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SCOTT COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

SCOTT COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

WWS

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INDEPENDENT AUDITOR'S REPORT

To the Superintendent and School Board
Scott County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Scott County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-14 and 38-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8,2015, on our consideration of the Scott County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC.

Louisville, Mississippi
September 8, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Scott County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased $2,063,453, including a prior period adjustment of $11,506, which represents a 10% decrease from fiscal year 2013. Total net position for 2013 decreased $1,044,064, including a prior period adjustment of $2,277, which represents a 5% decrease from fiscal year 2012.

- General revenues amounted to $22,489,970 and $21,665,023, or 80% and 78% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $5,570,948, or 20% of total revenues for 2014, and $5,974,875, or 22 % of total revenues for 2013.

- The District had $30,135,877 and $28,686,239 in expenses for fiscal years 2014 and 2013; only $5,570,948 for 2014 and $5,974,875 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $22,489,970 for 2014 and $21,665,023 for 2013 were not adequate to provide for these programs.

- Among major funds, the General Fund had $22,117,533 in revenues and $23,940,036 in expenditures for 2014, and $21,891,116 in revenues and $22,420,736 in expenditures in 2013. The General Fund's fund balance decreased by $1,306,011 including a prior period adjustment of 21,254 from 2013 to 2014, and decreased by $1,069,921, including a prior period adjustment of $2,277 from 2012 to 2013.

- Capital assets, net of accumulated depreciation, decreased by $485,810 for 2014 and decreased by $586,024 for 2013. The decrease for 2014 was due to the increase in accumulated depreciation.

- Long-term debt decreased by $10,067 for 2014 and decreased by $64,837 for 2013. This decrease for 2014 was due to the decrease in the liability for compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $19,037,457 as of June 30, 2014.

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

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	$ 5,711,905	$ 8,233,174	-30.62 %
Restricted assets	83,075	82,906	0.20 %
Capital assets, net	13,950,617	14,436,427	-3.37 %
Total assets	**19,745,597**	**22,752,507**	**-13.22 %**
Current liabilities	542,685	1,476,075	-63.23 %
Long-term debt outstanding	165,455	175,522	-5.74 %
Total liabilities	**708,140**	**1,651,597**	**-57.12 %**
Net position:			
Net investment in capital assets	13,950,617	14,436,427	-3.37 %
Restricted	1,074,410	3,650,858	-70.57 %
Unrestricted	4,012,430	3,013,625	33.14 %
Total net position	**$ 19,037,457**	**$ 21,100,910**	**-9.78 %**

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

- Decrease in net capital assets in the amount of $485,810.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $28,060,918 and $27,639,898, respectively. The total cost of all programs and services was $30,135,877 for 2014 and $28,686,239 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 917,574	$ 955,279	(3.95) %
Operating grants and contributions	4,653,374	5,019,596	(7.30) %
General revenues:			
Property taxes	2,736,274	3,084,550	(11.29) %
Grants and contributions not restricted	19,334,572	18,053,320	7.10 %
Unrestricted Investment earnings	14,031	20,923	(32.94) %
Sixteenth section sources	367,754	487,472	(24.56) %
Other	37,339	18,758	99.06 %
Total revenues	**28,060,918**	**27,639,898**	**1.52 %**
Expenses:			
Instruction	17,795,269	17,392,442	2.32 %
Support services	9,960,247	8,847,147	12.58 %
Non-instructional	2,349,762	2,397,340	(1.98) %
Sixteenth section	30,599	49,310	(37.95) %
Total expenses	**30,135,877**	**28,686,239**	**5.05 %**
Increase (Decrease) in net position	**(2,074,959)**	**(1,046,341)**	**98.31 %**
Net Position, July 1, as previously reported *	**21,100,910**	**22,144,974**	(4.71) %
Prior Period Adjustment	**11,506**	**2,277**	405.31 %
Net Position, July 1, as restated *	**21,112,416**	**22,147,251**	**(4.67) %**
Net Position, June 30	**$ 19,037,457**	**$ 21,100,910**	**(9.78) %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2014	2013	Change
Instruction	$ 17,795,269	$ 17,392,442	2.32 %
Support services	9,960,247	8,847,147	12.58 %
Non-instructional	2,349,762	2,397,340	(1.98) %
Sixteenth section	30,599	49,310	(37.95) %
Total expenses	**$ 30,135,877**	**$ 28,686,239**	**5.05 %**

	Net (Expense) Revenue		Percentage
	2014	2013	Change
Instruction	$ (15,615,642)	$ (14,497,886)	7.71 %
Support services	(9,117,856)	(8,297,831)	9.88 %
Non-instructional	181,904	82,957	119.28 %
Sixteenth section	(13,335)	1,396	(1,055.23) %
Total net (expense) revenue	**$ (24,564,929)**	**$ (22,711,364)**	**8.16 %**

- Net cost of governmental activities ($24,928,737 for 2014 and $22,711,364 for 2013) was financed by general revenue, which is primarily made up of property taxes ($2,736,274 for 2014 and $3,084,550 for 2013) and state and federal revenues ($19,334,572 for 2014 and $18,053,320 for 2013). In addition, there was $367,754 and $487,472 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $14,031 for 2014 and $20,923 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $5,252,295, a decrease of $1,587,710, which includes a prior period adjustment of $11,506 and an increase in inventory of $5,270. $2,779,075 or 53% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $2,473,220 or 47% is non-spendable, 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 decrease in fund balance in the General Fund for the fiscal year was $1,306,011, which includes a prior period adjustment of $21,254. The fund balance of Other Governmental Funds showed an increase in the amount of $162,354, which includes an increase in reserve for inventory of $5,270. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Vocational Fund	$	no increase or decrease
16th Section Interest	$	(444,053)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were $27,308,616, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of $30,577 from 2013. Total accumulated depreciation as of June 30, 2014, was $13,357,999, and total depreciation expense for the year was $708,190, resulting in total net capital assets of $13,950,617.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	$ 127,250	$ 127,250	0.00 %
Buildings	11,460,266	11,794,290	(2.83) %
Building improvements	498,241	522,977	(4.73) %
Improvements other than buildings	247,572	256,002	(3.29) %
Mobile equipment	1,348,014	1,420,110	(5.08) %
Furniture and equipment	269,274	315,798	(14.73) %
Total	**$ 13,950,617**	**$ 14,436,427**	**(3.37) %**

