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**Rankin County School District**

Audited Financial Statements  
For the Year Ended June 30, 2013

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

**Rankin County School District  
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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  
Rankin 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 Rankin 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 Rankin 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 the financial statements.

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

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## **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 Rankin 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 19 and 56 to 58 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 Rankin 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 November 18, 2013, on our consideration of the Rankin 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 Rankin County School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 18, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Rankin County School District**  
Management's Discussion and Analysis  
For the year ended June 30, 2013

The following discussion and analysis of Rankin 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 \$4,616,005, including a prior period adjustment of (\$1,636), which represents a 3% increase from fiscal year 2012. Total net position for 2012 increased \$5,994,767, which represents a 5% increase from fiscal year 2011.
- General revenues amounted to \$137,475,353 and \$135,854,869, or 83% and 85% 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 \$27,286,032, or 17% of total revenues for 2013, and \$24,258,835, or 15% of total revenues for 2012.
- The District had \$160,143,744 and \$154,118,937 in expenses for fiscal years 2013 and 2012; only \$27,286,032 for 2013 and \$24,258,835 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$137,475,353 for 2013 and \$135,854,869 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$129,407,372 in revenues and \$133,069,326 in expenditures for 2013, and \$123,826,675 in revenues and \$124,420,097 in expenditures for 2012. The General Fund's fund balance decreased by \$1,943,490, from 2012 to 2013, and decreased by \$552,624, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$2,806,128 for 2013 and decreased by \$3,396,844 for 2012. The decrease for 2013 was due to retirements of computers and related computer equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$8,638,355, including a prior period adjustment of \$1,636 for 2013 and decreased by \$8,460,206 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$50,658 for 2013 and increased by \$11,107 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.

**Rankin 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

**Rankin County School District**  
Management's Discussion and Analysis  
For the year ended June 30, 2013

long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

**Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Notes to the financial statements**

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

**Rankin County School District**  
Management's Discussion and Analysis  
For the year ended June 30, 2013

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 \$139,411,478 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.

**Rankin County School District**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2013**

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 37,293,668	39,623,451	(6)%
Restricted assets	12,493,955	10,667,642	17%
Capital assets, net	<u>158,890,332</u>	<u>161,696,460</u>	(2)%
<b>Total assets</b>	<u>208,677,955</u>	<u>211,987,553</u>	(2)%
Current liabilities	1,778,423	1,116,329	59%
Long-term debt outstanding	<u>67,488,054</u>	<u>76,075,751</u>	(11)%
<b>Total liabilities</b>	<u>69,266,477</u>	<u>77,192,080</u>	(10)%
<b>Net position:</b>			
Net investment in capital assets	92,421,186	86,588,959	7%
Restricted	25,280,194	24,604,542	3%
Unrestricted	<u>21,710,098</u>	<u>23,601,972</u>	(8)%
<b>Total net position</b>	<u>\$ 139,411,478</u>	<u>134,795,473</u>	3%

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 \$2,806,128.
- The principal retirement of \$10,089,991 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 \$164,761,385 and \$160,113,704, respectively. The total cost of all programs and services was \$160,143,744 for 2013 and \$154,118,937 for 2012.

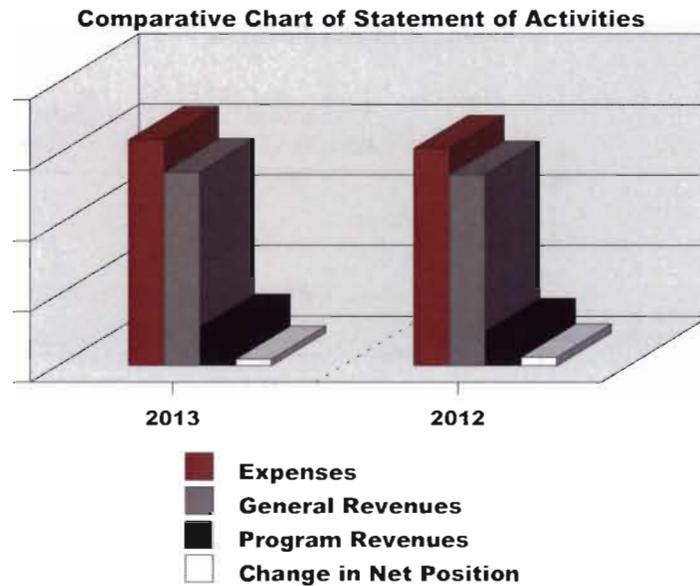
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Rankin 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>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 8,610,758	6,276,253	37%
Operating grants and contributions	18,675,274	17,982,582	4%
Total program revenues	<u>27,286,032</u>	<u>24,258,835</u>	12%
General revenues:			
Property taxes	56,788,180	55,279,766	3%
Grants and contributions not restricted	77,036,668	74,945,183	3%
Unrestricted investment earnings	319,266	319,215	0%
Sixteenth section sources	3,199,706	2,467,805	30%
Other	131,533	2,842,900	(95)%
Total general revenues	<u>137,475,353</u>	<u>135,854,869</u>	1%
<b>Total revenues</b>	<u>164,761,385</u>	<u>160,113,704</u>	3%
<b>Expenses:</b>			
Instruction	94,114,047	90,735,197	4%
Support services	54,172,249	49,713,590	9%
Non-instructional	8,506,829	9,856,154	(14)%
Sixteenth section	300,297	358,177	(16)%
Interest on long-term liabilities	3,050,322	3,455,819	(12)%
<b>Total expenses</b>	<u>160,143,744</u>	<u>154,118,937</u>	4%
Increase (Decrease) in net position	<u>4,617,641</u>	<u>5,994,767</u>	(23)%
<b>Net Position, July 1, as previously reported</b>	134,795,473	128,800,706	5%
<b>Prior Period Adjustment</b>	<u>(1,636)</u>		
<b>Net Position, July 1, as restated</b>	<u>134,793,837</u>	<u>128,800,706</u>	5%
<b>Net Position, June 30</b>	<u>\$ 139,411,478</u>	<u>134,795,473</u>	3%

**Rankin 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 debt. 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.

