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Simpson County School District

Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

**Simpson County School District
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Assets	19
Exhibit B - Statement of Activities	20
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	22
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	24
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	26
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	29
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - Title I A Basic Fund	52
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	53
Notes to the Required Supplemental Information	55
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	57
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	58
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	60
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	61
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	65
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Simpson County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2011, which collectively comprise the Simpson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Simpson County School District's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Simpson County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012, on our consideration of the Simpson 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Simpson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Simpson County School District's basic financial statements. 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 17, 2012

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

The following discussion and analysis of Simpson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. 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 assets for 2011 increased \$2,925,804, including a prior period adjustment of \$74,492, which represents a 9% increase from fiscal year 2010. Total net assets for 2010 increased \$1,489,114, including a prior period adjustment of \$214,991, which represents a 5% increase from fiscal year 2009.
- General revenues amounted to \$27,320,194, and \$27,823,407, or 72% and 77%, of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,519,791, or 28% of total revenues for 2011, and \$8,113,510, or 23% of total revenues for 2010.
- The District had \$34,988,673 and \$34,662,794 in expenses for fiscal years 2011 and 2010; only \$10,519,791 for 2011 and \$8,113,510 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$27,320,194 for 2011 and \$27,823,407 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$24,872,298 in revenues and \$22,213,619 in expenditures for 2011, and \$24,874,858 in revenues and \$23,873,299 in expenditures for 2010. The General Fund's fund balance increased by \$1,711,573, from 2010 to 2011, and decreased by \$79,988, including a prior period adjustment of \$140,589, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$2,055,443 for 2011 and increased by \$1,002,046 for 2010. The increase for 2011 was due primarily to the additions to construction in progress, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$580,000 for 2011 and increased by \$2,445,000 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$114,424 for 2011 and decreased by \$52,635 for 2010.

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 supplemental information, supplemental information, and other information.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, 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 other non-major funds are combined together 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.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental 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.

Supplemental 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 assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$35,692,030 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 12,784,580	10,872,773	18%
Restricted assets	5,088,671	4,647,885	9%
Capital assets, net	<u>24,732,169</u>	<u>22,676,726</u>	9%
Total assets	<u>42,605,420</u>	<u>38,197,384</u>	12%
Current liabilities	2,310,766	362,958	537%
Long-term debt outstanding	<u>4,602,624</u>	<u>5,068,200</u>	(9)%
Total liabilities	<u>6,913,390</u>	<u>5,431,158</u>	27%
Net assets:			
Invested in capital assets, net of related debt	20,487,169	20,613,493	(1)%
Restricted	11,518,191	9,969,558	16%
Unrestricted	<u>3,686,670</u>	<u>2,183,175</u>	69%
Total net assets	<u>\$ 35,692,030</u>	<u>32,766,226</u>	9%

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

- Increase in net capital assets in the amount of \$2,055,443.
- The principal retirement of \$580,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$37,839,985 and \$35,936,917, respectively. The total cost of all programs and services was \$34,988,673 for 2011 and \$34,662,794 for 2010.

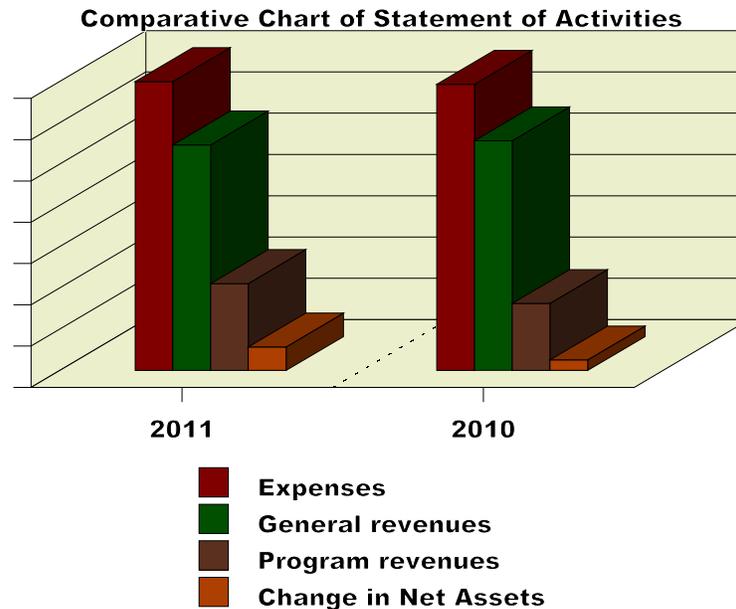
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 859,698	923,784	(7)%
Operating grants and contributions	9,531,531	7,189,726	33%
Capital grants and contributions	128,562		
Total program revenues	<u>10,519,791</u>	<u>8,113,510</u>	30%
General revenues:			
Property taxes	6,818,886	6,337,781	8%
Grants and contributions not restricted	19,081,079	19,783,298	(4)%
Unrestricted investment earnings	519,903	521,999	0%
Sixteenth section sources	788,400	1,060,370	(26)%
Other	111,926	119,959	(7)%
Total general revenues	<u>27,320,194</u>	<u>27,823,407</u>	(2)%
Total revenues	<u>37,839,985</u>	<u>35,936,917</u>	5%
Expenses:			
Instruction	21,013,756	20,743,699	1%
Support services	11,163,998	11,338,262	(2)%
Non-instructional	2,616,378	2,397,268	9%
Sixteenth section	133,440	95,448	40%
Interest on long-term debt	61,101	88,117	(31)%
Total expenses	<u>34,988,673</u>	<u>34,662,794</u>	1%
Increase (Decrease) in net assets	<u>2,851,312</u>	<u>1,274,123</u>	124%
Net Assets, July 1, as originally reported	32,766,226	31,277,112	5%
Prior Period Adjustment	74,492	214,991	(65)%
Net Assets, July 1, as restated	<u>32,840,718</u>	<u>31,492,103</u>	4%
Net Assets, June 30	<u>\$ 35,692,030</u>	<u>32,766,226</u>	9%