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

Debt Administration. At June 30, 2014, the District had $165,455 in outstanding long-term debt, which consisted of the liability for compensated absences. The liability for compensated absences decreased $10,067 from the prior year

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
Compensated absences payable	165,455	175,522	(5.74) %
Total	**$ 165,455**	**$ 175,522**	**(5.74) %**

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

CURRENT ISSUES

The Scott 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Scott County School District, 100 East First Street, Forest, MS 39074.

FINANCIAL STATEMENTS

Scott County School District **Exhibit A**
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,920,939
Due from other governments	698,125
Other receivables, net	45,601
Inventories	47,240
Restricted assets	83,075
Capital assets, non-depreciable:	
Land	127,250
Capital assets, net of accumulated depreciation:	
Buildings	11,460,266
Building improvements	498,241
Improvements other than buildings	247,572
Mobile equipment	1,348,014
Furniture and equipment	269,274
Total Assets	19,745,597
Liabilities	
Accounts payable and accrued liabilities	536,735
Interest payable on long-term liabilities	5,950
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	165,455
Total Liabilities	708,140
Net Position	
Net investment in capital assets	13,950,617
Restricted for:	
Expendable:	
School-based activities	700,219
Forestry improvements	221,492
Unemployment benefits	69,624
Non-expendable:	
Sixteenth section	83,075
Unrestricted	4,012,430
Total Net Position	$ 19,037,457

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

Scott County School District **Exhibit B**
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 17,795,269	$ 472,970	$ 1,706,657	$ (15,615,642)
Support services	9,960,247	-	842,391	(9,117,856)
Non-instructional	2,349,762	427,340	2,104,326	181,904
Sixteenth section	30,599	17,264	-	(13,335)
Total Governmental Activities	$ 30,135,877	$ 917,574	$ 4,653,374	$ (24,564,929)
General Revenues:				
Taxes:				
General purpose levies				2,736,274
Unrestricted grants and contributions:				
State				18,946,097
Federal				388,475
Unrestricted investment earnings				14,031
Sixteenth section sources				367,754
Other				37,339
Total General Revenues				22,489,970
Change in Net Position				(2,074,959)
Net Position - Beginning, as previously reported				21,100,910
Prior Period Adjustments				11,506
Net Position - Beginning				21,112,416
Net Position - Ending				$ 19,037,457

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

Scott County School District
Governmental Funds
Balance Sheet
June 30, 2014

Exhibit C

	Major Funds				
	General Fund	Vocational Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,660,838	$ -	$ 2,304,831	$ 1,038,345	$ 5,004,014
Due from other governments	244,816	204,724	-	248,585	698,125
Due from other funds	438,020	-	-	5,761	443,781
Inventories	-	-	-	47,240	47,240
Total assets	$ 2,343,674	$ 204,724	$ 2,304,831	$ 1,339,931	$ 6,193,160
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	$ 447,886	$ 10,746	$ 10,082	$ 68,021	$ 536,735
Due to other funds	12,652	193,978	-	191,550	398,180
Unearned revenue	-	-	-	5,950	5,950
Total Liabilities	$ 460,538	$ 204,724	$ 10,082	$ 265,521	$ 940,865
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	47,240	47,240
Permanent fund principal	-	-	-	83,075	83,075
Restricted:					
Forestry improvement purposes	-	-	-	221,492	221,492
Grant activities	-	-	-	652,979	652,979
Unemployment benefits	-	-	-	69,624	69,624
Assigned:					
Student activity	206,025	-	-	-	206,025
Capital improvements	1,192,785	-	-	-	1,192,785
Unassigned	484,326	-	2,294,749	-	2,779,075
Total Fund Balances	1,883,136	-	2,294,749	1,074,410	5,252,295
Total Liabilities and Fund Balances	$ 2,343,674	204,724	$ 2,304,831	$ 1,339,931	$ 6,193,160

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

Scott County School District **Exhibit C-1**
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total fund balances for governmental funds		$ 5,252,295
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 127,250	
Buildings	20,073,919	
Building improvements	616,659	
Improvements other than buildings	814,763	
Mobile equipment	4,525,897	
Furniture and equipment	1,150,128	
Accumulated depreciation	(13,357,999)	13,950,617
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	$ (165,455)	(165,455)
Net position of governmental activities		$ 19,037,457

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

Scott County School District **Exhibit D**
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2014