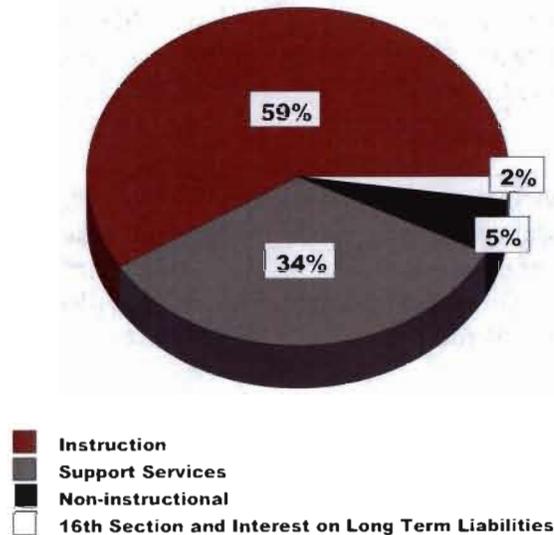
**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	
Instruction	\$ 94,114,047	90,735,197	4%
Support services	54,172,249	49,713,590	9%
Non-instructional	8,506,829	9,856,154	(14)%
Sixteenth section	300,297	358,177	(16)%
Interest on long-term liabilities	3,050,322	3,455,819	(12)%
<b>Total expenses</b>	<b>\$ 160,143,744</b>	<b>154,118,937</b>	<b>4%</b>

**Rankin County School District**  
**Management's Discussion and Analysis**  
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	<u>Net (Expense) Revenue</u>		
	2013	2012	Percentage Change
Instruction	\$ (81,193,642)	(78,540,619)	3%
Support services	(49,949,496)	(45,658,223)	9%
Non-instructional	1,586,920	(1,906,035)	(183)%
Sixteenth section	(251,172)	(299,406)	(16)%
Interest on long-term liabilities	(3,050,322)	(3,455,819)	(12)%
<b>Total net (expense) revenue</b>	<b>\$ (132,857,712)</b>	<b>(129,860,102)</b>	<b>2%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$132,857,712 for 2013 and \$129,860,102 for 2012) was financed by general revenue, which is primarily made of property taxes (\$56,788,180 for 2013 and \$55,279,766 for 2012) and state and federal revenues (\$77,036,668 for 2013 and \$74,945,183 for 2012). In addition, there was \$3,199,706 and \$2,467,805 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$319,266 for 2013 and \$319,215 for 2012.

**Rankin 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 \$48,760,716, a decrease of \$1,359,061, which includes a decrease in inventory of \$1,479. \$19,365,480, or 40% 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 \$29,395,236, or 60% 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 decrease in fund balance in the General Fund for the fiscal year was \$1,943,490. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,234,171, which includes a decrease in inventory of \$1,479 due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
EHA (IDEA) Fund	no increase or decrease
Sixteenth Section Principal Fund	\$ 1,818,600

**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 fund is provided in this report as required supplementary information.

**Rankin 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 \$224,848,888, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,083,154 from 2012. Total accumulated depreciation as of June 30, 2013, was \$65,958,556, and total depreciation expense for the year was \$4,971,842, resulting in total net capital assets of \$158,890,332.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 10,216,525	10,151,260	1%
Buildings	140,166,583	143,764,230	(3)%
Building improvements	2,805,552	2,414,485	16%
Mobile equipment	4,664,246	4,248,181	10%
Furniture and equipment	1,037,426	1,118,304	(7)%
<b>Total</b>	<u>\$ 158,890,332</u>	<u>161,696,460</u>	<u>(2)%</u>

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 \$67,488,054 in outstanding long-term debt, of which \$10,847,705 is due within one year. The liability for compensated absences increased \$50,658 from the prior year.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 43,920,000	50,450,000	(13)%
Three mill notes payable	20,885,000	23,880,000	(13)%
Obligations under capital leases	1,664,146	777,501	114%
Compensated absences payable	1,018,908	968,250	5%
<b>Total</b>	<u>\$ 67,488,054</u>	<u>76,075,751</u>	<u>(11)%</u>

**Rankin 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**

Rankin County School District is the third largest school district in the State of Mississippi, serving grades kindergarten through twelve with a current enrollment of approximately 19,500. The district consists of twenty seven schools in the its eight attendance zones. The attendance zones are Brandon, Florence, McLaurin, Northwest, Pelahatchie, Pisgah, Puckett, and Richland. Over the last five years, the district's enrollment has increased approximately 1,500 students.

The District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting", issued by the Office of the State Auditor, has been awarded to the school district for the last several years. Because of the district's strong financial position, the district was upgraded during fiscal year 2012 from an AA- to an AA bond credit rating with Standard and Poor's Rating Service. The District's system of financial planning, budgeting and internal financial controls are well regarded.

The assessed valuation of the Rankin County School District at October 1, 2012 was \$1,250,880,288.

The District's operational tax millage rate for fiscal year 2013 is 40.81 mills and the debt service millage rate is 8.61 mills. The total millage rate of 49.42 mills is one of the lowest when compared to other districts of the metro Jackson area and other districts of comparable enrollment. The table on page 19 compares tax rates of these districts with the Rankin County School District.

The Rankin County School District is financially stable. The Mississippi State Department of Education requires a school district to maintain the fund balance of the District Maintenance Fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2013, the district maintenance fund balance was \$19,985,480 or 16% of revenues within the District Maintenance Fund.