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011



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

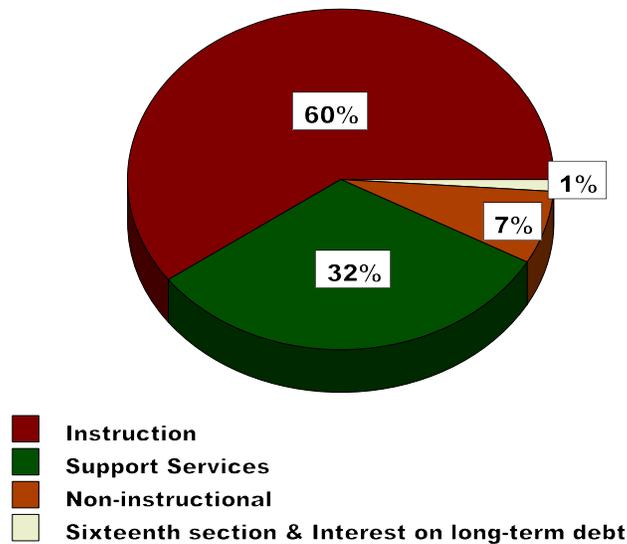
	Total Expenses		
	2011	2010	Percentage Change
Instruction	\$ 21,013,756	20,743,699	1%
Support services	11,163,998	11,338,262	(2)%
Non-instructional	2,616,378	2,397,268	9%
Sixteenth section	133,440	95,448	40%
Interest on long-term liabilities	61,101	88,117	(31)%
Total expenses	\$ 34,988,673	34,662,794	1%

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Net (Expense) Revenue

	2011	2010	Percentage Change
Instruction	\$ (15,097,209)	(16,960,760)	(11)%
Support services	(9,453,338)	(9,799,373)	(4)%
Non-instructional	178,267	251,355	(29)%
Sixteenth section	(35,501)	47,611	(175)%
Interest on long-term liabilities	(61,101)	(88,117)	(31)%
Total net (expense) revenue	\$ (24,468,882)	(26,549,284)	(8)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$24,468,882 for 2011 and \$26,549,284 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$6,818,886 for 2011 and \$6,337,781 for 2010) and state and federal revenues of (\$19,081,079 for 2011 and \$19,783,298 for 2010). In addition, there was \$788,400 and \$1,060,370 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$519,903 for 2011 and \$521,999 for 2010.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

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 \$15,585,180, an increase of \$394,434, which includes an increase in inventory of \$1,831. \$3,756,856, or 24% of the fund balance is unassigned, represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$11,828,324, or 76% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,711,573. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,249,713, which includes an increase in inventory of \$1,831 due primarily to reflect inventory to actual. The increase in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	\$ 132,924
Sixteenth Section Interest Fund	578,980
Sixteenth Section Principal Fund	220,670

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.

- Budgeted amounts for instruction and support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for sixteenth section sources in the Sixteenth Section Interest Fund were decreased during the fiscal year resulting primarily from a decrease in timber sales.

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$36,440,352, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,738,473 from 2010. Total accumulated depreciation as of June 30, 2011, was \$11,708,183, and total depreciation expense for the year was \$799,005, resulting in total net capital assets of \$24,732,169.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 159,514	159,514	0%
Construction in progress	2,736,892	304,153	800%
Buildings	20,322,128	20,826,738	(2)%
Improvements other than buildings	20,559	20,559	0%
Mobile equipment	1,393,380	1,232,036	13%
Furniture and equipment	99,696	133,726	(25)%
Total	<u>\$ 24,732,169</u>	<u>22,676,726</u>	9%

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

Debt Administration. At June 30, 2011, the District had \$4,602,624 in outstanding long-term debt, of which \$610,000 is due within one year. The liability for compensated absences increased \$114,424 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,245,000	1,825,000	(32)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	357,624	243,200	47%
Total	<u>\$ 4,602,624</u>	<u>5,068,200</u>	(9)%

Simpson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

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

CURRENT ISSUES

The Simpson County School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2010-2011 school year decreased by 4% to 3,928 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Simpson County School District, 111 Education Lane, Mendenhall, MS 39114.

FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 10,460,662
<i>Investments</i>	14,000
<i>Due from other governments</i>	2,232,051
<i>Other receivables, net</i>	2,460
<i>Inventories</i>	75,407
<i>Restricted assets</i>	5,088,671
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	159,514
<i>Construction in progress</i>	2,736,892
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	20,322,128
<i>Improvements other than buildings</i>	20,559
<i>Mobile equipment</i>	1,393,380
<i>Furniture and equipment</i>	99,696
Total Assets	<u>42,605,420</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	2,274,366
<i>Due to other governments</i>	2,684
<i>Other Payables</i>	11,021
<i>Interest payable on long-term liabilities</i>	22,695
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	610,000
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	3,635,000
<i>Non-capital related liabilities</i>	357,624
Total Liabilities	<u>6,913,390</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	20,487,169
Restricted For:	
Expendable:	
School-based activities	5,827,874
Debt service	967,544
Capital improvements	22,131
Forestry improvements	202,820
Unemployment benefits	54,099
Sixteenth section	249,449
Nonexpendable:	
Sixteenth section	4,194,274
Unrestricted	3,686,670
Total Net Assets	<u>\$ 35,692,030</u>

The accompanying notes are an integral part of this statement.

SIMPSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
<i>Instruction</i>	21,013,756	348,869	5,439,116	128,562	(15,097,209)
<i>Support services</i>	11,163,998	--	1,710,660	--	(9,453,338)
<i>Noninstructional services</i>	2,616,378	412,890	2,381,755	--	178,267
<i>Sixteenth section</i>	133,440	97,939	--	--	(35,501)
<i>Interest on long-term liabilities</i>	61,101	--	--	--	(61,101)
Total Governmental Activities	<u>\$ 34,988,673</u>	<u>\$ 859,698</u>	<u>\$ 9,531,531</u>	<u>\$ 128,562</u>	<u>(24,468,882)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					6,818,886
Unrestricted grants and contributions:					
<i>State</i>					17,636,440
<i>Federal</i>					1,444,639
<i>Unrestricted investment earnings</i>					519,903
<i>Sixteenth section sources</i>					788,400
<i>Other</i>					111,926
Total General Revenues					<u>27,320,194</u>
Change in Net Assets					<u>2,851,312</u>
Net Assets - Beginning, as originally reported					32,766,226
Prior Period Adjustment					74,492
Net Assets - Beginning, as restated					<u>32,840,718</u>
Net Assets - Ending					<u>\$ 35,692,030</u>

The accompanying notes are an integral part of this statement.

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SIMPSON COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Title I A Basic Fund
	<u> </u>	<u> </u>
Assets		
<i>Cash and cash equivalents</i>	\$ 3,259,985	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	214,186	595,650
<i>Other receivables, net</i>	2,460	--
<i>Due from other funds</i>	2,086,056	903
<i>Advances to other funds</i>	--	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 5,562,687</u>	<u>\$ 596,553</u>
 Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,398,134	\$ 247,491
<i>Due to other funds</i>	62,412	349,062
<i>Advances from other funds</i>	46,826	--
<i>Other Payables</i>	11,021	--
Total Liabilities	<u>1,518,393</u>	<u>596,553</u>
 Fund Balances:		
Nonspendable:		
<i>Advances</i>	--	--
<i>Permanent fund principal</i>	--	--
<i>Inventory</i>	--	--
Restricted:		
<i>Unemployment benefits</i>	--	--
<i>Forestry improvements purposes</i>	--	--
<i>Capital improvements</i>	--	--
<i>Debt service</i>	--	--
<i>Other purposes</i>	--	--
<i>Grant activities</i>	--	--
<i>Food service</i>	--	--
<i>Sixteenth section Interest</i>	--	--
Committed:		
<i>High Band</i>	4,626	--
Assigned:		
<i>Activity fund</i>	175,075	--
<i>Athletic fund</i>	107,737	--
Unassigned	<u>3,756,856</u>	<u>--</u>
Total Fund Balances	4,044,294	--
Total Liabilities and Fund Balances	<u>\$ 5,562,687</u>	<u>\$ 596,553</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,498,414	\$ 4,430,039	\$ 2,710,198	\$ 14,898,636
--	--	664,697	664,697
--	--	875,838	1,685,674
--	--	--	2,460
--	46,828	399,545	2,533,332
--	46,826	--	46,826
--	--	75,407	75,407
<u>\$ 4,498,414</u>	<u>\$ 4,523,693</u>	<u>\$ 4,725,685</u>	<u>\$ 19,907,032</u>
\$ 37,677	\$ --	\$ 591,064	\$ 2,274,366
540,467	87,905	949,793	1,989,639
--	--	--	46,826
--	--	--	11,021
<u>578,144</u>	<u>87,905</u>	<u>1,540,857</u>	<u>4,321,852</u>
--	46,826	--	46,826
--	4,388,962	7,935	4,396,897
--	--	75,407	75,407
--	--	54,099	54,099
--	--	202,820	202,820
--	--	22,131	22,131
--	--	990,239	990,239
--	--	16,171	16,171
--	--	321,121	321,121
--	--	788,450	788,450
3,920,270	--	706,455	4,626,725
--	--	--	4,626
--	--	--	175,075
--	--	--	107,737
--	--	--	3,756,856
<u>3,920,270</u>	<u>4,435,788</u>	<u>3,184,828</u>	<u>15,585,180</u>
<u>\$ 4,498,414</u>	<u>\$ 4,523,693</u>	<u>\$ 4,725,685</u>	<u>\$ 19,907,032</u>

SIMPSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances for governmental funds	\$ 15,585,180
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,732,169
Liabilities due in one year are not recognized in the funds.	(610,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,635,000)
Payables for bond interest not due in the current period are not reported in the funds.	(22,695)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(357,624)</u>
Net assets of governmental activities	<u>\$ 35,692,030</u>

The accompanying notes are an integral part of this statement.