	Major Funds				
	General Fund	Vocational Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 2,870,507	$ 369,443	$ -	$ 427,485	$ 3,667,435
State sources	18,833,216	606,849	-	252,971	19,693,036
Federal sources	413,810	87,913	-	4,086,347	4,588,070
Sixteenth section sources	-	-	373,431	17,886	391,317
Total Revenues	22,117,533	1,064,205	373,431	4,784,689	28,339,858
Expenditures:					
Instruction	15,296,712	783,086	-	1,365,233	17,445,031
Support services	8,643,204	345,570	-	902,459	9,891,233
Noninstructional services	120	-	-	2,298,421	2,298,541
Sixteenth section	-	-	7,736	22,863	30,599
Total Expenditures	23,940,036	1,128,656	7,736	4,588,976	29,665,404
Excess (Deficiency) of Revenues over (under) Expenditures	(1,822,503)	(64,451)	365,695	195,713	(1,325,546)
Other Financing Sources (Uses):					
Operating transfers in	820,962	64,451	-	-	885,413
Other financing sources	14,220	-	-	-	14,220
Operating transfers out	(64,451)	-	(800,000)	(20,962)	(885,413)
Other financing uses	(275,493)	-	-	(17,667)	(293,160)
Total Other Financing Sources (Uses)	495,238	64,451	(800,000)	(38,629)	(278,940)
Net Change in Fund Balances	(1,327,265)	-	(434,305)	157,084	(1,604,486)
Fund Balances:					
July 1, 2013, as previously reported *	3,189,147	-	2,738,802	912,056	6,840,005
Prior period adjustments	21,254		(9,748)	-	11,506
July 1, 2013	3,210,401	-	2,729,054	912,056	6,851,511
Increase (Decrease) in reserve for inventory	-	-	-	5,270	5,270
June 30, 2014	$ 1,883,136	$ -	$ 2,294,749	1,074,410	$ 5,252,295

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

Scott County School District **Exhibit D-1**

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds		$ (1,604,486)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 233,561	
Depreciation expense	(708,190)	(474,629)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(11,181)
3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	10,067	
Change in inventory reserve	5,270	
		15,337
Change in net position of governmental activities		$ (2,074,959)

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

Scott County School District **Exhibit E**
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
6/30/2014

	Agency Funds
Assets	
Cash and cash equivalents	$ 1,122,463
Due from other funds	12,652
Total Assets	$ 1,135,115
Liabilities	
Accounts payable and accrued liabilities	$ 914,533
Due to other funds	58,253
Due to student clubs	162,329
Total Liabilities	$ 1,135,115

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district. During the fiscal year 2014, the school district was placed under conservatorship by the Mississippi Department of Education (MDE) due to accreditation issues. The MDE appointed a conservator to govern the district and dissolved the school board.

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

B. Government-wide and Fund Financial Statements

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

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

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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.

Vocational 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.

16th Section Interest Fund - This special revenue fund accounts for expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from investment sixteenth section funds.

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 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, fund raisers, and club related expenditures approved by the individual.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for all 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.

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. 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 Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for 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 a resolution approved by the Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Conservator and the Business Manager pursuant to authorization established 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/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $5,004,014 and $ 1,122,463, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of $6,550,288 was exposed to custodial credit risk.

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	Vocational Fund	$	193,978
General Fund	Other Govermental Funds		191,550
General Fund	Agency Fund		52,492
Other Govermental Funds	Agency Fund		5,761
Agency Fund	General Fund		12,652
Total		$	456,433

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
16th Section Interest Fund	General Fund	$	800,000
Other Governmental Funds	General Fund		20,962
General Fund	Vocational Fund		64,451
Total		$	885,413

The primary purpose of the inter-fund transfers was to transfer funds to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling $83,075, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 127,250	$ -	$ -	$ 127,250
Total non-depreciable capital assets	127,250	-	-	127,250
Depreciable capital assets:				
Buildings	20,073,919	-	-	20,073,919
Building improvements	616,659	-	-	616,659
Improvements other than buildings	814,763	-	-	814,763
Mobile equipment	4,469,565	158,000	101,668	4,525,897
Furniture and equipment	1,175,883	75,561	101,316	1,150,128
Total depreciable capital assets	27,150,789	233,561	202,984	27,181,366
Less accumulated depreciation for:				
Buildings	8,279,629	334,024	-	8,613,653
Building improvements	93,682	24,736	-	118,418
Improvements other than buildings	558,761	8,430	-	567,191
Mobile equipment	3,049,455	219,930	91,502	3,177,883
Furniture and equipment	860,085	121,070	100,301	880,854
Total accumulated depreciation	12,841,612	708,190	191,803	13,357,999
Total depreciable capital assets, net	14,309,177	(474,629)	11,181	13,823,367
Governmental activities capital assets, net	$ 14,436,427	$ (474,629)	$ 11,181	$ 13,950,617

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 386,346
Support services	274,676
Non-instructional	47,168
Total depreciation expense - Governmental activities	$ 708,190

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Compensated absences payable	$ 175,522	$ -	$ 10,067	$ 165,455	$
Total	$ 175,522	$ -	$ 10,067	$ 165,455	$ -

A. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $2,502,354, $2,211,915 and $1,914,574, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	$	142,141
2016		134,199
2017		123,734
2018		119,640
2019		113,316
2020 – 2024		559,913
2025 – 2029		517,690
2030 – 2034		355,452
2035 – 2039		185,571
Thereafter		170,495
Total	$	2,422,151

Note 9 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

Explanation		Amount
1. To correct error in recording prior year PERS liability	$	21,254
2. To correct error in recording prior year performance bond liability		(9,748)
Total	$	11,506

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

Fund	Explanation		Amount
General Fund	To correct error in recording prior period year PERS liability	$	21,254
16th Section Interest Fund	To correct error in recording prior year performance bond liability.		(9,748)
Total		$	11,506

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Uncertainties

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). This section also allows a school district to assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.

Of the townships Scott County School District shares with other school districts, Scott County School District has control of some of the sixteenth section property shared with Forest Municipal School District. Forest Municipal School District filed lists of children with Scott County School District as required, but Scott County School District did not divide sixteenth section revenue with them. No division of sixteenth section revenues has been accrued as a payable because the twelve (12) month period after the calendar year that the revenue was received has passed. Scott County School District properly filed lists of children with other school districts that control shared townships with Scott County School District.

Note 13 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated April 12, 1994 creating the consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Union Public School District, Forest Municipal School District , Scott County School District, Neshoba County School District, Newton Municipal School District, and Newton County School District.