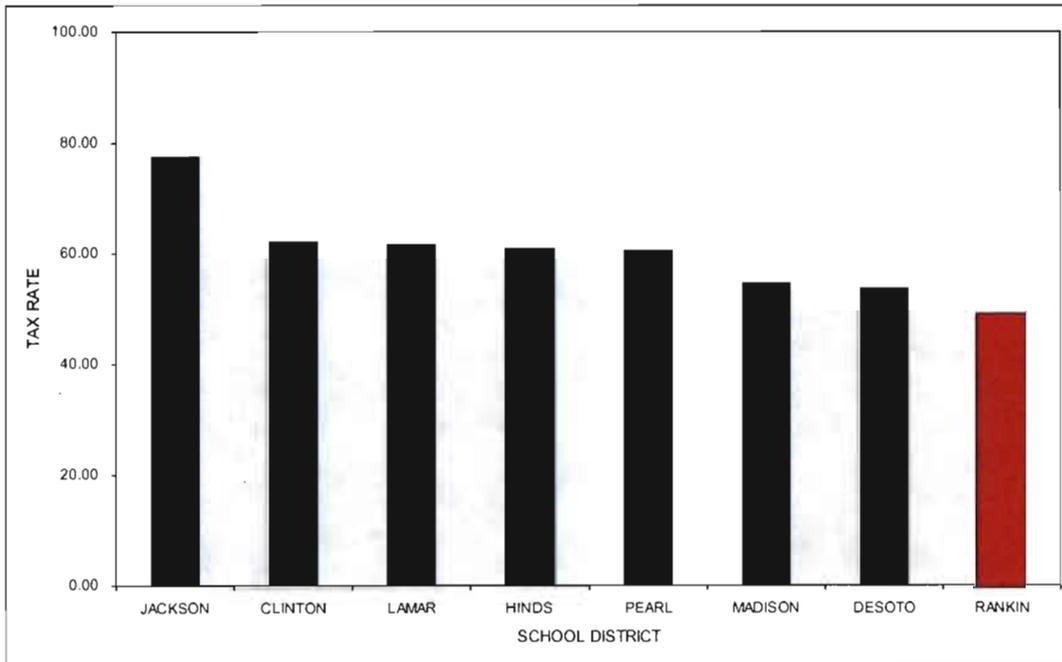
The District pursues grant funding to supplement the local, state and federal revenues.

**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 Rankin County School District, 1220 Apple Park Place, Brandon, MS 39042.

**RANKIN COUNTY SCHOOL DISTRICT  
COMPARISON OF TAX RATES  
FOR FISCAL YEAR 2013**

<u>SCHOOL DISTRICT</u>	<u>TAX RATE (MILLS)</u>
JACKSON	77.49
CLINTON	61.94
LAMAR	61.57
HINDS	61.00
PEARL	60.38
MADISON	54.55
DESOTO	53.57
RANKIN	49.42



## FINANCIAL STATEMENTS

**RANKIN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Governmental Activities
<b>Assets:</b>	
<i>Cash and cash equivalents</i>	\$ 33,423,736
<i>Due from other governments</i>	3,488,196
<i>Accrued interest receivable</i>	12,416
<i>Other receivables, net</i>	120,744
<i>Inventories</i>	248,576
<i>Restricted assets</i>	12,493,955
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	10,216,525
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	140,166,583
<i>Improvements other than buildings</i>	2,805,552
<i>Mobile equipment</i>	4,664,246
<i>Furniture and equipment</i>	1,037,426
Total Assets	<u>208,677,955</u>
<b>Liabilities:</b>	
<i>Accounts payable and accrued liabilities</i>	886,773
<i>Unearned revenue</i>	37,860
<i>Interest payable on long-term liabilities</i>	853,790
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	10,796,760
<i>Non-capital related liabilities</i>	50,945
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	55,672,386
<i>Non-capital related liabilities</i>	967,963
Total Liabilities	<u>69,266,477</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	92,421,186
Restricted For:	
Expendable:	
School based activities	5,131,039
Debt Service	6,880,222
Unemployment benefits	507,660
Forestry improvements	254,902
Sixteenth section	85,606
Non-expendable:	
Sixteenth section	12,420,765
Unrestricted	21,710,098
Total Net Position	<u>\$ 139,411,478</u>

The accompanying notes are an integral part of this statement.

## RANKIN 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	
<b>Governmental Activities</b>				<b>Governmental Activities</b>
<i>Instruction</i>	94,114,047	3,199,840	9,720,565	(81,193,642)
<i>Support services</i>	54,172,249	--	4,222,753	(49,949,496)
<i>Noninstructional services</i>	8,506,829	5,361,793	4,731,956	1,586,920
<i>Sixteenth section</i>	300,297	49,125	--	(251,172)
<i>Interest on long-term liabilities</i>	3,050,322	--	--	(3,050,322)
<b>Total Governmental Activities</b>	<u>\$ 160,143,744</u>	<u>\$ 8,610,758</u>	<u>\$ 18,675,274</u>	<u>(132,857,712)</u>
General Revenues:				
Taxes:				
				46,191,624
				10,596,556
<i>Unrestricted grants and contributions:</i>				
				76,612,236
				424,432
				319,266
				3,199,706
				131,533
				<u>137,475,353</u>
				Change in Net Position
				4,617,641
				Net Position- Beginning, as previously reported
				134,795,473
				Prior Period Adjustment
				(1,636)
				Net Position- Beginning, as restated
				134,793,837
				<u>Net Position- Ending</u>
				<u>\$ 139,411,478</u>

The accompanying notes are an integral part of this statement.