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SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Title I A Basic Fund
Revenues:		
Local sources	\$ 7,263,478	\$ --
State sources	17,321,772	--
Federal sources	284,855	1,583,506
Sixteenth section sources	2,193	--
Total Revenues	<u>24,872,298</u>	<u>1,583,506</u>
Expenditures:		
Instruction	13,239,354	1,094,428
Support services	8,915,494	347,680
Noninstructional services	--	8,474
Sixteenth section	1,500	--
Facilities acquisition and construction	57,271	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>22,213,619</u>	<u>1,450,582</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,658,679</u>	<u>132,924</u>
Other Financing Sources (Uses):		
Insurance loss recoveries	92,025	--
Sale of transportation equipment	5,553	--
Transfers in	135,205	--
Transfers out	(1,179,889)	--
Total Other Financing Sources (Uses)	<u>(947,106)</u>	<u>--</u>
Net Change in Fund Balances	<u>1,711,573</u>	<u>132,924</u>
Fund Balances:		
July 1, 2010	2,332,721	(132,924)
Increase (decrease) in reserve for inventory	--	--
June 30, 2011	<u>\$ 4,044,294</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 532,303	\$ 7,795,781
--	--	1,377,919	18,699,691
--	--	8,172,620	10,040,981
780,687	220,670	207,957	1,211,507
<u>780,687</u>	<u>220,670</u>	<u>10,290,799</u>	<u>37,747,960</u>
--	--	6,007,643	20,341,425
--	--	2,092,396	11,355,570
--	--	2,529,835	2,538,309
1,707	--	130,233	133,440
--	--	2,375,468	2,432,739
--	--	580,000	580,000
--	--	70,902	70,902
--	--	550	550
<u>1,707</u>	<u>--</u>	<u>13,787,027</u>	<u>37,452,935</u>
<u>778,980</u>	<u>220,670</u>	<u>(3,496,228)</u>	<u>295,025</u>
--	--	--	92,025
--	--	--	5,553
--	--	1,379,889	1,515,094
(200,000)	--	(135,205)	(1,515,094)
<u>(200,000)</u>	<u>--</u>	<u>1,244,684</u>	<u>97,578</u>
<u>578,980</u>	<u>220,670</u>	<u>(2,251,544)</u>	<u>392,603</u>
3,341,290	4,215,118	5,434,541	15,190,746
--	--	1,831	1,831
<u>\$ 3,920,270</u>	<u>\$ 4,435,788</u>	<u>\$ 3,184,828</u>	<u>\$ 15,585,180</u>

SIMPSON 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, 2011*

Net change in fund balances - total governmental funds	\$ 392,603
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,804,333
The depreciation of capital assets used in governmental activities is not reported in the funds.	(799,005)
The gain or loss on the sale of capital assets is not reported in the funds.	(18,824)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(5,553)
Repayment of bond principal is an expenditure in the funds but not an expense in SOA.	580,000
(Increase) decrease in accrued interest from beginning of period to end of period.	10,351
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	1,831
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	<u>(114,424)</u>
Change in net assets of governmental activities	<u>\$ 2,851,312</u>

The accompanying notes are an integral part of this statement.

SIMPSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
Assets	
<i>Cash and other deposits</i>	\$ 677,870
<i>Other receivable</i>	5,668
<i>Due from other funds</i>	2,684
Total Assets	<u>\$ 686,222</u>
Liabilities	
<i>Due to student clubs</i>	\$ 129,816
<i>Due to other funds</i>	546,377
<i>Other payables</i>	10,029
Total Liabilities	<u>\$ 686,222</u>

The accompanying notes are an integral part of this statement.

Simpson County School District

Notes to the Financial Statements
June 30, 2011

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. 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, Simpson 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.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets 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.

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2011

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

1. Invested in capital assets, net of related debt, 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets 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 properly 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.

Title I - A Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

Sixteenth Section Interest Fund - This fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Available funds may be transferred to the General Fund or Construction Funds and may be used for appropriate purposes.

Sixteenth Section Principal Fund - This is a permanent fund consisting of funds derived from certain uses which shall be invested and only the interest and income derived from such funds shall be expendable by the school district.

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 assets and liabilities only.

The District's fiduciary funds include the following:

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

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

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

FIDUCIARY FUNDS

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.

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

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

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

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

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

Ad valorem property taxes are levied by the governing authorities 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

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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 the 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 assets 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 Accounting*, issued in 2005 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.