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

The Union Public School District has been designated as the lead school district for the consortium and the operations of the consortium are included in its financial statements.

Note 14 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 16, 1994, creating the Forest Scott County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Scott County School District and the Forest Municipal School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Forest Scott County Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances are presented to detail the financial activity of the Forest Scott County Career and Technology Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2014

Revenues	
Local sources:	
Tuition from School Districts	$ 198,427
Taxes	171,016
Total local sources	369,443
State sources	606,849
Federal sources	87,913
Total Revenues	1,064,205
Expenditures	
Salaries	666,394
Employee benefits	223,185
Purchased property services	108,196
Other purchased services	21,935
Supplies	44,548
Property	63,884
Other	514
Total Expenditures	1,128,656
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,451)
Other Financing Sources/Uses:	
Transfers In	64,451
Total Other Financing Sources/Uses	64,451
Net Change in Fund Balance	-
Fund Balance:	
July 1, 2013	-
June 30, 2014	$ -

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Scott County School District evaluated the activity of the district through September 8,2015, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On September 26, 2014, the school district entered into an equipment lease agreement with Bancorpsouth to purchase six school buses. The district borrowed $402,900 with the lease to be repaid in five annual installments at an annual rate of interest of 2.29%

REQUIRED SUPPLEMENTARY INFORMATION

Scott County School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 3,018,550	$ 3,034,155	$ 2,870,507	$ 15,605	$ (163,648)
Intermediate sources	5,000	-	-	(5,000)	-
State sources	19,069,961	18,814,708	18,833,216	(255,253)	18,508
Federal sources	324,000	422,504	413,810	98,504	(8,694)
Total Revenues	22,417,511	22,271,367	22,117,533	(146,144)	(153,834)
Expenditures:					
Instruction	15,416,890	15,310,723	15,296,712	106,167	14,011
Support services	8,460,406	8,491,875	8,643,204	(31,469)	(151,329)
Noninstructional services	27,431	120	120	27,311	-
Facilities acquisition and construction	1,075,345	149,358	-	925,987	149,358
Total Expenditures	24,980,072	23,952,076	23,940,036	1,027,996	12,040
Excess (Deficiency) of Revenues over (under) Expenditures	(2,562,561)	(1,680,709)	(1,822,503)	881,852	(141,794)
Other Financing Sources (Uses):					
Operating transfers in	4,705,428	4,446,808	820,962	(258,620)	(3,625,846)
Other financing sources	1,000	14,221	14,220	13,221	(1)
Operating transfers out	(3,894,774)	(3,849,199)	(64,451)	45,575	3,784,748
Other financing uses	-	-	(275,493)	-	(275,493)
Total Other Financing Sources (Uses)	811,654	611,830	495,238	(199,824)	(116,592)
Net Change in Fund Balances	(1,750,907)	(1,068,879)	(1,327,265)	682,028	(258,386)
Fund Balances:					
July 1, 2013, as previously reported	3,475,637	3,189,147	3,189,147	(286,490)	-
Prior period adjustments	-	-	21,254	-	21,254
July 1, 2013	3,475,637	3,189,147	3,210,401	(286,490)	21,254
June 30, 2014	$ 1,724,730	$ 2,120,268	$ 1,883,136	$ 395,538	$ (237,132)

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

Scott County School District
Required Supplementary Information
Budgetary Comparison Schedule
Vocational Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ -	$ 210,542	$ 369,443	$ 210,542	$ 158,901
State sources	670,128	606,849	606,849	(63,279)	-
Federal sources	60,000	87,913	87,913	27,913	-
Total Revenues	730,128	905,304	1,064,205	175,176	158,901
Expenditures:					
Instruction	843,386	783,086	783,086	60,300	-
Support services	280,957	345,570	345,570	(64,613)	-
Total Expenditures	1,124,343	1,128,656	1,128,656	(4,313)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(394,215)	(223,352)	(64,451)	170,863	158,901
Other Financing Sources (Uses):					
Operating transfers in	441,711	223,352	64,451	(218,359)	(158,901)
Total Other Financing Sources (Uses)	441,711	223,352	64,451	(218,359)	(158,901)
Net Change in Fund Balances	47,496	-	-	(47,496)	-
Fund Balances:					
July 1, 2013,	(683,565)	-	-	683,565	-
June 30, 2014	$ (636,069)	$ -	$ -	$ 636,069	$ -

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

Scott County School District
Required Supplementary Information
Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 10,000	$ -	$ -	$ (10,000)	$ -
Sixteenth section sources	251,500	373,431	373,431	121,931	-
Total Revenues	261,500	373,431	373,431	111,931	-
Expenditures:					
Sixteenth section	18,000	7,736	7,736	10,264	-
Total Expenditures	18,000	7,736	7,736	10,264	-
Excess (Deficiency) of Revenues over (under) Expenditures	243,500	365,695	365,695	122,195	-
Other Financing Sources (Uses):					
Operating transfers out	(1,200,000)	(800,000)	(800,000)	400,000	-
Total Other Financing Sources (Uses)	(1,200,000)	(800,000)	(800,000)	400,000	-
Net Change in Fund Balances	(956,500)	(434,305)	(434,305)	522,195	-
Fund Balances:					
July 1, 2013, as previously reported	2,737,619	2,738,802	2,738,802	1,183	-
Prior period adjustments	-	-	(9,748)	-	(9,748)
July 1, 2013	2,737,619	2,738,802	2,729,054	1,183	(9,748)
June 30, 2014	$ 1,781,119	$ 2,304,497	$ 2,294,749	$ 523,378	$ (9,748)

