial statements

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

Required Supplementary Information

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

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 \$1,290,683 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.

Montgomery County 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	\$ 1,138,980	954,939	19%
Restricted assets	154,147	152,779	1%
Capital assets, net	<u>608,493</u>	<u>651,423</u>	-7%
Total assets	<u>1,901,620</u>	<u>1,759,141</u>	8%
Current liabilities	65,446	206,173	-68%
Long-term debt outstanding	<u>545,491</u>	<u>607,936</u>	-10%
Total liabilities	<u>610,937</u>	<u>814,109</u>	-25%
Net position:			
Net investment in capital assets	130,238	75,467	73%
Restricted	856,180	727,817	18%
Unrestricted	<u>304,265</u>	<u>141,748</u>	115%
Total net position	<u>\$ 1,290,683</u>	<u>945,032</u>	37%

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

- Decrease in net capital assets in the amount of \$42,930.
- The principal retirement of \$97,701 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 \$4,597,911 and \$4,836,040, respectively. The total cost of all programs and services was \$4,259,590 for 2013 and \$4,637,646 for 2012.

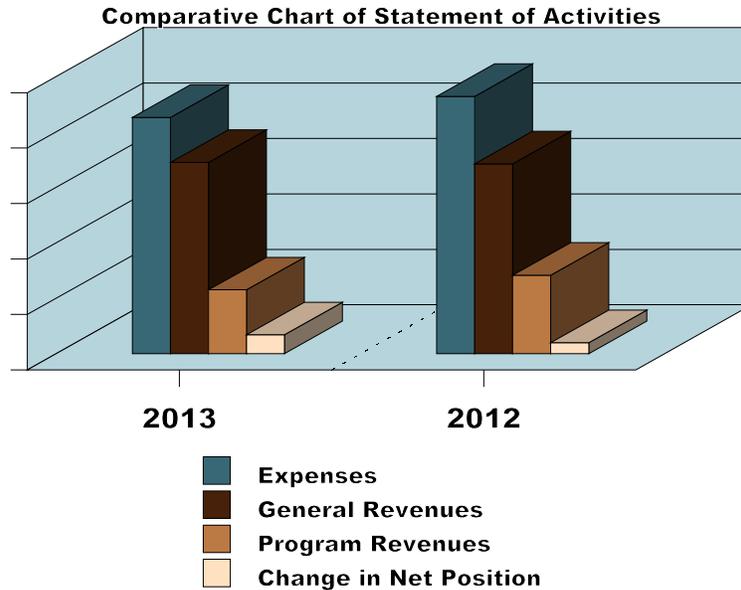
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 68,561	82,763	-17%
Operating grants and contributions	1,070,751	1,320,651	-19%
Capital grants and contributions	9,712	10,930	-11%
Total program revenues	<u>1,149,024</u>	<u>1,414,344</u>	-19%
General revenues:			
Property taxes	1,047,112	1,104,673	-5%
Grants and contributions not restricted	2,236,242	2,199,493	2%
Unrestricted investment earnings	1,721	1,882	-9%
Sixteenth section sources	163,244	105,704	54%
Other	568	9,944	-94%
Total general revenues	<u>3,448,887</u>	<u>3,421,696</u>	1%
Total revenues	<u>4,597,911</u>	<u>4,836,040</u>	-5%
Expenses:			
Instruction	2,176,575	2,575,197	-15%
Support services	1,752,482	1,719,435	2%
Non-instructional	270,021	273,407	-1%
Sixteenth section	36,397	37,879	-4%
Interest on long-term liabilities	24,115	31,728	-24%
Total expenses	<u>4,259,590</u>	<u>4,637,646</u>	-8%
Increase (Decrease) in net position	<u>338,321</u>	<u>198,394</u>	71%
Net Position, July 1, as previously reported	945,032	746,638	27%
Prior Period Adjustment	7,330		
Net Position, July 1, as restated	<u>952,362</u>	<u>746,638</u>	28%
Net Position, June 30	<u>\$ 1,290,683</u>	<u>945,032</u>	37%

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013



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.