E. Encumbrances

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

F. Assets, liabilities, and net assets/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.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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 Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

5. Restricted Assets

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

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 Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2011

(*) 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 to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

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

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

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

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

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.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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 districts' 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 and 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 \$14,898,636 and \$677,870, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$10,460,662 and a portion of restricted assets in the amount of \$4,437,974 (see Note 4). The bank balance was \$17,056,840.

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2011

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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$17,056,840 was exposed to custodial credit risk.

Investments

As of June 30, 2011 the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Money Market	A	Less than one year	\$ 450,697
Federal US Treasury State and Local Government Series	None	Less than one year	200,000
Certificates of Deposit	none	1 to 5	14,000
Total Investments			<u>\$ 664,697</u>

\$650,697 is shown as Restricted Assets on Exhibit A.

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, 2011, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures 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.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I A Basic Fund	\$ 349,062
	Sixteenth Section Principal Fund	87,905
	Sixteenth Section Interest Fund	165,012
	Fiduciary Fund	534,284
	Other Governmental Funds	949,793
Title I A Basic Fund	Fiduciary Fund	903
Sixteenth Section Principal Fund	General Fund	46,828
Fiduciary Fund	General Fund	2,684
Other Governmental Funds	General Fund	12,900
	Sixteenth Section Interest Fund	375,455
	Fiduciary Fund	11,190
Total		\$ <u><u>2,536,016</u></u>

The purpose of the Due From/To other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of one year from the date of the financial statements.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 46,826
Total		\$ <u><u>46,826</u></u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972).

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

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	<u>46,826</u>	<u>1,873</u>	<u>48,699</u>

C. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 135,205
Other Governmental Funds	General Fund	1,179,889
	Sixteenth Section Interest Fund	<u>200,000</u>
Total		\$ <u>1,515,094</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 balance, totaling \$4,437,974, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance, totaling \$450,697, of the MAEP Limited Obligation Bond Fund. In addition, the restricted assets represent the investment balance, totaling \$200,000, of the QSCB Bond Retirement Fund.

Note 5 - Capital Assets

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

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2011

	Balance 7-1-2010	Additions	Retirements	Adjustments	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 159,514				159,514
Construction in progress	304,153	2,432,739			2,736,892
Total non-depreciable capital assets	<u>463,667</u>	<u>2,432,739</u>	<u>0</u>	<u>0</u>	<u>2,896,406</u>
<u>Depreciable capital assets:</u>					
Buildings	27,809,072				27,809,072
Improvements other than buildings	102,791				102,791
Mobile equipment	3,924,293	351,373	6,950	72,864	4,341,580
Furniture and equipment	1,402,056	20,221	157,288	25,514	1,290,503
Total depreciable capital assets	<u>33,238,212</u>	<u>371,594</u>	<u>164,238</u>	<u>98,378</u>	<u>33,543,946</u>
<u>Less accumulated depreciation for:</u>					
Buildings	6,982,334	504,610			7,486,944
Improvements other than buildings	82,232				82,232
Mobile equipment	2,692,257	248,565	4,915	12,293	2,948,200
Furniture and equipment	1,268,330	45,830	134,946	11,593	1,190,807
Total accumulated depreciation	<u>11,025,153</u>	<u>799,005</u>	<u>139,861</u>	<u>23,886</u>	<u>11,708,183</u>
Total depreciable capital assets, net	<u>22,213,059</u>	<u>(427,411)</u>	<u>24,377</u>	<u>74,492</u>	<u>21,835,763</u>
Governmental activities capital assets, net	<u>\$ 22,676,726</u>	<u>2,005,328</u>	<u>24,377</u>	<u>74,492</u>	<u>24,732,169</u>

Adjustments were made to correctly state depreciable life of some assets and to record assets that were received in the prior year but not recorded.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 559,304
Support services	159,801
Non-instructional	79,900
Total depreciation expense	<u>\$ 799,005</u>

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Mendenhall Elementary	\$ 2,679,621	138,044
Magee Elementary Classrooms	57,271	13,839
	<u>\$ 2,736,892</u>	<u>151,883</u>

Construction projects included in governmental activities are funded with local sources.

Note 6 - Long-term liabilities

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

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

	Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,825,000		580,000	1,245,000	610,000
B. Qualified school construction bonds payable	3,000,000			3,000,000	
C. Compensated absences payable	243,200	114,424		357,624	
Total	<u>\$ 5,068,200</u>	<u>114,424</u>	<u>580,000</u>	<u>4,602,624</u>	<u>610,000</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	4.38-6.25%	06-15-98	08-12-12	\$ <u>6,520,000</u>	<u>1,245,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 610,000	41,125	651,125
2013	635,000	13,891	648,891
Total	<u>\$ 1,245,000</u>	<u>55,016</u>	<u>1,300,016</u>

This debt will be retired from the MAEP Debt Service Fund (#4041).