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Scott County School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 532,596
National school lunch program	10.555	1,464,680
Total child nutrition cluster		1,997,276
Total passed-through Mississippi Department of Education		1,997,276
Passed-through Scott County Board of Supervisors:		
Schools and roads - grants to states	10.670	25,577
Total passed-through Scott County Board of Supervisors		25,577
Total U.S. Department of Agriculture		2,022,853
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	121,926
Total Federal Communications Commission		121,926
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	857,594
Career and technical education - basic grants to states	84.048	87,913
Educational technology state grants	84.318	24,712
Rural education	84.358	71,059
Improving teacher quality state grants	84.367	233,629
Subtotal		1,274,907
Special education cluster:		
Special education - grants to states	84.027	717,335
Special education - preschool grants	84.173	22,560
Total special education cluster		739,895
Total passed-through Mississippi Department of Education		2,014,802
Passed-through Institutions of Higher Learning		
Gaining early awareness and readiness for undergraduate programs	84.334	8,095
Total passed-through Institutions of Higher Learning		8,095
Total U.S. Department of Education		2,022,897
Total for All Federal Awards		$ 4,167,676

NOTES TO SCHEDULE

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

Scott County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	22,061,493	17,066,444	887,420	1,660,505	2,447,124
Other		7,603,911	2,189,071	1,245,073	33,605	4,136,162
Total	$	29,665,404	19,255,515	2,132,493	1,694,110	6,583,286
Total number of students *		3,949				
Cost per student	$	7,512	4,876	540	429	1,667

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

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

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

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

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

OTHER INFORMATION

Scott County School District "UNAUDITED"
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 2,870,507	3,538,868	3,263,941	3,177,228
State sources	18,833,216	18,115,049	17,803,300	16,334,582
Federal sources	413,810	214,497	459,601	705,353
Sixteenth section sources	-	22,702	-	-
Total Revenues	22,117,533	21,891,116	21,526,842	20,217,163
Expenditures:				
Instruction	15,296,712	14,392,312	13,663,699	11,181,482
Support services	8,643,204	7,919,121	7,844,129	7,602,710
Nonistructional services	120	35,964	83	90,868
Facilities acquisition and construction	-	73,339	58,286	147,307
Debt service:				
Principal	-	-	-	2,140
Interest	-	-	-	17
Total Expenditures	23,940,036	22,420,736	21,566,197	19,024,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,822,503)	(529,620)	(39,355)	1,192,639
Other Financing Sources (Uses):				
Insurance recovery	-	12,805	189,419	144,323
Sale of transportation equipment	-	-	-	7,093
Transfers in	820,962	128,098	711,653	11,815
Other financing sources	14,220	-	40	-
Transfers out	(64,451)	(683,481)	(714,305)	(757,334)
Other financing uses	(275,493)	-	-	-
Total Other in Financing Sources (Uses)	495,238	(542,578)	186,807	(594,103)
Net Change in Fund Balances	(1,327,265)	(1,072,198)	147,452	598,536
Fund Balances:				
July 1, as previously reported	3,189,147	4,259,068	4,128,875	3,548,109
Prior period adjustments	21,254	2,277	(17,259)	(17,770)
July 1, as restated	3,210,401	4,261,345	4,111,616	3,530,339
June 30,	**$ 1,883,136**	**3,189,147**	**4,259,068**	**4,128,875**

*Source - Prior year audit reports

Scott County School District "UNAUDITED"
Statement of Revenues, Expenditures and Changes in Fund Balances
All Govermental Funds
Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 3,667,435	3,931,173	3,667,668	3,593,558
State sources	19,693,036	18,566,210	18,382,787	16,904,740
Federal sources	4,588,070	4,591,532	4,974,250	7,194,596
Sixteenth section sources	391,317	538,178	453,188	669,902
Total Revenues	28,339,858	27,627,093	27,477,893	28,362,796
Expenditures:				
Instruction	17,445,031	16,995,725	16,314,801	15,914,516
Support services	9,891,233	8,715,274	9,070,822	8,698,921
Nonistructional services	2,298,541	2,339,780	2,265,174	2,232,401
Sixteenth section	30,599	49,310	41,085	39,693
Facilities acquisition and construction	-	73,339	83,512	147,307
Debt service:				
Principal	-	-	-	2,140
Interest	-	-	-	17
Total Expenditures	29,665,404	28,173,428	27,775,394	27,034,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,325,546)	(546,335)	(297,501)	1,327,801
Other Financing Sources (Uses):				
Insurance recovery	-	12,805	189,419	144,323
Sale of transportation equipment	-	-	-	7,093
Transfers in	885,413	811,579	1,425,958	769,149
Other financing sources	14,220	-	40	-
Transfers out	(885,413)	(811,579)	(1,425,958)	(769,149)
Other financing uses	(293,160)	-	-	-
Total Other in Financing Sources (Uses)	(278,940)	12,805	189,459	151,416
Net Change in Fund Balances	(1,604,486)	(533,530)	(108,042)	1,479,217
Fund Balances:				
July 1, as previously reported	6,840,005	7,362,882	7,490,427	5,969,926
Prior period adjustments	11,506	2,277	(17,213)	39,078
July 1, as restated	6,851,511	7,365,159	7,473,214	6,009,004
Increase (Decrease) in Inventory	5,270	8,376	(2,290)	2,206
June 30,	**$ 5,252,295**	**6,840,005**	**7,362,882**	**7,490,427**

*Source - Prior year audit reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WWS

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Professional Limited Liability Company
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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 *GOVERNMENT AUDITING STANDARDS*

To the Superintendent and School Board
Scott County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated September 8, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. **(Findings 2014-1, 2014-2, 2014-3, 2014-4 and 2014-5)**

Compliance and Other Matters

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

Scott County School District's Response to Findings

Scott County School District's response to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Scott County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
September 8, 2015

Watkins Ward and Stafford, PLLC

WWS

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Superintendent and School Board
Scott County School District

Report on Compliance for Each Major Federal Program

We have audited Scott County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Scott County School District's major federal programs for the year ended June 30, 2014. Scott 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.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Scott County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Scott County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questions Costs as **Findings 2014-6, 2014-7, 2014-8, 2014-9, 2014-10 and 2014-11**, that we consider to be significant deficiencies.