Table 3
Net Cost of Governmental Activities

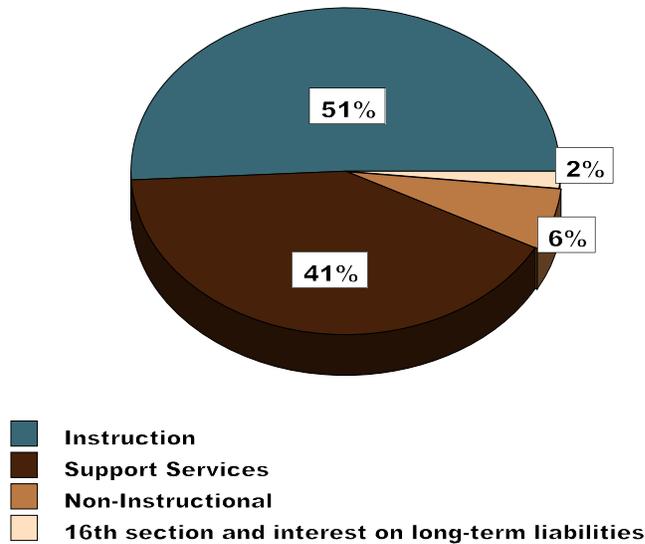
	Total Expenses		
	2013	2012	Percentage Change
Instruction	\$ 2,176,575	2,575,197	-15%
Support services	1,752,482	1,719,435	2%
Non-instructional	270,021	273,407	-1%
Sixteenth section	36,397	37,879	-4%
Interest on long-term liabilities	24,115	31,728	-24%
Total expenses	\$ 4,259,590	4,637,646	-8%

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Net (Expense) Revenue

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instruction	\$ (1,586,221)	(1,739,421)	-9%
Support services	(1,451,200)	(1,393,194)	4%
Non-instructional	(21,001)	(23,302)	-10%
Sixteenth section	(28,029)	(35,657)	-21%
Interest on long-term liabilities	(24,115)	(31,728)	-24%
Total net (expense) revenue	\$ (3,110,566)	(3,223,302)	-3%

Expenses per Statement of Activities



- Net cost of governmental activities (\$3,110,566 for 2013 and \$3,223,302 for 2012) was financed by general revenue, which is made up of primarily property taxes (\$1,047,112 for 2013 and \$1,104,673 for 2012) and state and federal revenues (\$2,236,242 for 2012 and \$2,199,493 for 2012). In addition, there was \$163,244 and \$105,704 in Sixteenth Section sources for 2013 and 2012 respectively.
- Investment earnings amounted to \$1,721 for 2013 and \$1,882 for 2012.

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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 \$1,237,021, an increase of \$322,842, which includes a prior period adjustment of (\$2,651), and an increase in inventory of \$2,444. \$368,785, or 30% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$868,236, or 70% 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 \$200,424. The fund balance of Other Governmental Funds showed a decrease in the amount of \$12,151, which includes a prior period adjustment of (\$2,651) and an increase in inventory of \$2,444. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Forestry Escrow Fund	\$ 755
Sixteenth Section Interest Fund	\$ 133,788
Tobacco Free MS Fund	\$ 26

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.

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

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$2,228,348, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents a decrease of \$215,175 from 2012. Total accumulated depreciation as of June 30, 2013, was \$1,619,855, and total depreciation expense for the year was \$32,906, resulting in total net capital assets of \$608,493.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 11,203	11,203	0%
Buildings	279,600	283,126	-1%
Building improvements	60,952	65,654	-7%
Improvements other than buildings	18,961	20,076	-6%
Mobile equipment	96,343	162,743	-41%
Furniture and equipment	61,235	24,143	154%
Leased property under capital leases	80,199	84,478	-5%
Total	\$ 608,493	651,423	-7%

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 \$545,491 in outstanding long-term debt, of which \$112,123 is due within one year. The liability for compensated absences decreased \$6,325 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	\$ 450,000	530,000	-15%
Obligations under energy efficiency leases	28,255	45,956	-39%
Shortfall notes payable	41,581		
Compensated absences payable	25,655	31,980	-20%
Total	\$ 545,491	607,936	-10%

Montgomery County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

CURRENT ISSUES

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

Enrollment for the 2012-2013 year decreased by 9% to 286 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Montgomery County School District, PO Box 687, Winona, MS 38967.