The District has pledged state appropriations for Mississippi Adequate Education Program in the amount of \$667,126. The purpose of the pledge is to repay limited obligation bonds of the district. The pledge will remain in effect through 2012. The amount of the pledge is the total amounts of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

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

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

B. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond payable	0%	11-19-09	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>
Total					

C. Compensated absences payable

As more fully explained in Note 1(F)(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

Commitments under construction contracts are described in Note 5.

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 for fiscal year ended June 30, 2011 was 12.00% of the 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, 2011, 2010 and 2009 were \$2,212,747, \$2,240,013, and \$2,111,727, respectively, which equaled the required contributions for each year.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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		Amount
June 30		
2012	\$	131,831
2013		130,827
2014		101,916
2015		79,833
2016		67,235
2017-2021		238,561
2022-2026		75,935
2027-2031		73,625
2032-2036		71,245
2037-2041		71,245
2042-2046		61,429
2047-2050		20,576
Total	\$	<u>1,124,258</u>

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.

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a worker's 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 MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members 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 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spend within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2011 was \$0 but the investment amount was \$200,000. The amount accumulated in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 200,000
2013	200,000
2014	200,000
2015	200,000
2016	200,000
2017 - 2021	1,000,000
2022 - 2025	800,000
Total	\$ <u>2,800,000</u>

Note 12 - Insurance Loss Recoveries

The Simpson County School District received \$92,025 in insurance loss recoveries related to Magee Middle School Library fire damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reclassified to general revenues.

Simpson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 13 - Subsequent Events

Events that occur after the statement of net assets 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 assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Simpson County School District evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements:

On December 8, 2011, the school board declared a state of emergency for rain and windstorm damage to Simpson Central School.

Note 14 - Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustments were made to correctly state depreciable life of some assets and to record assets that were received in the prior year but not recorded.	\$ <u>74,492</u>

REQUIRED SUPPLEMENTAL INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,570,211	7,256,570	7,263,478	(313,641)	6,908
State sources	17,367,626	17,321,772	17,321,772	(45,854)	0
Federal sources	20,000	284,855	284,855	264,855	0
Sixteenth section sources		2,193	2,193	2,193	0
Total Revenues	<u>24,957,837</u>	<u>24,865,390</u>	<u>24,872,298</u>	<u>(92,447)</u>	<u>6,908</u>
Expenditures:					
Instruction	16,264,931	13,251,113	13,239,354	3,013,818	11,759
Support services	10,825,671	8,915,495	8,915,494	1,910,176	1
Sixteenth section		1,500	1,500	(1,500)	0
Facilities acquisition and construction		45,513	57,271	(45,513)	(11,758)
Total Expenditures	<u>27,090,602</u>	<u>22,213,621</u>	<u>22,213,619</u>	<u>4,876,981</u>	<u>2</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,132,765)</u>	<u>2,651,769</u>	<u>2,658,679</u>	<u>4,784,534</u>	<u>6,910</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	100,000	92,025	92,025	(7,975)	0
Sale of transportation equipment	500	5,553	5,553	5,053	0
Operating transfers in	3,636,264	3,067,647	135,205	(568,617)	(2,932,442)
Operating transfers out	<u>(4,008,317)</u>	<u>(4,112,331)</u>	<u>(1,179,889)</u>	<u>(104,014)</u>	<u>2,932,442</u>
Total Other Financing Sources (Uses)	<u>(271,553)</u>	<u>(947,106)</u>	<u>(947,106)</u>	<u>(675,553)</u>	<u>0</u>
Net Change in Fund Balances	<u>(2,404,318)</u>	<u>1,704,663</u>	<u>1,711,573</u>	<u>4,108,981</u>	<u>6,910</u>
Fund Balances:					
July 1, 2010, as originally reported	2,488,424	2,488,424	2,332,721	0	(155,703)
Prior period adjustment	<u>(155,704)</u>	<u>(148,795)</u>		<u>6,909</u>	<u>148,795</u>
July 1, 2010, restated	<u>2,332,720</u>	<u>2,339,629</u>	<u>2,332,721</u>	<u>6,909</u>	<u>(6,908)</u>
June 30, 2011	<u>\$ (71,598)</u>	<u>4,044,292</u>	<u>4,044,294</u>	<u>4,115,890</u>	<u>2</u>

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

SIMPSON COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,620,761	1,583,507	1,583,506	(37,254)	(1)
Total Revenues	<u>1,620,761</u>	<u>1,583,507</u>	<u>1,583,506</u>	<u>(37,254)</u>	<u>(1)</u>
Expenditures:					
Instruction	1,443,049	1,094,429	1,094,428	348,620	1
Support services	391,288	347,680	347,680	43,608	0
Noninstructional services	16,269	8,474	8,474	7,795	0
Total Expenditures	<u>1,850,606</u>	<u>1,450,583</u>	<u>1,450,582</u>	<u>400,023</u>	<u>1</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(229,845)</u>	<u>132,924</u>	<u>132,924</u>	<u>362,769</u>	<u>(1)</u>
Net Change in Fund Balances	<u>(229,845)</u>	<u>132,924</u>	<u>132,924</u>	<u>362,769</u>	<u>0</u>
Fund Balances:					
July 1, 2010, as originally reported	27,662	27,662	(132,924)	0	(160,586)
Prior period adjustments	<u>(27,662)</u>	<u>(160,586)</u>		<u>(132,924)</u>	<u>160,586</u>
July 1, 2010, as restated	<u>0</u>	<u>(132,924)</u>	<u>(132,924)</u>	<u>(132,924)</u>	<u>0</u>
June 30, 2011	<u><u>\$ (229,845)</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>229,845</u></u>	<u><u>0</u></u>