Scott County School District's Response to Finding

Scott County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Scott County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
September 8, 2015

Watkins Ward and Stafford, PLLC

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

WWS

WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Superintendent and School Board
Scott County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2014, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated September 8, 2015. 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $18,184 of classroom supply funds carried over from previous years.

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

The results of 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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Revenues Generated from Sixteenth Section Sources Should Be Shared with Other Districts within Each Township

Finding

Miss. Code Section 29-3-119(4), Miss. Code Ann. (1972), states, "The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the "custodial school district") shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district's pro rata share of the available township funds, as determined from the lists of children prepared pursuant to Section 29-3-121, ...Any school district entitled to such funds, which is not paid promptly may assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds."

During tests of sixteenth section revenue, we noted that the District failed to distribute funds generated from the sixteenth section property between school districts lying partly within townships of which Scott County School District is the custodial school district.

Due to inadequate controls relating to sixteenth section requirements, the District was not in compliance with Section 29-3-119(4), Miss. Code Ann. (1972).

Recommendation

We recommend the District comply with Section 29-3-119(4), Miss. Code Ann. (1972), which requires the custodial district to share the sum of all revenues less expenditures derived from shared townships with other districts.

School District's Response

The District will comply with Section 29-3-119(4), Miss. Code Ann. (1972) and as the custodial district we will share the sum of all revenues less expenditures derived from shared townships with other districts.

2. School District Personnel Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office

Finding

Section 37-6-15 Miss Code Ann. (1972) requires that school board members shall be bonded for at least $50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted two board members surety bonds were not recorded and on file in the chancery clerk's office.

Section 37-9-31 Miss Code Ann. (1972) requires that school principals shall be bonded for at least $50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted one principal was only bonded for $25,000 instead of $50,000.

Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

School District's Response

The District will bond all applicable personnel according to Sections 37-6-15 and 37-9-31 of the Miss Code Ann. (1972).

3. Depositories Should Be Approved by the School Board

Finding

Section 37-7-333, Miss. Code Ann. (1972), requires the school board to place school district funds in the depository or depositories selected by the school board. This selection should be documented in the board minutes.

During the review of the board minutes, the auditor noted that only one of the four depositories used by the District was approved by the school board.

Noncompliance with Section 37-7-333, Miss. Code Ann. (1972), resulted in the school district having funds on deposit at depositories which were not approved by the school board.

Recommendation

We recommend that the District comply with Section 37-7-333, Miss. Code Ann. (1972), and ensure that all depositories used by the District are approved by the school board.

School District's Response

The District will comply with Section 37-7-333, Miss. Code Ann. (1972) and make sure all bank depositories are approved by the school board.

4. PERS Employees Form 4B Should Be Filed Within 5 Days of Reemployment and There Earnings Should Be Limited To The Amount on The Form 4B

Finding

Section 25-11-127, Miss Code Ann. (1972) requires the District to ensure that all PERS retirees complete and file a PERS Form 4B"Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

During our testing of PERS retirees we noted that five (5) PERS retirees that were hired by district did not file their forms within five days of reemployment.

Recommendation

We recommend the district comply with Section 25-11-127, Miss Code Ann. (1972) which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B"Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

School District's Response

We will make sure all PERS retirees complete and file PERS Form 4B within 5 days of employment and are not paid more than is legally allowed.

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

The Scott County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
September 8, 2015

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

8.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as low-risk auditee? (yes/no)	No

Section II: Financial Statement Findings

Significant Deficiency

Finding 2014-1. Controls surrounding segregation of duties should be strengthened:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our tests of activity fund receipts we noted that the secretaries at each of the individual schools performed or had the authority to perform the following functions, which indicated a lack of segregation of duties:

- Count the money
- Prepare school event forms
- Prepare receipts
- Prepare deposits
- Take deposits to the bank
- Prepare bank reconciliation

Without proper segregation of duties the risk is increased that unauthorized or inappropriate transactions could be processed, and the district personnel would not detect the problem while performing their normal duties.

Recommendation:

We recommend the district strengthen its internal controls whereby duties would be segregated to the greatest possible extent.

Significant Deficiency

Finding 2014-2 Payroll Expenditures Should Be Supported By Adequate Documentation

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- District personnel could not locate a signed employee federal and/or state withholding forms in 5 instances.
- Board approval for 21 employees could not be located.
- Could not locate board approval of a supplement or additional pay for 13 employees.
- Timekeeping records that corresponded with the amount an employee was paid could not be located for 2 employees.
- Timekeeping records that were approved by the appropriate supervisory personnel for could not be located for 35 employee checks selected for testing.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation and payroll records were not reconciled to the general ledger in a timely manner.

Payment of wages without adequate records could result in employees being improperly compensated. In addition, untimely reconciliation of payroll liabilities to the general ledger could result in inaccurate reporting of the financial statements.

Recommendation

We recommend the district maintain adequate records for all non-exempt personnel to support expenditures prior to payment and reconcile payroll liabilities in a timely manner.

Significant Deficiency

Finding 2014-3 Internal Controls Over Accrual of Year End Claims Payable Should Be Strengthened

During our audit procedures over testing of claims payable we noted that district personnel did not accrue as claims payable expenditures incurred in June 2014 that should have recorded as expenditures in the June 30, 2014 fiscal year. Per review of subsequent disbursements we noted claims payable totaling $350,195 which should have been recorded at June 30, 2014. We proposed an audit adjustment to the client and the client made the adjustment to the financial statements for the claims payable we noted. $293,160 of these payables involved the repayment of grant funds that were incurred after an MDE monitoring visit which were unusual in nature. The other $57,035 of these payables were incurred during the normal operations of the school district and should have been recorded under normal year end closing procedures.