FINANCIAL STATEMENTS

MONTGOMERY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 992,346
Due from other governments	140,288
Accrued interest receivable	16
Inventories	6,330
Restricted assets	154,147
Capital assets, non-depreciable:	
Land	11,203
Capital assets, net of accumulated depreciation:	
Buildings	279,600
Building improvements	60,952
Improvements other than buildings	18,961
Mobile equipment	96,343
Furniture and equipment	61,235
Leased property under capital leases	80,199
Total Assets	<u>1,901,620</u>
Liabilities	
Accounts payable and accrued liabilities	49,554
Unearned revenue	6,552
Interest payable on long-term liabilities	9,340
Long-term liabilities (due within one year):	
Capital related liabilities	98,603
Non-capital related liabilities	13,520
Long-term liabilities (due beyond one year):	
Capital related liabilities	379,652
Non-capital related liabilities	53,716
Total Liabilities	<u>610,937</u>
Net Position	
Net Investment in Capital Assets	130,238
Restricted For:	
Expendable:	
School based activities	286,650
Debt service	87,694
Forestry improvements	352,125
Unemployment benefits	19,603
Sixteenth section	1,977
Non-expendable:	
Sixteenth section	108,131
Unrestricted	304,265
Total Net Position	<u>\$ 1,290,683</u>

The accompanying notes are an integral part of this statement.

MONTGOMERY COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:				Governmental Activities	
Instruction	2,176,575	40,174	540,468	9,712	(1,586,221)
Support services	1,752,482	--	301,282	--	(1,451,200)
Noninstructional services	270,021	20,019	229,001	--	(21,001)
Sixteenth section	36,397	8,368	--	--	(28,029)
Interest on long-term liabilities	24,115	--	--	--	(24,115)
Total Governmental Activities	<u>\$ 4,259,590</u>	<u>\$ 68,561</u>	<u>\$ 1,070,751</u>	<u>\$ 9,712</u>	<u>(3,110,566)</u>
General Revenues:					
Taxes:					
General purpose levies					1,047,112
Unrestricted grants and contributions:					
State					2,159,212
Federal					77,030
Unrestricted investment earnings					1,721
Sixteenth section sources					163,244
Other					568
Total General Revenues					<u>3,448,887</u>
Change in Net Position					<u>338,321</u>
Net Position - Beginning, as previously reported					945,032
Prior Period Adjustment					7,330
Net Position - Beginning, as restated					<u>952,362</u>
Net Position - Ending					<u>\$ 1,290,683</u>

The accompanying notes are an integral part of this statement.

MONTGOMERY COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Forestry Escrow Fund
Assets		
Cash and cash equivalents	\$ 363,925	\$ 352,136
Cash with fiscal agents	--	--
Investments	--	--
Due from other governments	41,520	--
Accrued interest receivable	--	--
Inventories	--	--
Total Assets	\$ 405,445	\$ 352,136
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 31,293	\$ 11
Unearned revenue	--	--
Total Liabilities	31,293	11
Fund Balances:		
Nonspendable:		
Permanent fund principal	--	--
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvement purposes	--	352,125
Debt service	--	--
Food services	--	--
Sixteenth section interest	--	--
Assigned:		
Athletics	1,753	--
Activity funds	3,614	--
Unassigned	368,785	--
Total Fund Balances	374,152	352,125
Total Liabilities and Fund Balances	\$ 405,445	\$ 352,136

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Tobacco Free MS Fund	Other Governmental Funds	Total Governmental Funds
\$ 261,694	\$ 6,552	\$ 10,911	\$ 995,218
--	--	26	26
--	--	151,249	151,249
820	--	97,948	140,288
--	--	16	16
--	--	6,330	6,330
<u>\$ 262,514</u>	<u>\$ 6,552</u>	<u>\$ 266,480</u>	<u>\$ 1,293,127</u>
\$ 5,000	\$ --	\$ 13,250	\$ 49,554
--	6,552	--	6,552
<u>5,000</u>	<u>6,552</u>	<u>13,250</u>	<u>56,106</u>
--	--	110,108	110,108
--	--	6,330	6,330
--	--	19,603	19,603
--	--	--	352,125
--	--	97,034	97,034
--	--	20,155	20,155
257,514	--	--	257,514
--	--	--	1,753
--	--	--	3,614
--	--	--	368,785
<u>257,514</u>	<u>--</u>	<u>253,230</u>	<u>1,237,021</u>
<u>\$ 262,514</u>	<u>\$ 6,552</u>	<u>\$ 266,480</u>	<u>\$ 1,293,127</u>

MONTGOMERY COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances for governmental funds	\$ 1,237,021
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	608,493
Liabilities due in one year are not recognized in the funds.	(112,123)
Payables for bond principal which are not due in the current period are not reported in the funds.	(370,000)
Payables for energy efficiency leases not due in the current period are not reported in the funds.	(9,652)
Payables for bond interest which are not due in the current period are not reported in the funds.	(9,340)
Payables for notes which are not due in the current period are not reported in the funds.	(28,061)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(25,655)</u>
Net position of governmental activities	<u>\$ 1,290,683</u>

The accompanying notes are an integral part of this statement.