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**RANKIN COUNTY SCHOOL DISTRICT**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	General Fund	EHA (IDEA) Fund
<b>Assets:</b>		
Cash and cash equivalents	\$ 20,531,985	\$ --
Investments	--	--
Due from other governments	1,764,267	940,429
Accrued interest receivable	--	--
Other receivables, net	50	--
Due from other funds	1,255,063	--
Inventories	--	--
<b>Total Assets</b>	<b>\$ 23,551,365</b>	<b>\$ 940,429</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 886,773	\$ --
Due to other funds	--	940,429
Unearned revenue	37,860	--
<b>Total Liabilities</b>	<b>924,633</b>	<b>940,429</b>
<b>Fund Balances:</b>		
<b>Non-spendable:</b>		
Permanent fund principal	--	--
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Forestry improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
<b>Assigned:</b>		
Special education	615,399	--
Alternative school	122,871	--
At Risk	1,450	--
Activity funds	1,052,663	--
EDEP Frontiers	822,588	--
Buildings and improvements	26,281	--
Forestry improvements	--	--
Permanent fund interest	--	--
R-PAL special	--	--
Family resources center	--	--
Sixteenth section interest	--	--
Projects	620,000	--
<b>Unassigned</b>	<b>19,365,480</b>	<b>--</b>
<b>Total Fund Balances</b>	<b>22,626,732</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,551,365</b>	<b>\$ 940,429</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,593,163	\$ 12,891,751	\$ 38,016,899
7,900,792	--	7,900,792
--	621,355	3,326,051
12,416	--	12,416
--	120,694	120,744
--	--	1,255,063
--	248,576	248,576
<u>\$ 12,506,371</u>	<u>\$ 13,882,376</u>	<u>\$ 50,880,541</u>
\$ --	\$ --	\$ 886,773
--	254,763	1,195,192
--	--	37,860
<u>--</u>	<u>254,763</u>	<u>2,119,825</u>
12,420,765	--	12,420,765
--	248,576	248,576
--	507,660	507,660
--	253,421	253,421
--	7,734,012	7,734,012
--	447,734	447,734
--	2,910,086	2,910,086
--	--	615,399
--	--	122,871
--	--	1,450
--	--	1,052,663
--	--	822,588
--	--	26,281
--	1,481	1,481
85,606	--	85,606
--	14,093	14,093
--	101	101
--	1,510,449	1,510,449
--	--	620,000
--	--	19,365,480
<u>12,506,371</u>	<u>13,627,613</u>	<u>48,760,716</u>
<u>\$ 12,506,371</u>	<u>\$ 13,882,376</u>	<u>\$ 50,880,541</u>

**RANKIN 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	\$ 48,760,716
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.	158,890,332
Receivable recognized for sixteenth section not reported in the funds.	102,274
Liabilities due in one year are not recognized in the funds.	(10,847,705)
Payables for bond principal which are not due in the current period are not reported in the funds.	(37,090,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(807,386)
Payables for bond interest which are not due in the current period are not reported in the funds.	(853,790)
Payables for notes which are not due in the current period are not reported in the funds.	(17,775,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(967,963)</u>
Net position of governmental activities	<u>\$ 139,411,478</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	EHA (IDEA) Fund
<b>Revenues:</b>		
Local sources	\$ 52,195,283	\$ --
State sources	76,784,465	--
Federal sources	427,624	4,760,894
Sixteenth section sources	--	--
Total Revenues	<u>129,407,372</u>	<u>4,760,894</u>
<b>Expenditures:</b>		
Instruction	80,207,022	2,385,004
Support services	50,034,033	1,391,876
Noninstructional services	2,027,108	--
Sixteenth section	--	--
Facilities acquisition and construction	193,376	538,593
Debt service:		
Principal	563,355	--
Interest	44,432	--
Other	--	--
Total Expenditures	<u>133,069,326</u>	<u>4,315,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,661,954)</u>	<u>445,421</u>
<b>Other Financing Sources (Uses):</b>		
Inception of capital leases	1,450,000	--
Insurance loss recoveries	1,522,435	--
Sale of other property	10,673	--
Transfers In	1,127,773	--
Transfers Out	(2,392,417)	(445,421)
Other financing uses	--	--
Total Other Financing Sources (Uses)	<u>1,718,464</u>	<u>(445,421)</u>
Net Change in Fund Balances	<u>(1,943,490)</u>	<u>--</u>
<b>Fund Balances:</b>		
July 1, 2012	24,570,222	--
Increase (decrease) in inventory	--	--
June 30, 2013	<u>\$ 22,626,732</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 13,954,693	\$ 66,149,976
--	3,797,388	80,581,853
--	9,487,021	14,675,539
1,994,931	1,282,909	3,277,840
<u>1,994,931</u>	<u>28,522,011</u>	<u>164,685,208</u>
--	8,793,399	91,385,425
--	2,268,408	53,694,317
--	7,519,929	9,547,037
--	300,297	300,297
--	--	731,969
--	9,526,636	10,089,991
--	3,120,675	3,165,107
--	13,207	13,207
<u>--</u>	<u>31,542,551</u>	<u>168,927,350</u>
1,994,931	(3,020,540)	(4,242,142)
--	--	1,450,000
--	--	1,522,435
--	--	10,673
--	3,707,467	4,835,240
(77,783)	(1,919,619)	(4,835,240)
(98,548)	--	(98,548)
<u>(176,331)</u>	<u>1,787,848</u>	<u>2,884,560</u>
1,818,600	(1,232,692)	(1,357,582)
10,687,771	14,861,784	50,119,777
--	(1,479)	(1,479)
<u>\$ 12,506,371</u>	<u>\$ 13,627,613</u>	<u>\$ 48,760,716</u>

**RANKIN 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	\$ (1,357,582)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,177,544
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,971,842)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(11,830)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	6,530,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	564,991
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	2,995,000
(Increase) decrease in accrued interest from beginning of period to end of period.	127,992
Sixteenth section receivable recognized under the accrual method.	65,505
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(1,479)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(50,658)
Inception of capital leases is recognized as other financial resources in funds but not in the SOA.	<u>(1,450,000)</u>
Change in net position of governmental activities	<u>\$ 4,617,641</u>

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*JUNE 30, 2013*

	Private- Purpose Trust Fund	Agency Funds
<b>Assets:</b>		
Cash and other deposits	\$ 152,515	\$ 6,363,553
Total Assets	<u>\$ 152,515</u>	<u>\$ 6,363,553</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities		\$ 5,769,501
Due to student clubs		534,181
Due to other funds		59,871
Total Liabilities		<u>\$ 6,363,553</u>
<b>Net Position:</b>		
Reserved for endowments	\$ 152,515	
Total Net Position	<u>\$ 152,515</u>	

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED JUNE 30, 2013*

	Private- Purpose Trust Fund
<b>Additions:</b>	
Investment Income	\$ 755
Special tag revenue	19,536
Donations	2,200
Total Additions	<u>22,491</u>
<b>Deductions:</b>	
Administrative Expenses	2,000
Total Deductions	<u>2,000</u>
Change in Net Position	20,491
<b>Net Position</b>	
July 1, 2012	132,024
June 30, 2013	<u>\$ 152,515</u>

The accompanying notes are an integral part of this statement.