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

SIMPSON COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 869,000	780,687	780,687	(88,313)	0
Total Revenues	869,000	780,687	780,687	(88,313)	0
Expenditures:					
Sixteenth section Services		1,707	1,707	(1,707)	0
Total Expenditures	0	1,707	1,707	(1,707)	0
Excess (Deficiency) of Revenues over (under) Expenditures	869,000	778,980	778,980	(90,020)	0
Other Financing Sources (Uses):					
Operating transfers out	(869,000)	(200,000)	(200,000)	669,000	0
Total Other Financing Sources (Uses)	(869,000)	(200,000)	(200,000)	669,000	0
Net Change in Fund Balances	0	578,980	578,980	578,980	0
Fund Balances:					
July 1, 2010	3,341,290	3,341,290	3,341,290	0	0
June 30, 2011	\$ 3,341,290	3,920,270	3,920,270	578,980	0

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Simpson County School District

Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

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.

SUPPLEMENTAL INFORMATION

Simpson County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 584,428
National School Lunch Program	10.555	1,583,407
Summer Food Service Program for Children	10.559	21,009
Total child nutrition cluster		<u>2,188,844</u>
Total passed-through the Mississippi Department of Education		<u>2,188,844</u>
Total U. S. Department of Agriculture		<u>2,188,844</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	230,378
Total Federal Communications Commission		<u>230,378</u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,583,507
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	359,342
Total Title I cluster		<u>1,942,849</u>
Education Technology State Grants Cluster:		
Education Technology State Grants	84.318	182,798
ARRA - Education Technology State Grants, Recovery Act	84.386	197,411
Total Education Technology State Grants cluster		<u>380,209</u>
Education for Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	28,355
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	13,788
Total Education for Homeless Children and Youth cluster		<u>42,143</u>
Career and Technical Education - Basic Grants to States	84.048	59,557
Safe and Drug Free Schools and Communities - State Grants	84.186	21,657
Fund for the Improvement of Education	84.215	330,823
Twenty-First Century Community Learning Centers	84.287	227,727
Improving Literacy Through School Libraries	84.364A	384,891
English Language Acquisition Grants	84.365	11,835
Improving Teacher Quality - State Grants	84.367	494,755
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	1,160,034
Education Jobs Fund	84.410	866,244
Subtotal		<u>3,557,523</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	798,653
Special Education - Preschool Grants	84.173	29,491
ARRA - Special Education Grants to States, Recovery Act	84.391	813,886
ARRA -Special Education - Preschool Grants, Recovery Act	84.392	27,452
Total Special Education Cluster		<u>1,669,482</u>
Total passed-through the Mississippi Department of Education		<u>7,592,206</u>
Total U. S. Department of Education		<u>7,592,206</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	54,227
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1,575
Total passed-through the Mississippi Department of Education		<u>55,802</u>
Total U. S. Department of Health and Human Services		<u>55,802</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>10,067,230</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.

Simpson County School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2011

Expenditures	Total	Instruction and Other Student Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 25,112,580	18,763,440	1,274,680	2,079,022	2,995,438
Other	12,340,355	5,049,498	512,316	62,622	6,715,919
Total	\$ <u>37,452,935</u>	<u>23,812,938</u>	<u>1,786,996</u>	<u>2,141,644</u>	<u>9,711,357</u>
Total number of students *	3,928				
Cost per student	\$ <u>9,534</u>	<u>6,062</u>	<u>455</u>	<u>545</u>	<u>2,472</u>

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

- Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
- General Administration - includes expenditures for the following functions: Support Services - General Administration; Support Services - Business
- School Administration - includes expenditures for the following functions: Support Services - School Administration
- Other - includes all expenditure functions not included in Instruction or Administration categories