This page left blank intentionally.

MONTGOMERY COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Forestry Escrow Fund
Revenues:		
Local sources	\$ 1,093,666	\$ --
State sources	2,064,525	--
Federal sources	85,705	--
Sixteenth section sources	--	9,114
Total Revenues	3,243,896	9,114
Expenditures:		
Instruction	1,641,168	--
Support services	1,374,273	--
Noninstructional services	--	--
Sixteenth section	--	8,359
Debt service:		
Principal	--	--
Interest	--	--
Total Expenditures	3,015,441	8,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	228,455	755
Other Financing Sources (Uses):		
Proceeds of notes	41,581	--
Insurance loss recoveries	416	--
Sale of transportation equipment	6,526	--
Transfers in	5,608	--
Transfers out	(82,162)	--
Other financing uses	--	--
Total Other Financing Sources (Uses)	(28,031)	--
Net Change in Fund Balances	200,424	755
Fund Balances:		
July 1, 2012, as previously reported	173,728	351,370
Prior period adjustments	--	--
July 1, 2012, as restated	173,728	351,370
Increase (decrease) in inventory	--	--
June 30, 2013	\$ 374,152	\$ 352,125

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Tobacco Free MS Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 20,824	\$ 1,114,490
--	43,448	147,748	2,255,721
--	--	969,079	1,054,784
161,826	--	1,977	172,917
<u>161,826</u>	<u>43,448</u>	<u>1,139,628</u>	<u>4,597,912</u>
--	--	516,898	2,158,066
--	43,422	315,694	1,733,389
--	--	269,174	269,174
28,038	--	--	36,397
--	--	97,701	97,701
--	--	27,409	27,409
<u>28,038</u>	<u>43,422</u>	<u>1,226,876</u>	<u>4,322,136</u>
<u>133,788</u>	<u>26</u>	<u>(87,248)</u>	<u>275,776</u>
--	--	--	41,581
--	--	--	416
--	--	--	6,526
--	--	126,585	132,193
--	--	(50,031)	(132,193)
--	--	(1,250)	(1,250)
<u>--</u>	<u>--</u>	<u>75,304</u>	<u>47,273</u>
<u>133,788</u>	<u>26</u>	<u>(11,944)</u>	<u>323,049</u>
123,726	(26)	265,381	914,179
--	--	(2,651)	(2,651)
<u>123,726</u>	<u>(26)</u>	<u>262,730</u>	<u>911,528</u>
--	--	2,444	2,444
<u>\$ 257,514</u>	<u>\$ --</u>	<u>\$ 253,230</u>	<u>\$ 1,237,021</u>

MONTGOMERY COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$ 323,049
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(32,906)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(551)
The gain or loss on the sale of capital assets is not reported in the funds.	(12,928)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(6,526)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	80,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	17,701
(Increase) decrease in accrued interest from beginning of period to end of period.	3,294
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	2,444
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	<u>6,325</u>
Change in net position of governmental activities	<u>\$ 379,902</u>

The accompanying notes are an integral part of this statement.

MONTGOMERY COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2013

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and other deposits	\$ --	\$ 152,240
Investments	19,964	--
Accrued interest receivable	2	--
Total Assets	<u>19,966</u>	<u>152,240</u>
Liabilities		
Accounts Payable & Accrued Liabilities		\$ 148,601
Due to student clubs		3,639
Total Liabilities		<u>\$ 152,240</u>
Net Position		
Reserved for endowments	\$ 19,966	
Total Net Position	<u>\$ 19,966</u>	

The accompanying notes are an integral part of this statement.

