SIMPSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Simpson County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Simpson 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Simpson 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 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Simpson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 basic 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 my 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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 8, 2015, on my consideration of the Simpson County School District's internal control over financial reporting and on my 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 my 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 Simpson County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA

Ridgeland, MS
June 8, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of Simpson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 increased $431,305, including a prior period adjustment of ($1,491), which represents a 1.2% increase from fiscal year 2013. Total net position for 2013 increased $204,536, including a prior period adjustment of ($26,901), which represents a .5% increase from fiscal year 2012.

- General revenues amounted to $28,230,492 and $28,009,375, or 78.7% and 78.8% 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 $7,661,480, or 21.3% of total revenues for 2014, and $7,560,016, or 21.2% of total revenues for 2013.

- The District had $35,459,176 and $35,337,954 in expenses for fiscal years 2014 and 2013; only $7,661,480 for 2014 and $7,560,016 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $28,230,492 for 2014 and $28,009,375 for 2013 were adequate to provide for these programs.

- Among major funds, the General Fund had $28,739,799 in revenues and $26,675,600 in expenditures for 2014, and $28,051,047 in revenues and $27,065,623 in expenditures in 2013. The General Fund's fund balance increased by $664,650 from 2013 to 2014, and increased by $256,647 from 2012 to 2013.

- Capital assets, net of accumulated depreciation, decreased by $661,543 for 2014 and increased by $135,955 for 2013. The decrease for 2014 was due to the disposal of capital assets coupled with the increase in accumulated depreciation.

- Long-term debt decreased by $9,184 for 2014 and decreased by $637,345 for 2013. The liability for compensated absences decreased by $9,184 for 2014 and decreased by $2,345 for 2013.

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, sixteenth section and interest and other expenses on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental 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 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $37,421,639 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 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	$ 11,585,007	$ 10,156,740	14.06 %
Restricted assets	7,168,226	7,510,317	(4.55) %
Capital assets, net	23,562,534	24,224,077	(2.73) %
Total assets	**42,315,767**	**41,891,134**	**1.01 %**
Deferred outflows of resources	0	0	0 %
Current liabilities	1,864,611	1,818,431	2.54 %
Long-term debt outstanding	2,592,837	2,602,021	(0.35) %
Total liabilities	**4,457,448**	**4,420,452**	**0.84 %**
Deferred inflows of resources	436,680	480,348	(9.09) %
Net position:			
Net investment in capital assets	20,780,874	21,398,749	(2.89) %
Restricted	7,256,659	6,881,313	5.45 %
Unrestricted	9,384,106	8,710,272	7.74 %
Total net position	**$ 37,421,639**	**$ 36,990,334**	**1.17 %**

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 $661,543.
- The decrease in the liability for compensated absences of $9,184

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $35,891,972 and $35,569,391, respectively. The total cost of all programs and services was $35,459,176 for 2014 and $35,337,954 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	$ 613,421	$ 703,757	(12.84) %
Operating grants and contributions	7,048,059	6,856,259	2.80 %
General revenues:			
Property taxes	8,434,352	8,183,904	3.06 %
Grants and contributions not restricted	18,691,399	18,800,785	(0.58) %
Investment earnings	23,998	25,598	(6.25) %
Sixteenth section sources	1,016,195	955,420	6.36 %
Other	64,548	43,668	47.82 %
Total revenues	**35,891,972**	**35,569,391**	**0.91 %**
Expenses:			
Instruction	20,301,726	19,737,270	2.86 %
Support services	12,596,507	12,787,935	(1.50) %
Non-instructional	2,340,022	2,588,224	(9.59) %
Sixteenth section	154,293	176,818	(12.74) %
Interest on long-term liabilities	66,628	47,707	39.66 %
Total expenses	**35,459,176**	**35,337,954**	**0.34 %**
Increase (Decrease) in net position	**432,796**	**231,437**	**87.00 %**
Net Position, July 1, as previously reported	**36,990,334**	**36,785,798**	0.56 %
Prior Period Adjustment	**(1,491)**	**(26,901)**	94.46 %
Net Position, July 1, as restated	**36,988,843**	**36,758,897**	**0.63 %**
Net Position, June 30	**$ 37,421,639**	**$ 36,990,334**	**1.17 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2014	2013	Change
Instruction	$ 20,301,726	$ 19,737,270	2.86 %
Support services	12,596,507	12,787,935	(1.50) %
Non-instructional	2,340,022	2,588,224	(9.59) %
Sixteenth section	154,293	176,818	(12.74) %
Interest on long-term liabilities	66,628	47,707	39.66 %
Total expenses	**$ 35,459,176**	**$ 35,337,954**	**0.34 %**