Inadequate controls over recording year end claims payable could result in expenditures for the current fiscal year not being recorded until the following fiscal year.

Recommendation

We recommend district personnel review disbursements after year end and accrue all expenditures for the current fiscal year as claims payable at fiscal year end to ensure that expenditures are recorded in the proper fiscal year.

Significant Deficiency

Finding 2014-4 Internal Controls Over Activity Fund Receipts Should Be Strengthened

During our testing of activity fund receipts we noted the following deficiencies:

Sebastopol Attendance Center

- We noted 3 occasions where the athletic event form was not signed by the school principal to document approval of the gate receipt.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on 4 occasions.

Morton Attendance Center

- We noted one instance where an athletic event form was only signed by one gate worker.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on 4 occasions.

Scott Central Attendance Center

- We noted one instance where an athletic event form was only signed by one gate worker.
- We noted one occasion where the athletic event form was not signed by the school principal to document approval of the gate receipt.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on 15 occasions.

Lake High School

- We noted 10 occasions where the athletic event form was not signed by the school principal to document approval of the gate receipt.
- We noted the school bookkeeper was the only person signing the school event receipt form. We noted the bookkeeper did list the names of the gate workers for the applicable event, however, none of the gate workers signed the school event receipt form to verify cash received for the applicable event.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on 3 occasions.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. We also recommend that all school event form contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

Significant Deficiency

Finding 2014-5 Internal Controls Over General Disbursements Should Be Strengthened

Per our testing of general disbursements we noted the following control deficiencies:

- We noted 4 occasions where there was insufficient documentation (a supporting invoice) for a paid transaction.
- We noted 1 occasion where a purchase order could not be located for a paid invoice and 10 occasions where a purchase order was dated after the applicable purchase was made. We also noted 2 occasions where a purchase order was not signed by the superintendent of education to document approval of the applicable transaction.
- We noted 4 occasions where there was inadequate receiving documentation for goods and services.
- We noted 2 occasions where an open purchase order was issued and remained open for more that 60 days.

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursements could result in expenditures being made that were not properly authorized and misappropriation of public funds.

Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and only paid after sufficient documentation has been received that ensures that the goods and services have actually been received by the school district.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency

Finding 2014-6 Internal Controls Over Child Nutrition Payroll Should Be Strengthened

Program:Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Allowable costs/ cost principles

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of internal controls related to Child Nutrition payroll expenditures, we noted the following internal control deficiencies:

- We could not locate board approval of a school food service employee on 11 occasions.
- We could not locate supervisory approval of an employees time keeping record on 17 occasions.

As a result of inadequate internal controls over payroll expenditures, the allocation of payroll expenditures for an employee of the Child Nutrition Program was processed without adequate documentation.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all employees to support federal program expenditures.

Significant Deficiency

Finding 2014-7 Internal Controls Surrounding Child Nutrition Expenditures Should Be Strengthened

Program:Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Allowable costs/ cost principles

Management is responsible for establishing internal controls to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.

During our test of general disbursements charged to the Child Nutrition Cluster, we noted the following:

- A purchase order was not issued for 1 purchase and purchase orders were dated after the purchase occurred on 3 occasions.
- Noted 7 occasions where there was no documentation that the food service supervisor approved authorization of a purchase.
- Inadequate receiving documentation was noted on 1 occasion.

Lack of adequate internal controls surrounding the approval of expenditures of federal funds could result in expenditures being made that are not allowable in the Child Nutrition Program.

Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and not paid until adequate supporting documentation is received to ensure that the goods or services have been received by the district.

Significant Deficiency

Finding 2014-8 Internal Controls Surrounding Daily Food Sales Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Program Income

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales for the month of March 2014, we noted 2 occasions where deposits were not being made on a daily basis.

Inadequate internal controls surrounding the deposit of program income in child nutrition program could result in misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring that program income be deposited intact on a daily basis.

Significant Deficiency

Finding 2014-9 Internal Controls over Payroll Disbursements Should Be Strengthened

Program(s): Title 1 grants to local educational agencies, Passed-through the Mississippi Department of Education – CFDA# 84.010

Special Education Cluster, Passed-through the Mississippi Department of Education- CFDA 84.027 and 84.173

Compliance requirement: Allowable Costs / Cost Principles

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of controls related to Special Education payroll expenditures, we noted the following deficiencies:

- We noted that a semi-annual certification could not be located for one employee that was paid 100% out of a single Special Education Cluster cost objective.
- We noted 6 occasions where there was no supervisory signature noted on time keeping records for Special Education employees and we also noted two occasions where time keeping records for a Special Education employee could not be located.

During our tests of controls related to Title 1 payroll expenditures, we noted the following deficiencies:

- We noted that a semi-annual certification could not be located for 6 employees that were paid 100% out of a single Title 1 cost objective.
- We noted 6 occasions where there was no supervisory signature noted on time keeping records for Title 1 employees.

As a result of improper internal controls for payroll expenditures, the allocation for payroll expenditures for an employee of the applicable federal program was processed without adequate documentation.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all employees to support federal program expenditures.

Significant Deficiency

Finding 2014-10 Internal Controls Over General Disbursements Should Be Strengthened

Program: Title 1 grants to local educational agencies, Passed-through the Mississippi Department of Education – CFDA# 84.010
Special Education Cluster, Passed-through the Mississippi Department of Education- CFDA 84.027 and 84.173

Compliance requirement: Allowable costs/ cost principles

Management is responsible for establishing internal controls to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.