MONTGOMERY COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Private- Purpose Trust Fund
Additions:	
Investment Income	\$ 11
Total Additions	<u>11</u>
Deductions:	
Total Deductions	<u>--</u>
Change in Net Position	11
Net Position	
July 1, 2012	19,955
June 30, 2013	<u>\$ 19,966</u>

The accompanying notes are an integral part of this statement.

Montgomery County School District

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

Montgomery County School District

Notes to the Financial Statements
For the 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Montgomery County 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.

Montgomery County School District

Notes to the Financial Statements
For the 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.

Forestry Escrow Fund - This is the school district's fund that is used for improvements to sixteenth section land and timber resources.

Sixteenth Section Interest Fund - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

Tobacco Free MS Fund - This fund is used to account for state revenue received to promote a tobacco free environment in Mississippi, especially among students.

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

Montgomery County School District

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Endowment Fund - This fund is used to fund scholarships for award winners.

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.

Montgomery County School District

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

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

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

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

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

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

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

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.

Montgomery County School District

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

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

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

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

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

D. Encumbrances

An encumbrance system is 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.

Montgomery County School District

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

Montgomery County School District

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

Montgomery County School District

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

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 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, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for

Montgomery County School District

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

resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund..

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the formal action that is required to be taken by the Board to establish the commitment. 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 District pursuant to authorization established by Board.

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

When an expenditure 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 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.

Montgomery County School District

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

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the 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 \$995,218 and \$152,240, respectively. The bank balance was \$1,163,565.

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

Montgomery County School District

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

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 \$1,163,565 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 \$26. This amount is presented as restricted assets on Exhibit A.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Certificates of Deposit		Less than 1 year	\$ 127,184
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	AAAm	Less than 1 year	44,029
Total Investments			<u>\$ 171,213</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

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.

Montgomery County School District

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

Note 3 - Inter-fund Transfers

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

A. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,608
Other Governmental Funds	Other Governmental Funds	44,423
Other Governmental Funds	General Fund	<u>82,162</u>
Total		<u>\$ 132,193</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balance, totaling \$2,872 and \$107,220, respectively, of the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs.

In addition, the restricted assets represents the cash with fiscal agents and investment balances, totaling \$26 and \$44,029, respectively, of the MAEP Retirement Fund.

Note 5 - Capital Assets

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

	<u>Balance</u> <u>7-1-2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-2013</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,203				11,203
Total non-depreciable capital assets	<u>11,203</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,203</u>
<u>Depreciable capital assets:</u>					
Buildings	957,175				957,175
Building improvements	187,204				187,204
Improvements other than buildings	27,883				27,883
Mobile equipment	644,274		194,536	10,855	460,593
Furniture and equipment	508,807		55,049	23,555	477,313
Leased property under capital leases	106,977				106,977
Total depreciable capital assets	<u>2,432,320</u>	<u>0</u>	<u>249,585</u>	<u>34,410</u>	<u>2,217,145</u>

Montgomery County School District

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

	Balance 7-1-2012	Additions	Retirements	Adjustments	Balance 6-30-2013
<u>Less accumulated depreciation for:</u>					
Buildings	674,049	3,526			677,575
Building improvements	121,550	4,702			126,252
Improvements other than buildings	7,807	1,115			8,922
Mobile equipment	481,531	12,444	175,082	45,357	364,250
Furniture and equipment	484,664	6,840	54,498	(20,928)	416,078
Leased property under capital leases	22,499	4,279			26,778
Total accumulated depreciation	<u>1,792,100</u>	<u>32,906</u>	<u>229,580</u>	<u>24,429</u>	<u>1,619,855</u>
Total depreciable capital assets, net	<u>640,220</u>	<u>(32,906)</u>	<u>20,005</u>	<u>9,981</u>	<u>597,290</u>
Governmental activities capital assets, net	<u>\$ 651,423</u>	<u>(32,906)</u>	<u>20,005</u>	<u>9,981</u>	<u>608,493</u>

Adjustments were made to properly present mobile equipment and furniture and equipment at year end.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 23,034
Support services	6,581
Non-instructional	3,291
Total depreciation expense	<u>\$ 32,906</u>

Note 6 - Long-Term Liabilities

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

	Balance 7-1-2012	Additions	Reductions	Balance 6-30-2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 530,000		80,000	450,000	80,000
B. Obligations under energy efficiency leases	45,956		17,701	28,255	18,603
C. Shortfall notes payable		41,581		41,581	13,520
D. Compensated absences payable	31,980		6,325	25,655	
Total	<u>\$ 607,936</u>	<u>41,581</u>	<u>104,026</u>	<u>545,491</u>	<u>112,123</u>