	Net (Expense) Revenue		Percentage
	2014	2013	Change
Instruction	$ (16,933,956)	$ (16,776,057)	0.94 %
Support services	(11,130,944)	(11,001,589)	1.18 %
Non-instructional	488,125	224,233	117.69 %
Sixteenth section	(154,293)	(176,818)	(12.74) %
Interest on long-term liabilities	(66,628)	(47,707)	39.66 %
Total net (expense) revenue	**$ (27,797,696)**	**$ (27,777,938)**	**0.07 %**

- Net cost of governmental activities ($27,797,696 for 2014 and $27,777,938 for 2013) was financed by general revenue, which is primarily made up of property taxes ($8,434,352 for 2014 and $8,183,904 for 2013) and state and federal revenues ($18,691,399 for 2014 and $18,800,785 for 2013). In addition, there was $1,016,195 and $955,420 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $23,998 for 2014 and $25,598 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 $17,106,962, an increase of $1,083,664, which includes an increase in inventory of $12,935. $9,358,946 or 54.7% 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 $7,748,016 or 45.3% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $664,650. The fund balance of Other Governmental Funds showed an increase in the amount of $362,692, which includes an increase in reserve for inventory of $12,935. The increase in the fund balances for the other major fund was as follows:

Major Fund	Increase
16th Section Principal Fund	$ 56,322

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 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 $37,389,959, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of $223,553 from 2013. Total accumulated depreciation as of June 30, 2014, was $13,827,425, and total depreciation expense for the year was $851,192, resulting in total net capital assets of $23,562,534.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	$ 311,514	$ 159,514	95.29 %
Buildings	21,499,099	22,095,435	(2.70) %
Building improvements	220,641	230,234	(4.17) %
Improvements other than buildings	53,027	20,559	157.93 %
Mobile equipment	1,355,479	1,620,754	(16.37) %
Furniture and equipment	122,774	97,581	25.82 %
Total	**$ 23,562,534**	**$ 24,224,077**	**(2.73) %**

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 $2,592,837 in outstanding long-term debt, of which $19,829 is due within one year. The liability for compensated absences decreased $9,184 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
Qualified school construction bonds payable	2,344,980	2,344,980	0 %
Compensated absences payable	247,857	257,041	(3.57) %
Total	**$ 2,592,837**	**$ 2,602,021**	**(0.35) %**

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

CURRENT ISSUES

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

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

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

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 Simpson County School District, 111 Education Lane, Mendenhall, MS 39114.

BASIC FINANCIAL STATEMENTS

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SIMPSON COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 10,248,182
Due from other governments	1,062,473
Other receivables, net	205,123
Inventories	69,229
Restricted assets (Note 4)	7,168,226
Non-depreciable capital assets (Note 5)	311,514
Depreciable capital assets, net (Note 5)	23,251,020
Total Assets	42,315,767
Total Deferred Outflows of Resources	0
Liabilities	
Accounts payable and accrued liabilities	1,646,271
Interest payable on long-term liabilities	218,340
Long-term liabilities (Due within one year) (Note 6)	
Non-capital related liabilities	19,829
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	2,344,980
Non-capital related liabilities	228,028
Total Liabilities	4,457,448
Deferred Inflows of Resources	
Deferred credit on bonds payable	436,680
Total Deferred Inflows of Resources	436,680
Net Position	
Net investment in capital assets	20,780,874
Restricted net position	
Expendable	
School-based activities	1,769,912
Debt service	597,223
Forestry improvements	185,906
Unemployment benefits	83,184
Non-expendable	
Sixteenth section	4,620,434
Unrestricted	9,384,106
Total Net Position	$ 37,421,639