**Rankin County School District**

Notes to the Financial Statements  
For the year ended June 30, 2013

## **Rankin 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, Rankin 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.
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.

## Rankin County School District

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

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have 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.

EHA (IDEA) Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

Sixteenth Section Principal Fund - This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

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

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

The District's fiduciary funds include the following:

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

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

## Rankin County School District

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

Scholarship Funds - These funds are private purpose trust funds that serve to report all trust arrangements.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

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 resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

### FIDUCIARY FUNDS

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

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

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

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

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

## Rankin County School District

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

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.

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 are 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.

## Rankin County School District

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

### **D. Encumbrances**

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

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

#### 1. Cash, Cash equivalents and Investments

##### Cash and cash equivalents

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

##### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

## Rankin County School District

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

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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.

**Rankin County School District**

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

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.

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 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

## Rankin County School District

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

hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

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

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

*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

## Rankin County School District

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

the general fund at fiscal year end of not less than 10-15% of the district maintenance fund's total revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### Note 2 - Cash and Cash Equivalents 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 \$38,016,899 and \$6,516,068, respectively.

## Rankin County School District

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$51,347,655 was exposed to custodial credit risk.

### 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>
Federal Home Loan Bank	AA+	3+ years	\$ 1,966,440
Federal Farm Credit	AA+	3+ years	1,950,520
Federal Home Loan Mortgage Corp.	AA+	2+ years	2,006,840
Federal National Mortgage Assoc.	AA+	3+ years	981,710
MS Development Bank	AA-	3+ years	995,282
Total			<u>\$ 7,900,792</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.

### Note 3 - Inter-fund Receivables, Payables and Transfers

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

**Rankin County School District**

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EHA (IDEA) Fund	\$ 940,429
	Other Governmental Funds	254,763
	Fiduciary Funds	59,871
Total		<u>\$ 1,255,063</u>

The purpose of the most significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sixteenth Section Principal Fund	\$ 77,783
	Other Governmental Funds	1,049,990
Other Governmental Funds	EHA (IDEA) Fund	445,421
	Other Governmental Funds	869,629
	General Fund	2,392,417
Total		<u>\$ 4,835,240</u>

Transfers were made for indirect cost transfers and budgetary allocations. 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 \$4,593,163 and \$7,900,792, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

**Note 5 - Capital Assets**

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

	<u>Balance 7-1-2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-2013</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 10,151,260	65,265		10,216,525
Total non-depreciable capital assets	<u>10,151,260</u>	<u>65,265</u>	<u>0</u>	<u>10,216,525</u>

## Rankin County School District

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

Depreciable capital assets:

Buildings	188,872,238	125,376		188,997,614
Building improvements	3,683,389	538,593		4,221,982
Mobile equipment	14,363,502	1,178,852		15,542,354
Furniture and equipment	5,695,345	269,458	94,390	5,870,413
Total depreciable capital assets	212,614,474	2,112,279	94,390	214,632,363

Less accumulated depreciation for:

Buildings	45,108,008	3,723,023		48,831,031
Building improvements	1,268,904	147,526		1,416,430
Mobile equipment	10,115,321	762,787		10,878,108
Furniture and equipment	4,577,041	338,506	82,560	4,832,987
Total accumulated depreciation	61,069,274	4,971,842	82,560	65,958,556

Total depreciable capital assets, net	151,545,200	(2,859,563)	11,830	148,673,807
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Governmental activities capital assets, net	\$ 161,696,460	(2,794,298)	11,830	158,890,332
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Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 2,837,044
Support services	1,654,049
Non-instructional	480,749
Total depreciation expense	<u>\$ 4,971,842</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	Adjustments	Balance 6-30-2013	Amounts due within one year
A. General obligation bonds payable	\$ 50,450,000		6,530,000		43,920,000	6,830,000
B. Three mill note payable	23,880,000		2,995,000		20,885,000	3,110,000
C. Obligations under capital leases	777,501	1,450,000	564,991	1,636	1,664,146	856,760
D. Compensated absences payable	968,250	50,658			1,018,908	50,945
Total	\$ 76,075,751	1,500,658	10,089,991	1,636	67,488,054	10,847,705

Adjustment was made to properly reflect outstanding debt at fiscal year end.

## Rankin County School District

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

### A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.0-4.5%	06-01-98	02-01-15	\$ 33,045,000	5,540,000
General obligation bonds, Refunded 2007	3.5-5.0%	10-01-06	10-01-20	43,370,000	38,380,000
Total				\$ <u>76,415,000</u>	<u>43,920,000</u>

Details of the district's June 30, 2013 general obligation bonded indebtedness are as follows:

#### 1. Bond issue of June 1, 1998:

Year Ending June 30	Principal	Interest	Total
2014	\$ 2,675,000	297,538	2,972,538
2015	2,865,000	150,413	3,015,413
Total	\$ <u>5,540,000</u>	<u>447,951</u>	<u>5,987,951</u>

This debt will be retired from the 1998 Bond Issue Refinanced Fund.

#### 2. Bond issue of October 1, 2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 4,155,000	1,690,450	5,845,450
2015	4,335,000	1,482,700	5,817,700
2016	4,520,000	1,265,950	5,785,950
2017	4,710,000	1,039,950	5,749,950
2018	4,890,000	839,775	5,729,775
2019 - 2021	15,770,000	1,310,156	17,080,156
Total	\$ <u>38,380,000</u>	<u>7,628,981</u>	<u>46,008,981</u>

This debt will be retired from the 2001 Bond Issue Fund.