Montgomery County School District

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

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 1998	4.5-4.8%	02-01-98	02-01-18	\$ <u>1,230,000</u>	<u>450,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 80,000	21,517	101,517
2015	85,000	17,418	102,418
2016	90,000	13,680	103,680
2017	95,000	9,360	104,360
2018	<u>100,000</u>	<u>4,800</u>	<u>104,800</u>
Total	\$ <u>450,000</u>	<u>66,775</u>	<u>516,775</u>

This debt will be retired from the MAEP Retirement 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.

B. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master Lease Purchase	5.03%	01-22-09	10-10-14	\$ <u>102,850</u>	<u>28,255</u>

Montgomery County School District

Notes to the Financial Statements
For the 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	\$	18,603	1,190	19,793
2015		<u>9,652</u>	<u>243</u>	<u>9,895</u>
Total	\$	<u><u>28,255</u></u>	<u><u>1,433</u></u>	<u><u>29,688</u></u>

This debt will be retired from the Energy Efficiency Lease Fund.

An energy efficiency lease agreement dated January 22, 2009, was executed by and between the district, the lessee, and First Southwest Leasing Company, the lessor.

The agreement authorized the borrowing of \$102,850 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the energy efficiency lease fund and not to exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable	2.5%	08-17-12	08-17-15	\$ <u>41,581</u>	<u>41,581</u>

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

Year Ending June 30		Principal	Interest	Total
2014	\$	13,520	1,040	14,560
2015		13,858	702	14,560
2016		<u>14,203</u>	<u>355</u>	<u>14,558</u>
Total	\$	<u><u>41,581</u></u>	<u><u>2,097</u></u>	<u><u>43,678</u></u>

Montgomery County School District

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

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 - 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 \$329,442, \$325,962, and \$311,772, respectively, which equaled the required contributions for each year.

Note 8 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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.

Montgomery County School District

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

Year Ending June 30		Amount
2014	\$	60,711
2015		26,111
2016		23,031
2017		23,031
2018		1,725
Thereafter		<u>30,675</u>
Total	\$	<u>165,284</u>

Note 9 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 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.

Montgomery County School District

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

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 - Insurance Loss Recoveries

The Montgomery County School District received \$416 in insurance loss recoveries related to bus wreck during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services function.

Note 12 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1 To properly present mobile equipment and furniture and equipment at year end.	\$ 9,981
2 See explanation below	(2,651)
Total	\$ <u>7,330</u>

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

Fund	Explanation	Amount
Other Governmental Funds	To eliminate prior year receivable not collected.	\$ <u>(2,651)</u>

Note 13 - Subsequent Event

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 Montgomery County School District evaluated the activity of the district through the date the financial statements were available to be issued and determined that no subsequent

Montgomery County School District

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

requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY SCHOOL DISTRICT

Exhibit 1

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
Revenues:					
Local sources	\$ 1,150,653	1,154,666	1,093,666	4,013	(61,000)
State sources	1,981,914	2,078,684	2,064,525	96,770	(14,159)
Federal sources	40,000	54,000	85,705	14,000	31,705
Total Revenues	<u>3,172,567</u>	<u>3,287,350</u>	<u>3,243,896</u>	<u>114,783</u>	<u>(43,454)</u>
Expenditures:					
Instruction	1,709,572	1,675,666	1,641,168	33,906	34,498
Support services	1,379,001	1,422,520	1,374,273	(43,519)	48,247
Total Expenditures	<u>3,088,573</u>	<u>3,098,186</u>	<u>3,015,441</u>	<u>(9,613)</u>	<u>82,745</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,994</u>	<u>189,164</u>	<u>228,455</u>	<u>105,170</u>	<u>39,291</u>
Other Financing Sources (Uses):					
Proceeds of notes			41,581	0	41,581
Insurance loss recoveries		416	416	416	0
Sale of transportation equipment			6,526	0	(6,526)
Transfers In	479,048	399,832	5,608	(79,216)	(394,224)
Transfers Out	(520,781)	(508,195)	(82,162)	12,586	426,033
Total Other Financing Sources (Uses)	<u>(41,733)</u>	<u>(107,947)</u>	<u>(28,031)</u>	<u>(66,214)</u>	<u>79,916</u>
Net Change in Fund Balances	<u>42,261</u>	<u>81,217</u>	<u>200,424</u>	<u>38,956</u>	<u>119,207</u>
Fund Balances:					
July 1, 2012	<u>178,793</u>	<u>178,793</u>	<u>173,728</u>	<u>0</u>	<u>(5,065)</u>
June 30, 2013	<u>\$ 221,054</u>	<u>260,010</u>	<u>374,152</u>	<u>38,956</u>	<u>114,142</u>