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

SIMPSON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

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	$ 20,301,726	94,272	3,273,498	(16,933,956)
Support services	12,596,507	152,000	1,313,563	(11,130,944)
Non-instructional	2,340,022	367,149	2,460,998	488,125
Sixteenth section	154,293			(154,293)
Interest on long-term liabilities	66,628			(66,628)
Total Governmental Activities	35,459,176	613,421	7,048,059	(27,797,696)

General Revenues	
Taxes	
General purpose levies	8,434,352
Unrestricted grants and contributions	
State	17,764,128
Federal	927,271
Unrestricted investment earnings	23,998
Sixteenth section sources	1,016,195
Other	64,548
Total General Revenues	28,230,492
Changes in Net Position	432,796
Net Position - Beginning, as previously reported	36,990,334
Prior Period Adjustments	(1,491)
Net Position - Beginning - as restated	36,988,843
Net Position - Ending	$ 37,421,639

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

SIMPSON COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2014

Exhibit C

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 2)	$ 10,248,182	4,155,070	2,203,572	16,606,824
Cash with fiscal agent (Note 2)			9,584	9,584
Investments (Note 2)			800,000	800,000
Due from other governments	378,480		683,993	1,062,473
Other receivables, net	2,460			2,460
Due from other funds (Note 3)	885,507	125	10,000	895,632
Advances to other funds (Note 3)		491,411		491,411
Inventories			69,229	69,229
Total Assets	11,514,629	4,646,606	3,776,378	19,937,613
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	1,377,018		269,253	1,646,271
Due to other funds (Note 3)	14,237	26,172	652,560	692,969
Advances from other funds (Note 3)	491,411			491,411
Total Liabilities	1,882,666	26,172	921,813	2,830,651
Fund Balances				
Nonspendable				
Inventory			69,229	69,229
Permanent fund principal		4,129,023		4,129,023
Advances		491,411		491,411
Restricted				
Debt service			815,563	815,563
Forestry improvements			185,906	185,906
Unemployment benefits			83,184	83,184
Grant activities			1,700,683	1,700,683
Committed				
Band	8,079			8,079
Assigned				
School activities	264,938			264,938
Unassigned	9,358,946			9,358,946
Total Fund Balances	9,631,963	4,620,434	2,854,565	17,106,962
Total Liabilities and Fund Balances	11,514,629	4,646,606	3,776,378	19,937,613

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

SIMPSON COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

		Amount
Total Fund Balance - Governmental Funds		$ 17,106,962
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	311,514	
Buildings	30,538,753	
Building improvements	239,827	
Improvement other than buildings	136,612	
Mobile equipment	4,810,924	
Furniture and equipment	1,352,329	
Accumulated depreciation	(13,827,425)	23,562,534
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school construction bonds payable	(2,344,980)	
Compensated absences	(247,857)	
Deferred credit on bonds payable	(436,680)	
Accrued interest payable	(218,340)	(3,247,857)
Total Net Position - Governmental Activities		$ 37,421,639

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

SIMPSON COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2014

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 8,870,427		444,877	9,315,304
State sources	18,098,303		768,421	18,866,724
Federal sources	942,610		5,686,581	6,629,191
Sixteenth section sources	828,459	74,049	113,697	1,016,205
Total Revenues	28,739,799	74,049	7,013,576	35,827,424
Expenditures				
Instruction	16,062,881		3,638,991	19,701,872
Support services	10,582,695		1,978,661	12,561,356
Noninstructional services			2,337,094	2,337,094
Sixteenth section	8,581		145,712	154,293
Debt service				
Interest	21,443			21,443
Other			1,517	1,517
Total Expenditures	26,675,600	0	8,101,975	34,777,575
Excess (Deficiency) of Revenues Over Expenditures	2,064,199	74,049	(1,088,399)	1,049,849
Other Financing Sources (Uses)				
Sale of transportation equipment	20,880			20,880
Operating transfers in (Note 3)	194,246	8,320	1,751,440	1,954,006
Operating transfers out (Note 3)	(1,614,675)	(26,047)	(313,284)	(1,954,006)
Total Other Financing Sources (Uses)	(1,399,549)	(17,727)	1,438,156	20,880
Net Change in Fund Balances	664,650	56,322	349,757	1,070,729
Fund Balances				
July 1, 2013	8,967,313	4,564,112	2,491,873	16,023,298
Increase in reserve for inventory			12,935	12,935
June 30, 2014	$ 9,631,963	4,620,434	2,854,565	17,106,962