## Rankin County School District

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 6,830,000	1,987,988	8,817,988
2015	7,200,000	1,633,113	8,833,113
2016	4,520,000	1,265,950	5,785,950
2017	4,710,000	1,039,950	5,749,950
2018	4,890,000	839,775	5,729,775
2019 - 2021	15,770,000	1,310,156	17,080,156
Total	\$ <u>43,920,000</u>	<u>8,076,932</u>	<u>51,996,932</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 4% of property assessments as of October 1, 2012.

### B. Three Mill Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2004 Three Mill Note	3.0-3.6%	02-01-04	03-01-14	\$ 12,000,000	1,395,000
2006 Three Mill Note	3.5-4.42%	08-01-06	08-01-26	17,000,000	13,360,000
2008 Three Mill Note	3.0-4.0%	06-01-08	06-01-18	4,500,000	2,450,000
2009 Three Mill Note	2.5-3.25%	05-06-09	04-01-19	5,700,000	3,680,000
Total				\$ <u>39,200,000</u>	<u>20,885,000</u>

1. Three mill note payable issued in 2004:

Year Ending June 30	Principal	Interest	Total
2014	\$ <u>1,395,000</u>	<u>50,220</u>	<u>1,445,220</u>

This debt will be retired from the 3 Mill 10 Year (04) Fund.

**Rankin County School District**

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

2. Three mill note payable issued in 2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 705,000	566,481	1,271,481
2015	740,000	530,356	1,270,356
2016	770,000	492,606	1,262,606
2017	805,000	453,231	1,258,231
2018	840,000	416,306	1,256,306
2019 - 2023	4,815,000	1,522,809	6,337,809
2024 - 2027	4,685,000	414,640	5,099,640
Total	\$ <u>13,360,000</u>	<u>4,396,429</u>	<u>17,756,429</u>

This debt will be retired from the 3 Mill 20 Year (2006) Fund.

3. Three mill note payable issued in 2008:

This note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Department of Education pursuant to the Mississippi Education Enhancement Funds (EEF Fund), Section 37-61-33(2)(d), Miss. Code Ann. (1972). The EEF funds pledged is to secure the 2009 through 2019 maturities in the approximate amounts of \$534,448 each year.

Year Ending June 30	Principal	Interest	Total
2014	\$ 455,000	79,546	534,546
2015	470,000	65,896	535,896
2016	490,000	50,856	540,856
2017	510,000	34,931	544,931
2018	525,000	17,719	542,719
Total	\$ <u>2,450,000</u>	<u>248,948</u>	<u>2,698,948</u>

This debt will be retired from the EEF Building and Buses Fund.

**Rankin County School District**

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

4. Three mill note payable issued in 2009:

Year Ending June 30	Principal	Interest	Total
2014	\$ 555,000	112,087	667,087
2015	575,000	95,438	670,438
2016	600,000	78,188	678,188
2017	625,000	60,188	685,188
2018	650,000	41,438	691,438
2019	675,000	21,938	696,938
Total	\$ <u>3,680,000</u>	<u>409,277</u>	<u>4,089,277</u>

This debt will be retired from the 3 Mill 10 Year (2009) Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 3,110,000	808,334	3,918,334
2015	1,785,000	691,690	2,476,690
2016	1,860,000	621,650	2,481,650
2017	1,940,000	548,350	2,488,350
2018	2,015,000	475,463	2,490,463
2019 - 2023	5,490,000	1,544,747	7,034,747
2024 - 2027	4,685,000	414,640	5,099,640
Total	\$ <u>20,885,000</u>	<u>5,104,874</u>	<u>25,989,874</u>

**C. Obligations under Capital Leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of computers and driver's education cars at a cost of \$1,000,000 and \$175,000, respectively. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease is as follows:

1. Option to purchase the equipment at the end of the lease term

## Rankin County School District

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master Lease - 2011 Computers	4.49%	08-16-11	04-10-14	\$ 1,000,000	342,887
Master Lease - 2011 Drivers Education Cars	5%	08-16-11	04-10-16	175,000	108,256
Master Lease - 2013 Computers	1.56%	09-12-12	09-12-15	1,450,000	1,213,003
Total				\$ <u>2,625,000</u>	<u>1,664,146</u>

#### 1. Master Lease - 2011 Computers:

Year Ending June 30	Principal	Interest	Total
2014	\$ <u>342,887</u>	<u>11,590</u>	<u>354,477</u>

This debt will be retired from the District Maintenance Fund.

#### 2. Master Lease - 2011 Drivers Education Cars:

Year Ending June 30	Principal	Interest	Total
2014	\$ 34,319	4,989	39,308
2015	36,056	3,251	39,307
2016	<u>37,881</u>	<u>1,426</u>	<u>39,307</u>
Total	\$ <u>108,256</u>	<u>9,666</u>	<u>117,922</u>

This debt will be retired from the District Maintenance Fund.

#### 3. Master Lease - 2013 Computers:

Year Ending June 30	Principal	Interest	Total
2014	\$ 479,554	17,060	496,614
2015	487,064	9,550	496,614
2016	<u>246,385</u>	<u>1,922</u>	<u>248,307</u>
Total	\$ <u>1,213,003</u>	<u>28,532</u>	<u>1,241,535</u>

This debt will be retired from the District Maintenance Fund.

**Rankin 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	\$ 856,760	33,639	890,399
2015	523,120	12,801	535,921
2016	284,266	3,348	287,614
Total	\$ 1,664,146	49,788	1,713,934

This debt will be retired from the District Maintenance Fund.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

**D. Compensated absences payable**

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

**Note 7 - Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Copiers
2. Risographs
3. Duplicators
4. Storage Room

Lease expenditures for the year ended June 30, 2013, amounted to \$ 319,088.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 226,506
2015	144,227
2016	29,966
Total	\$ 400,699

## Rankin County School District

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

### Note 8 - Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplemental 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 \$12,465,890, \$10,693,335, and \$9,849,679, respectively, which equaled the required contributions for each year.