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

OTHER INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 7,263,478	6,778,627	5,971,932	5,636,230
State sources	17,321,772	17,814,679	19,339,047	19,739,656
Federal sources	284,855	281,533	137,412	128,953
Sixteenth section sources	2,193	19		
Total Revenues	<u>24,872,298</u>	<u>24,874,858</u>	<u>25,448,391</u>	<u>25,504,839</u>
Expenditures:				
Instruction	13,239,354	14,702,449	15,498,194	14,495,916
Support services	8,915,494	9,170,850	8,617,773	8,079,655
Sixteenth section	1,500			
Facilities acquisition and construction	57,271			
Debt service:				
Other				776
Total Expenditures	<u>22,213,619</u>	<u>23,873,299</u>	<u>24,115,967</u>	<u>22,576,347</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,658,679</u>	<u>1,001,559</u>	<u>1,332,424</u>	<u>2,928,492</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	92,025	106,775	31,250	
Sale of transportation equipment	5,553		5,796	
Sale of other property		4,780		
Operating transfers in	135,205	419,747	79,334	193,222
Operating transfers out	(1,179,889)	(1,753,438)	(1,149,361)	(2,831,025)
Total Other Financing Sources (Uses)	<u>(947,106)</u>	<u>(1,222,136)</u>	<u>(1,032,981)</u>	<u>(2,637,803)</u>
Net Change in Fund Balances	<u>1,711,573</u>	<u>(220,577)</u>	<u>299,443</u>	<u>290,689</u>
Fund Balances:				
July 1, as originally reported	2,332,721	2,412,709	2,113,266	1,822,577
Prior period adjustments		140,589	0	0
July 1, as restated	<u>2,332,721</u>	<u>2,553,298</u>	<u>2,113,266</u>	<u>1,822,577</u>
June 30,	<u>\$ 4,044,294</u>	<u>2,332,721</u>	<u>2,412,709</u>	<u>2,113,266</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SIMPSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 7,795,781	7,368,354	6,442,405	6,066,351
State sources	18,699,691	19,221,275	20,763,719	21,182,079
Federal sources	10,040,981	7,751,749	5,794,444	5,269,582
Sixteenth section sources	1,211,507	1,488,764	3,097,791	486,702
Total Revenues	<u>37,747,960</u>	<u>35,830,142</u>	<u>36,098,359</u>	<u>33,004,714</u>
Expenditures:				
Instruction	20,341,425	20,238,054	19,072,862	18,275,317
Support services	11,355,570	11,045,145	10,430,042	9,491,890
Noninstructional services	2,538,309	2,404,933	2,421,766	2,175,702
Sixteenth section	133,440	95,448	23,445	6,460
Facilities acquisition and construction	2,432,739	1,815,096	2,746,267	306,922
Debt service:				
Principal	580,000	555,000	530,000	505,000
Interest	70,902	97,603	123,211	147,725
Other	550	564	649	1,437
Total Expenditures	<u>37,452,935</u>	<u>36,251,843</u>	<u>35,348,242</u>	<u>30,910,453</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>295,025</u>	<u>(421,701)</u>	<u>750,117</u>	<u>2,094,261</u>
Other Financing Sources (Uses):				
Proceeds of loans		3,000,000		
Insurance loss recoveries	92,025	106,775	31,250	
Sale of transportation equipment	5,553		5,796	
Sale of other property		4,780		
Operating transfers in	1,515,094	2,173,185	1,242,426	3,364,733
Operating transfers out	(1,515,094)	(2,173,185)	(1,242,426)	(3,364,733)
Total Other Financing Sources (Uses)	<u>97,578</u>	<u>3,111,555</u>	<u>37,046</u>	<u>0</u>
Net Change in Fund Balances	<u>392,603</u>	<u>2,689,854</u>	<u>787,163</u>	<u>2,094,261</u>
Fund Balances:				
July 1, as originally reported	15,190,746	12,321,363	11,523,032	9,430,508
Prior period adjustments		178,513		
July 1, as restated	<u>15,190,746</u>	<u>12,499,876</u>	<u>11,523,032</u>	<u>9,430,508</u>
Increase (Decrease) in reserve for inventory	1,831	1,016	11,168	(1,737)
June 30,	<u>\$ 15,585,180</u>	<u>15,190,746</u>	<u>12,321,363</u>	<u>11,523,032</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Simpson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2011, which collectively comprise the Simpson County School District's basic financial statements and have issued our report thereon dated April 17, 2012. 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.

Internal Control Over Financial Reporting

Management of the Simpson County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Simpson County School District's financial statements are free of 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*.

We noted a certain matter that we reported to management of the school district in a separate letter dated April 17, 2012.

This report is intended solely for the information and use of the school board and management, 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
April 17, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Superintendent and School Board
Simpson County School District

Compliance

We have audited Simpson County School District 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 its major federal programs for the year ended June 30, 2011. The Simpson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Simpson County School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Simpson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Simpson County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, 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
April 17, 2012

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
Simpson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2011, which collectively comprise Simpson County School District's basic financial statements and have issued our report thereon dated April 17, 2012. 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 state laws and regulations. However, providing an opinion on compliance with 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 \$35,950 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 1:

Section 71-5-359, Miss. Code Ann. (1972), requires that Mississippi Public School Districts maintain cash and investment balance in the Unemployment Compensation Fund equal to 2% of applicable wages. Simpson County School District required a balance of \$78,293 but only had \$54,099 in the fund.

Recommendation:

The district should comply with Section 71-5-359 and maintain cash and investment balance in Unemployment Compensation Fund equal to 2% of applicable wages as required by state laws.

Response:

The school district will comply with Section 71-5-359.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

The Simpson County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, 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
April 17, 2012

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Simpson County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: 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>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027, 84.173, 84.391 & 84.392	Special Education Cluster
84.410	Education Jobs Fund
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.318 & 84.386	Educational Technology State Grants Cluster
84.215	Fund for the Improvement of Education
84.364A	Literacy School and Libraries

8. Dollar threshold used to distinguish between type A and type B programs: \$302,017.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Section III: Federal Award Findings and Questioned Costs

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