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

MONTGOMERY COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 Forestry Escrow Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 700	10,766	9,114	10,066	(1,652)
Total Revenues	700	10,766	9,114	10,066	(1,652)
Expenditures:					
Sixteenth section	16,000	16,000	8,359	0	7,641
Total Expenditures	16,000	16,000	8,359	0	7,641
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,300)	(5,234)	755	10,066	5,989
Net Change in Fund Balances	(15,300)	(5,234)	755	10,066	5,989
Fund Balances:					
July 1, 2012	351,369	351,369	351,370	0	1
June 30, 2013	\$ 336,069	346,135	352,125	10,066	5,990

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

MONTGOMERY COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 93,863	161,140	161,826	67,277	686
Total Revenues	<u>93,863</u>	<u>161,140</u>	<u>161,826</u>	<u>67,277</u>	<u>686</u>
Expenditures:					
Sixteenth section	23,400	39,300	28,038	(15,900)	11,262
Total Expenditures	<u>23,400</u>	<u>39,300</u>	<u>28,038</u>	<u>(15,900)</u>	<u>11,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>70,463</u>	<u>121,840</u>	<u>133,788</u>	<u>51,377</u>	<u>11,948</u>
Net Change in Fund Balances	<u>70,463</u>	<u>121,840</u>	<u>133,788</u>	<u>51,377</u>	<u>11,948</u>
Fund Balances:					
July 1, 2012	<u>123,726</u>	<u>123,726</u>	<u>123,726</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$ 194,189</u>	<u>245,566</u>	<u>257,514</u>	<u>51,377</u>	<u>11,948</u>

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

Montgomery County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Montgomery County School District
 Schedule of Expenditure of Federal Awards
 For the Year Ended June 30, 2013

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 77,446
National School Lunch Program	10.555	158,331
Total Child Nutrition Cluster		<u>235,777</u>
Total passed-through Mississippi Department of Education		<u>235,777</u>
Total U.S. Department of Agriculture		<u><u>235,777</u></u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	77,030
Total Federal Communications Commission		<u><u>77,030</u></u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	318,476
Even Start - State Educational Agencies	84.213	10,140
Twenty-first Century Community Learning Centers	84.287	218,101
Improving Teacher Quality - State Grants	84.367	83,705
Subtotal		<u>630,422</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	95,216
Special Education - Preschool Grants	84.173	7,664
Total Special Education Cluster		<u>102,880</u>
Total passed-through the Mississippi Department of Education		<u>733,302</u>
Total U.S. Department of Education		<u><u>733,302</u></u>
<u>U. S. Department of Health and Human Services</u>		
Administered through the Centers for Disease Control and Prevention		
Passed through the Mississippi Department of Education:		
Medical Assistance Program	93.778	8,676
Total passed-through the Mississippi Department of Education		<u>8,676</u>
Total U.S. Department of Health and Human Services		<u><u>8,676</u></u>
Total for All Federal Awards		\$ <u><u>1,054,785</u></u>

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.

Montgomery County School District

Schedule 2

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 3,154,216	2,211,751	398,444	203,710	340,311
Other	1,167,920	402,218	124,708	7,533	633,461
Total	\$ <u>4,322,136</u>	<u>2,613,969</u>	<u>523,152</u>	<u>211,243</u>	<u>973,772</u>
Total number of students *	286				
Cost per student	\$ <u>15,113</u>	<u>9,140</u>	<u>1,829</u>	<u>739</u>	<u>3,405</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; Support Services - Business.