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

SIMPSON COUNTY SCHOOL DISTRICT

Exhibit D-1

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

		Amount
Net Change in Fund Balance - Governmental Funds		$ 1,070,729
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	249,307	
Depreciation expense	(851,192)	(601,885)
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 asset sold.		(58,167)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Accrued interest payable	43,668	
Amortization of deferred credit of bonds payable	(43,668)	0
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 the governmental funds. These activities include:		
Change in compensated absences	9,184	
Change in inventory reserve	12,935	22,119
Changes in Net Position of Governmental Activities		$ 432,796

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

SIMPSON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents (Note 2)	$ 392,994
Due from other funds (Note 3)	5,609
Other receivables	5,706
Total Assets	404,309
Liabilities	
Accounts payable and accrued liabilities	14,906
Due to other funds (Note 3)	208,272
Due to student clubs	181,131
Total Liabilities	$ 404,309

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

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Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, the 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)

B. Government-wide and Fund Financial Statements

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

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

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

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

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.

16th Section Principal Fund - This permanent fund is used to account for the resources derived from the sale of nonrenewable resources on 16th section lands.

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 is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

E. Assets, liabilities, deferred outflows/inflows, 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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, there are no deferred outflows reported by the school district.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred credit on bonds payable is listed as a deferred inflow. See Note 13 for further details.

8. 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.

9. Long-term Liabilities and Deferred Credit on Bonds Payable

In the government-wide financial statements, outstanding debt is reported as liabilities. The deferred credit on bonds payable is amortized over the terms of the bonds using a method that approximates the effective interest method.

10. 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 documented in the board minutes of the school board.

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

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

When an expenditure/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.

The school district has adopted a policy to maintain a minimum unassigned fund balance in the General Fund that is not less than 5% of the District Maintenance Fund revenues. If the unassigned fund balance falls below the 5%, the school district will develop a restoration plan to achieve and maintain the minimum unassigned fund balance.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $16,606,824 and $392,994, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $9,584.

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	n/a	Greater than 10 Years	$ 800,000

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

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	Major fund - 16th section principal fund	$ 26,172
	Other governmental funds	652,560
	Fiduciary funds	206,775
Major fund - 16th section principal fund	General Fund	125
Other governmental funds	General Fund	10,000
Fiduciary funds	General Fund	4,112
	Fiduciary funds	1,497
Total		$ 901,241

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal

programs as part of the normal year end closing adjustments. The inter-fund loan associated with the Fiduciary Funds represents the accumulation of workers compensation insurance and accrued payroll.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund		Amount
Major fund - 16th section principal fund	General Fund	$	491,411

Sixteenth section principal loans payable

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

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

Year Ending June 30		Principal	Interest	Total
2015	$	46,435	19,657	66,092
2016		48,292	17,799	66,091
2017		50,224	15,867	66,091
2018		52,233	13,858	66,091
2019		54,322	11,769	66,091
2020 - 2023		239,905	24,460	264,365
Total	$	491,411	103,410	594,821

C. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	1,614,675
Major fund - 16th section principal fund	General Fund		26,047
Other governmental funds	General Fund		168,199
	Major fund - 16th section principal fund		8,320
	Other governmental funds		136,765
Total		$	1,954,006