### Note 9 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 784,555
2015	780,055
2016	740,928
2017	711,362
2018	700,235
2019-2023	3,321,948
2024-2028	3,287,711
2029-2033	2,526,483
2034-2038	1,728,787
Thereafter	1,427,177
Total	\$ <u>16,009,241</u>

## **Rankin County School District**

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

### **Note 10 - 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 members' 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 11 - Contingencies**

**Federal Grants** - The school 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 terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

## Rankin County School District

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

### Note 12 - Insurance Loss Recoveries

The Rankin County School District received \$1,522,435 in insurance loss recoveries related to damages to school property during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as follows:

	<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expense Function</u>
\$	<u>1,522,435</u>	<u>100%</u>	Non-instructional

### Note 13 - Prior Period Adjustment

A summary of significant net position adjustment is as follows:

#### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To properly reflect outstanding debt at fiscal year end.	\$ <u>1,636</u>

### Note 14 - Subsequent Events

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

- 1) Issuance of a \$12,000,000 Limited Tax Note that will bear interest at 2.42% and will mature August 1, 2023.
- 2) Inception of capital leases in the amount of \$1,308,000 for computer equipment that will bear interest at 1.78% and will mature on September 1, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**RANKIN 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
<b>Revenues:</b>					
Local sources	\$ 50,582,375	51,318,907	52,195,283	736,532	876,376
State sources	78,110,564	78,110,564	76,784,465	0	(1,326,099)
Federal sources	665,600	665,600	427,624	0	(237,976)
Total Revenues	<u>129,358,539</u>	<u>130,095,071</u>	<u>129,407,372</u>	<u>736,532</u>	<u>(687,699)</u>
<b>Expenditures:</b>					
Instruction	80,625,681	82,248,953	80,207,022	(1,623,272)	2,041,931
Support services	49,291,277	48,257,240	50,034,033	1,034,037	(1,776,793)
Noninstructional services	1,950,749	2,070,259	2,027,108	(119,510)	43,151
Facilities acquisition and construction		2,333,530	193,376	(2,333,530)	2,140,154
Debt Service:					
Principal	876,510	563,355	563,355	313,155	0
Interest		44,526	44,432	(44,526)	94
Total Expenditures	<u>132,744,217</u>	<u>135,517,863</u>	<u>133,069,326</u>	<u>(2,773,646)</u>	<u>2,448,537</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,385,678)</u>	<u>(5,422,792)</u>	<u>(3,661,954)</u>	<u>(2,037,114)</u>	<u>1,760,838</u>
<b>Other Financing Sources (Uses):</b>					
Inception of capital leases	1,450,000	1,450,000	1,450,000	0	0
Insurance loss recoveries	10,000	10,000	1,522,435	0	1,512,435
Sale of other property	5,000	5,000	10,673	0	5,673
Transfers in	13,648,627	13,668,627	1,127,773	20,000	(12,540,854)
Transfers out	(16,132,627)	(16,152,627)	(2,392,417)	(20,000)	13,760,210
Total Other Financing Sources (Uses)	<u>(1,019,000)</u>	<u>(1,019,000)</u>	<u>1,718,464</u>	<u>0</u>	<u>2,737,464</u>
Net Change in Fund Balances	<u>(4,404,678)</u>	<u>(6,441,792)</u>	<u>(1,943,490)</u>	<u>(2,037,114)</u>	<u>4,498,302</u>
<b>Fund Balances:</b>					
July 1, 2012,	<u>23,516,000</u>	<u>24,570,222</u>	<u>24,570,222</u>	<u>1,054,222</u>	<u>0</u>
June 30, 2013	<u>\$ 19,111,322</u>	<u>18,128,430</u>	<u>22,626,732</u>	<u>(982,892)</u>	<u>4,498,302</u>

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

**RANKIN COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 EHA (IDEA) Fund  
 For the Year Ended June 30, 2013

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 4,728,518	5,355,971	4,760,894	627,453	(595,077)
Total Revenues	<u>4,728,518</u>	<u>5,355,971</u>	<u>4,760,894</u>	<u>627,453</u>	<u>(595,077)</u>
<b>Expenditures:</b>					
Instruction	3,144,820	3,189,229	2,385,004	(44,409)	804,225
Support services	1,483,698	2,066,742	1,391,876	(583,044)	674,866
Facilities acquisition and construction			538,593	0	(538,593)
Total Expenditures	<u>4,628,518</u>	<u>5,255,971</u>	<u>4,315,473</u>	<u>(627,453)</u>	<u>940,498</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,000</u>	<u>100,000</u>	<u>445,421</u>	<u>0</u>	<u>345,421</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(445,421)</u>	<u>0</u>	<u>(345,421)</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(445,421)</u>	<u>0</u>	<u>(345,421)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2012	-	-	-	0	0
June 30, 2013	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

## Rankin 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

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

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 518,144
National School Lunch Program	10.555	4,154,051
Total child nutrition cluster		<u>4,672,195</u>
Total passed-through the Mississippi Department of Education		<u>4,672,195</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>4,672,195</u></u>
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	258,243
<b>Total Federal Communications Commission</b>		<u>258,243</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	590,745
<b>Total U.S. Department of Defense</b>		<u>590,745</u>
Passed-through the Mississippi Department of Education:		
Adult Education- Basic Grants to States	84.002	304,102
Title I Grants to Local Educational Agencies	84.010	2,862,295
Career and Technical Education - Basic Grants to States	84.048	170,305
English Language Acquisition Grants	84.365	149,214
Improving Teacher Quality - State Grants	84.367	507,241
Grants for State Assessments and Related Activities	84.369	93,051
Sub-total		<u>4,086,208</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	4,780,187
Special Education - Preschool Grants	84.173	92,571
Total special education cluster		<u>4,872,758</u>
Total passed-through the Mississippi Department of Education		<u>8,958,966</u>
<b>Total U.S. Department of Education</b>		<u><u>8,958,966</u></u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	68,212
Total passed-through the Mississippi Department of Education		<u>68,212</u>
Passed-through the Mississippi Department of Mental Health:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	37,491
Total passed-through the Mississippi Department of Mental Health		<u>37,491</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>105,703</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$ 14,585,852</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.