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

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

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

OTHER INFORMATION

MONTGOMERY COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 1,093,666	1,162,377	1,077,282	1,063,753
State sources	2,064,525	2,091,453	1,958,402	2,005,462
Federal sources	85,705	30,370	50,897	60,431
Total Revenues	<u>3,243,896</u>	<u>3,284,200</u>	<u>3,086,581</u>	<u>3,129,646</u>
Expenditures:				
Instruction	1,641,168	1,802,772	1,690,892	1,958,186
Support services	1,374,273	1,304,456	1,278,189	1,350,989
Total Expenditures	<u>3,015,441</u>	<u>3,107,228</u>	<u>2,969,081</u>	<u>3,309,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>228,455</u>	<u>176,972</u>	<u>117,500</u>	<u>(179,529)</u>
Other Financing Sources (Uses):				
Proceeds of notes	41,581			
Insurance loss recoveries	416			
Inception of capital leases		9,663		
Sale of transportation equipment	6,526	7,026		
Operating transfers in	5,608	16,575	88,830	145,159
Operating transfers out	(82,162)	(127,161)	(126,252)	(128,316)
Total Other Financing Sources (Uses)	<u>(28,031)</u>	<u>(93,897)</u>	<u>(37,422)</u>	<u>16,843</u>
Net Change in Fund Balances	<u>200,424</u>	<u>83,075</u>	<u>80,078</u>	<u>(162,686)</u>
Fund Balances:				
July 1,	173,728	90,653	10,575	173,261
June 30,	<u>\$ 374,152</u>	<u>173,728</u>	<u>90,653</u>	<u>10,575</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MONTGOMERY COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 1,114,490	1,185,950	1,100,377	1,088,584
State sources	2,255,721	2,306,577	2,175,717	2,236,374
Federal sources	1,054,784	1,224,497	1,695,718	1,772,825
Sixteenth section sources	172,917	109,354	99,841	140,884
Total Revenues	<u>4,597,912</u>	<u>4,826,378</u>	<u>5,071,653</u>	<u>5,238,667</u>
Expenditures:				
Instruction	2,158,066	2,566,561	2,836,367	3,163,038
Support services	1,733,389	1,705,370	1,732,678	1,828,836
Noninstructional services	269,174	268,500	272,091	288,410
Sixteenth section	36,397	37,879	38,932	40,860
Debt service:				
Principal	97,701	91,843	86,026	85,250
Interest	27,409	31,829	35,936	39,933
Other				585
Total Expenditures	<u>4,322,136</u>	<u>4,701,982</u>	<u>5,002,030</u>	<u>5,446,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>275,776</u>	<u>124,396</u>	<u>69,623</u>	<u>(208,245)</u>
Other Financing Sources (Uses):				
Proceeds of notes	41,581			
Insurance loss recoveries	416			
Inception of capital leases		9,663		
Sale of transportation equipment	6,526	7,026		
Operating transfers in	132,193	211,589	283,167	273,475
Operating transfers out	(132,193)	(211,589)	(283,167)	(273,475)
Other financing uses	(1,250)	(550)	(585)	
Total Other Financing Sources (Uses)	<u>47,273</u>	<u>16,139</u>	<u>(585)</u>	<u>0</u>
Net Change in Fund Balances	<u>323,049</u>	<u>140,535</u>	<u>69,038</u>	<u>(208,245)</u>
Fund Balances:				
July 1, as previously reported	914,179	774,810	707,305	914,601
Prior period adjustment	(2,651)			
July 1, as restated	<u>911,528</u>	<u>774,810</u>	<u>707,305</u>	<u>914,601</u>
Increase (Decrease) in inventory	2,444	(1,166)	(1,533)	949
June 30,	<u>\$ 1,237,021</u>	<u>914,179</u>	<u>774,810</u>	<u>707,305</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
Montgomery County 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 Montgomery County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Montgomery County School District's basic financial statements, and have issued our report thereon dated October 30, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montgomery County 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 30, 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
Montgomery County School District

Report on Compliance for Each Major Federal Program

We have audited Montgomery County 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 Montgomery County School District's major federal programs for the year ended June 30, 2013. The Montgomery County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Montgomery County 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 Montgomery County 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 Montgomery County 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 Montgomery County 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 out 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 30, 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
Montgomery County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2013, which collectively comprise Chickasaw County School District's basic financial statements and have issued our report thereon dated October 30, 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 \$10,065 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.

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 30, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Montgomery County 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 noted? 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 to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

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

Section II: Financial Statements 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.