The transfer out of the General Fund was for the purpose of funding the vocational program, ESY program, school nurse program and construction in the Other Governmental Funds. The transfer out of the Major Fund - 16th section principal fund to General Fund was for interest. The transfer out of the Other Governmental to General Fund was for indirect costs. The transfers within the Other Governmental Funds was to finance certain programs.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agent and investment balance, totaling $6,358,642, $9,584 and $800,000, respectively, of the Sixteenth Section Principal Fund (Permanent Fund), Debt Service Funds and various Federal programs which are 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	Adjustments	Balance 6/30/2014
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 159,514	152,000			311,514
Total non-depreciable capital assets	159,514	152,000	0	0	311,514
Depreciable capital assets:					
Buildings	30,707,537		(168,784)		30,538,753
Building improvements	239,827				239,827
Improvements other than buildings	102,791	33,821			136,612
Mobile equipment	5,055,995		(245,071)		4,810,924
Furniture and equipment	1,347,848	63,486	(59,005)		1,352,329
Total depreciable capital assets	37,453,998	97,307	(472,860)	0	37,078,445
Less accumulated depreciation for:					
Buildings	8,612,102	562,579	(135,027)		9,039,654
Building improvements	9,593	9,593			19,186
Improvements other than buildings	82,232	1,353			83,585
Mobile equipment	3,435,241	241,455	(221,251)		3,455,445
Furniture and equipment	1,250,267	36,212	(58,415)	1,491	1,229,555
Total accumulated depreciation	13,389,435	851,192	(414,693)	1,491	13,827,425
Total depreciable capital assets, net	24,064,563	(753,885)	(58,167)	(1,491)	23,251,020
Governmental activities capital assets, net	$ 24,224,077	(601,885)	(58,167)	(1,491)	23,562,534

Note: The decrease in the building account was the result of a demolition of a school building with the anticipation of construction of a new facility.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 566,097
Support services	269,232
Non-instructional	15,863
Total depreciation expense - Governmental activities	$ 851,192

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. Qualified school construction bonds payable	2,344,980			2,344,980	0
B. Compensated absences payable	257,041		9,184	247,857	19,829
Total	$ 2,602,021	0	9,184	2,592,837	19,829

A. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0	11/19/2009	9/15/2024	$ 2,344,980	2,344,980

Note: The interest associated with this debt was calculated using an imputed interest rate of 3.25%.

B. 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 – Other Commitments

The school district has an operating lease for ten Canon iR Advanced Digital Copier Systems.

Lease expenditures for the year ended June 30, 2014, amounted to $35,240. Future lease payments for this lease are as follows:

Year Ending June 30		Amount
2015	$	95,196
2016		95,196
2017		95,196
2018		95,196
2019		59,952
Total	$	440,736

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 $2,923,468, $2,656,900 and $2,334,750, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from

existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2015	$	127,673
2016		121,703
2017		119,950
2018		80,973
2019		65,741
2020 – 2024		132,138
2025 – 2029		84,382
2030 – 2034		76,605
Thereafter		147,786
Total	$	956,951

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.

Note 11 – Risk Management

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

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was $809,584. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2015	$	200,000
2016		200,000
2017		200,000
2018		200,000
2019		200,000
2020 – 2024		1,000,000
2025		200,000
Total	$	2,200,000

Note 13 – Effect of Deferred Amounts on Net Position

The net investment in capital assets amount of $20,780,874 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of an interest free debt obligation. The $436,680 balance of the deferred inflow of resources at June 30, 2014 will be recognized as revenue and increase net investments in capital assets over the remaining eleven years of the outstanding debt obligation.

Note 14 - Subsequent Events

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

1. In July 2014, the school board approved the issuance of $5,500,000 in Three Mill Ten Year Notes to be repaid over a fifteen year period with and interest rate of 2.65%.

2. Also, in July 2014, the school board approved the issuance of $350,000 in Three Mill Ten Year Notes to be repaid over a ten year period with and interest rate of 2.03%.