During our tests of controls related to Special Education accounts payable expenditures, we noted the following deficiencies:

- Noted 1 occasion where a purchase order was dated after the purchase occurred
- Noted 2 occasions where there was no documentation that the special education director approved authorization or acknowledgement of receipt.
- Noted 1 occasion where supporting documentation (supporting invoice) could not be located for a purchase

During our tests of controls related to Title 1 accounts payable expenditures, we noted the following deficiencies:

- Noted 1 occasion where a purchase order was dated after the purchase occurred
- Noted 2 occasions where an open purchase order was issued and remained open for more than 60 days.
- Noted 2 occasions where supporting documentation (supporting invoice) could not be located for a purchase

Lack of adequate internal controls surrounding the approval of expenditures of federal funds could result in expenditures being made that are not allowable to be paid with program funds.

Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are properly approved and that no invoice be paid until adequate supporting documentation is received is received that verifies that the related goods or services have been received by the district.

Significant Deficiency

Finding 2014-11 Federal Program Funds Should Only Be Used to Supplement and Not Supplant District Resources

Program: Title 1 grants to local educational agencies, Passed-through the Mississippi Department of Education – CFDA# 84.010

Compliance requirement: Matching, Level of Effort, Earmarking

Questioned Cost: $275,493

Management is responsible for establishing internal controls to ensure that all federal programs are used only to supplement and not supplant funds that would, in the absence of such Federal funds, be made available from non-federal resources.

During the course of our audit of the Title 1 program we requested copies of any correspondence received from any monitoring over the Title 1 program. Upon receipt of this documentation we noted that the district was cited for supplanting federal resources in the Title 1 program. It was noted that the district was using federal funds to meet accreditation standards. Per review of monitoring documentation a questioned cost of $275,493 was calculated. The district repaid these funds on September 9, 2014, and the repayment was accrued on the school district's financial statements at June 30, 2014.

Lack of adequate internal controls that would ensure that all federal programs are used only to supplement and not supplant local funding of district programs could result in the district repaying federal funds in future periods.

Recommendation

We recommend the district implement controls and procedures to ensure that federal funds are only used to supplement and not supplant district funding of district programs. Federal funding should not be used to assist the district in maintaining accreditation standards.

AUDITEE'S CORRECTIVE ACTION PLAN

AND

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

SCOTT COUNTY SCHOOLS

Dr. Tony McGee, Superintendent
Chad Harrison, Assistant Superintendent

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Forest, MS 39074
Telephone: 601-469-3861
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Finance & Compliance Audit Division

As required by Section_315(c) of OMB Circular A-133, the Scott County School District has prepared and hereby submits the following correcti action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Finding	Corrective Action Plan Details	
2014-1	a.	Name of Contact Person Responsible for Corrective Action: Al Ladner
	b.	Corrective Action Planned: The District will strengthen its internal controls concerning the handling of money, school event forms, preparing receipts, preparing deposits, and taking deposits to the bank. The Business Manager will prepare the bank reconciliation.
	c.	Anticipated Completion Date: July 1, 2014
2014-2	a.	Name of Contact Person Responsible for Corrective Action: Al Ladner
	b.	Corrective Action Planned: The District will have internal controls for payroll expenditures to ensure that adequate records for all non-exempt employees are present to support expenditures prior to payment. The District will also reconcile payroll liabilities in a timely manner.
	c.	Anticipated Completion Date: June 30, 2015
2014-3	a.	Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

District personnel will examine disbursements after year end and accrue all expenditures for the current fiscal year as claims payable at fiscal year end. The District will ensure that expenditures are recorded in the proper fiscal year.

c. Anticipated Completion Date:

August 31, 2015

2014-4 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will implement internal controls to ensure deposits are made daily and revenue is properly reported. We will make sure documentation is kept to substantiate receipts and school event forms are completed correctly.

c. Anticipated Completion Date:

June 30, 2015

2014-5 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will implement internal controls to ensure all expenditures are authorized and documentation showing goods and services have been received before payment is made.

c. Anticipated Completion Date:

June 30, 2015

2014-6 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will maintain adequate records for all employees to support federal program expenditures.

c. Anticipated Completion Date:

June 30, 2015

2014-7 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will implement internal controls and procedures so that all expenditures are authorized and not paid until receiving documentation is present confirming that goods and services have been received.

c. Anticipated Completion Date:

June 30, 2015

2014-8 a. Name of Contact Person Responsible for Corrective Action:

Vivian McGarrity

b. Corrective Action Planned:

The District will follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by ensuring program deposits are made on a daily basis.

c. Anticipated Completion Date:

June 30, 2015

2014-9 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will maintain adequate records for all employees to support federal program expenditures.

c. Anticipated Completion Date:

June 30, 2015

2014-10 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will implement internal controls and procedures so that all expenditures are approved and supporting documentation is present which confirms that goods and services have been received before payment is authorized.

c. Anticipated Completion Date:

June 30, 2015

2014-11 a. Name of Contact Person Responsible for Corrective Action:

Al Ladner

b. Corrective Action Planned:

The District will implement internal controls and procedures so that federal funds are used to supplement and not supplant district funding of district programs.

c. Anticipated Completion Date:

June 30, 2015

SCOTT COUNTY SCHOOLS
Dr. Tony McGee, Superintendent
Chad Harrison, Assistant Superintendent

100 East First Street, Suite B
Forest, MS 39074
Telephone: 601-469-3861
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SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section _____.315(b) of OMB Circular A-133, Scott County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2013:

Finding	Status
2013-1	Partially Corrected
2013-2	Not Corrected
2013-3	Corrected
2013-4	Partially Corrected
2013-5	Corrected
2013-6	Corrected
2013-7	Not Corrected
2013-8	Not Corrected
2013-9	Corrected

Sincerely,

Dr. Tony McGee, Superintendent