Schedule 2

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

Expenditures	Total	Instruction and Other Student Expenditures			
		Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 119,186,209	91,736,376	2,892,190	10,513,863	14,043,780
Other	49,741,141	15,163,196	1,227,827	391,687	32,958,431
Total	\$ 168,927,350	106,899,572	4,120,017	10,905,550	47,002,211
Total number of students *	19,232				
Cost per student	\$ 8,783	5,558	214	567	2,444

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 function: Support Services - School Administration

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

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

OTHER INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 52,195,283	48,640,675	48,514,100	46,334,777
State sources	76,784,465	74,372,076	68,145,697	69,713,854
Federal sources	427,624	813,924	706,278	314,887
Total Revenues	<u>129,407,372</u>	<u>123,826,675</u>	<u>117,366,075</u>	<u>116,363,518</u>
<b>Expenditures:</b>				
Instruction	80,207,022	76,743,595	62,660,976	69,347,187
Support services	50,034,033	44,858,775	42,062,685	43,421,100
Noninstructional services	2,027,108	1,923,138	1,844,102	1,788,404
Facilities acquisition and construction	193,376	425,000	304,000	244,142
Debt service:				
Principal	563,355	437,252	143,014	389,012
Interest	44,432	32,337	8,596	25,076
Total Expenditures	<u>133,069,326</u>	<u>124,420,097</u>	<u>107,023,373</u>	<u>115,214,921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,661,954)</u>	<u>(593,422)</u>	<u>10,342,702</u>	<u>1,148,597</u>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases	1,450,000	1,140,699		
Insurance loss recoveries	1,522,435	31,880	4,065	7,515
Sale of transportation equipment		2,097	3,020	3,380
Sale of Land				686,266
Sale of other property	10,673	4,844	2,256	720
Operating transfers in	1,127,773	1,315,299	1,502,862	1,226,121
Operating transfers out	(2,392,417)	(2,454,021)	(2,560,085)	(3,667,077)
Total Other Financing Sources (Uses)	<u>1,718,464</u>	<u>40,798</u>	<u>(1,047,882)</u>	<u>(1,743,075)</u>
Net Change in Fund Balances	<u>(1,943,490)</u>	<u>(552,624)</u>	<u>9,294,820</u>	<u>(594,478)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	24,570,222	25,122,846	15,835,144	16,453,301
Prior period adjustments			(7,118)	(23,679)
July 1, as restated	<u>24,570,222</u>	<u>25,122,846</u>	<u>15,828,026</u>	<u>16,429,622</u>
June 30,	<u>\$ 22,626,732</u>	<u>24,570,222</u>	<u>25,122,846</u>	<u>15,835,144</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**RANKIN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 66,149,976	64,572,937	64,488,226	62,158,475
Intermediate sources				194,041
State sources	80,581,853	78,197,598	71,523,323	72,117,493
Federal sources	14,675,539	14,730,165	23,116,006	18,975,719
Sixteenth section sources	3,277,840	2,554,579	2,833,347	2,698,694
Total Revenues	<u>164,685,208</u>	<u>160,055,279</u>	<u>161,960,902</u>	<u>156,144,422</u>
<b>Expenditures:</b>				
Instruction	91,385,425	88,112,651	82,026,513	86,113,977
Support services	53,694,317	48,850,924	46,183,645	47,891,977
Noninstructional services	9,547,037	9,553,266	9,059,059	9,116,358
Sixteenth section	300,297	358,177	345,832	480,150
Facilities acquisition and construction	731,969	425,000	304,000	1,333,763
Debt service:				
Principal	10,089,991	9,600,905	8,879,321	8,818,051
Interest	3,165,107	3,582,277	3,939,294	4,338,256
Other	13,207		17,570	17,858
Total Expenditures	<u>168,927,350</u>	<u>160,483,200</u>	<u>150,755,234</u>	<u>158,110,390</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,242,142)</u>	<u>(427,921)</u>	<u>11,205,668</u>	<u>(1,965,968)</u>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases	1,450,000	1,140,699		
Insurance loss recoveries	1,522,435	31,880	4,065	7,515
Sale of transportation equipment		2,097	3,020	3,380
Sale of Land				686,266
Sale of other property	10,673	4,844	7,193	720
Operating transfers in	4,835,240	4,116,070	5,103,460	5,085,725
Operating transfers out	(4,835,240)	(4,116,070)	(5,103,460)	(5,085,725)
Other financing uses	(98,548)			
Total Other Financing Sources (Uses)	<u>2,884,560</u>	<u>1,179,520</u>	<u>14,278</u>	<u>697,881</u>
Net Change in Fund Balances	<u>(1,357,582)</u>	<u>751,599</u>	<u>11,219,946</u>	<u>(1,268,087)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	50,119,777	49,323,680	38,067,042	39,427,192
Prior period adjustments			(7,118)	(23,679)
July 1, as restated	<u>50,119,777</u>	<u>49,323,680</u>	<u>38,059,924</u>	<u>39,403,513</u>
Increase (Decrease) in inventory	(1,479)	44,498	43,810	(68,384)
June 30,	<u>\$ 48,760,716</u>	<u>50,119,777</u>	<u>49,323,680</u>	<u>38,067,042</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS 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  
Rankin 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 Rankin 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 Rankin County School District's basic financial statements, and have issued our report thereon dated November 18, 2013.

**Internal Control Over Financial Reporting**

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

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rankin 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  
November 18, 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 REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Rankin County School District

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

We have audited Rankin 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 Rankin County School District's major federal programs for the year ended June 30, 2013. The Rankin 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 Rankin 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.

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

In our opinion, the Rankin 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 Rankin 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 Rankin 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  
November 18, 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  
Rankin County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2013, which collectively comprise Rankin County School District's basic financial statements and have issued our report thereon dated November 18, 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 \$49,896 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

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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  
November 18, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Rankin 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? 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 federal programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$437,576
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose 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.