REQUIRED SUPPLEMENTARY INFORMATION

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SIMPSON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule for the 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	$ 8,492,058	8,870,427	8,870,427	378,369	0
State sources	18,165,545	18,098,303	18,098,303	(67,242)	0
Federal sources	510,000	942,610	942,610	432,610	0
Sixteenth section sources	0	0	828,459	0	828,459
Total Revenues	27,167,603	27,911,340	28,739,799	743,737	828,459
Expenditures					
Instruction	15,862,566	16,062,881	16,062,881	(200,315)	0
Support services	10,687,029	10,484,254	10,582,695	202,775	(98,441)
Noninstructional services	0	0		0	0
Sixteenth section		0	8,581	0	(8,581)
Facilities acquisition and construction	0	98,441	0	(98,441)	98,441
Debt service					
Interest	21,443	21,443	21,443	0	0
Total Expenditures	26,571,038	26,667,019	26,675,600	(95,981)	(8,581)
Excess (Deficiency) of Revenues Over Expenditures	596,565	1,244,321	2,064,199	647,756	819,878
Other Financing Sources (Uses)					
Sale of transportation equipment	0	20,880	20,880	20,880	0
Operating transfers in	3,315,847	3,258,636	194,246	(57,211)	(3,064,390)
Operating transfers out	(4,211,388)	(4,228,631)	(1,614,675)	(17,243)	2,613,956
Total Other Financing Sources (Uses)	(895,541)	(949,115)	(1,399,549)	(53,574)	(450,434)
Net Change in Fund Balances			664,650		
Fund Balances					
July 1, 2013			8,967,313		
June 30, 2014			$ 9,631,963		

The notes to the required supplementary information are an integral part of this 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 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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SIMPSON COUNTY SCHOOL DISTRICT
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	$ 727,762
National school lunch program	10.555	1,818,022
Summer food service program for children	10.559	22,579
Total child nutrition cluster		2,568,363
Total U.S. Department of Agriculture		2,568,363
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	927,270
Total Federal Communications Commission		927,270
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,527,387
Career and technical education - basic grants to states	84.048	53,327
Education for homeless children and youth	84.196	25,494
Twenty first century community learning centers	84.287	285,815
Improving teacher quality - state grants	84.367	329,602
Teacher incentive fund	84.374	226,214
Total		2,447,839
Special education cluster:		
Special education - grants to states	84.027	929,609
Special education - preschool grants	84.173	44,661
Total special education cluster		974,270
Total passed-through Mississippi Department of Education		3,422,109
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	14,149
Total passed-through the Mississippi Institution of Higher Learning		14,149
Total U.S. Department of Education		3,436,258
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	13,884
Total U.S. Department of Health and Human Services		13,884
Total for All Federal Awards		$ 6,945,775

NOTES TO SCHEDULE

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

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	$ 26,024,976	19,142,266	$ 1,165,343	$ 2,183,595	$ 3,533,772
Other	8,752,599	3,334,506	788,096	52,219	4,577,778
Total	34,777,575	22,476,772	1,953,439	2,235,814	8,111,550
Total number of students	3,790				
Cost per student	$ 9,176	5,931	515	590	2,140

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

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SIMPSON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	$ 8,870,427	8,464,277	8,026,994	7,263,478
State sources	18,098,303	18,558,706	17,948,669	17,321,772
Federal sources	942,610	242,079	395,778	284,855
Sixteenth section sources	828,459	785,985	909,265	2,193
Total Revenues	28,739,799	28,051,047	27,280,706	24,872,298
Expenditures				
Instruction	16,062,881	15,727,450	15,992,632	13,239,354
Support services	10,582,695	11,276,231	9,299,170	8,915,494
Noninstructional services	0	0	55,676	0
Sixteenth section	8,581	61,942	14,953	1,500
Facilities acquisition and construction	0	0	39,600	57,271
Debt service				
Interest	21,443	0	0	0
Total Expenditures	26,675,600	27,065,623	25,402,031	22,213,619
Excess (Deficiency) of Revenues Over Expenditures	2,064,199	985,424	1,878,675	2,658,679
Other Financing Sources (Uses)				
Insurances loss recoveries	20,880	221,407	73,734	92,025
Sale of transportation equipment	0	0	0	5,553
Sale of other property	0	0	1,812	0
Operating transfers in	194,246	337,323	4,864,973	135,205
Operating transfers out	(1,614,675)	(1,287,507)	(2,300,925)	(1,179,889)
Total Other Financing Sources (Uses)	(1,399,549)	(728,777)	2,639,594	(947,106)
Net Change in Fund Balances	664,650	256,647	4,518,269	1,711,573
Fund Balances				
July 1, as previously reported	8,967,313	8,710,666	4,044,294	2,332,721
Prior period adjustments	0	0	148,103	0
July 1, as restated	8,967,313	8,710,666	4,192,397	2,332,721
June 30	$ 9,631,963	8,967,313	8,710,666	4,044,294

* Source - Prior year audit reports.

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

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	$ 9,315,304	8,913,262	8,488,019	7,795,781
State sources	18,866,724	19,224,759	19,358,813	18,699,691
Federal sources	6,629,191	6,432,290	6,684,622	10,040,981
Sixteenth section sources	1,016,205	955,412	1,148,019	1,211,507
Total Revenues	35,827,424	35,525,723	35,679,473	37,747,960
Expenditures				
Instruction	19,701,872	19,321,363	20,359,218	20,341,425
Support services	12,561,356	13,154,667	11,120,982	11,355,570
Noninstructional services	2,337,094	2,561,588	2,557,675	2,538,309
Sixteenth section	154,293	176,818	138,965	133,440
Facilities acquisition and construction	0	175,197	323,073	2,432,739
Debt service				
Principal	0	635,000	610,000	580,000
Interest	21,443	13,892	41,125	70,902
Other	1,517	1,564	2,923	550
Total Expenditures	34,777,575	36,040,089	35,153,961	37,452,935
Excess (Deficiency) of Revenues Over Expenditures	1,049,849	(514,366)	525,512	295,025
Other Financing Sources (Uses)				
Insurances loss recoveries	20,880	221,407	73,734	92,025
Sale of transportation equipment	0	0	0	5,553
Sale of other property	0	0	1,812	0
Operating transfers in	1,954,006	1,624,830	7,165,898	1,515,094
Operating transfers out	(1,954,006)	(1,624,830)	(7,165,898)	(1,515,094)
Other financing uses	0	0	(2,745)	0
Total Other Financing Sources (Uses)	20,880	221,407	72,801	97,578
Net Change in Fund Balances	1,070,729	(292,959)	598,313	392,603
Fund Balances				
July 1, as previously reported	16,023,298	16,331,569	15,585,180	15,190,746
Prior period adjustments	0	0	151,876	0
July 1, as restated	16,023,298	16,331,569	15,737,056	15,190,746
Increase (Decrease) in reserve for inventory	12,935	(15,312)	(3,800)	1,831
June 30	$ 17,106,962	16,023,298	16,331,569	15,585,180

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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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*

Independent Auditor's Report

Superintendent and School Board
Simpson County School District

I 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 Simpson County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements, and have issued my report thereon dated June 8, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Simpson 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Simpson 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a significant deficiency. [2014-01]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Simpson County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Simpson County School District's Response to Findings

Simpson County School District's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Simpson County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L Shivers, CPA

Ridgeland, MS
June 8, 2015

CHARLES L. SHIVERS

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Superintendent and School Board
Simpson County School District

Report on Compliance for Each Major Federal Program

I have audited Simpson 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 Simpson County School District's major federal programs for the year ended June 30, 2014. Simpson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

My responsibility is to express an opinion on compliance for each of Simpson County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Simpson County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Simpson 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 Simpson 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 my audit of compliance, I considered Simpson 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, I do not express an opinion on the effectiveness of Simpson 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Charles L Shivers, CPA

Ridgeland, MS
June 8, 2015

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

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CHARLES L. SHIVERS

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

Superintendent and School Board
Simpson County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2014, which collectively comprise Simpson County School District's basic financial statements and have issued my report thereon dated June 8, 2015. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 $-0- 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Charles L Shivers, CPA

Ridgeland, MS
June 8, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the basic financial statements:	Unmodified
2.	Noncompliance material to the basic financial statements noted?	No
3.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Federal program identified as major program:	

a. Title I grants to local educational agencies
   CFDA #: 84.010
b. Special education cluster
   CFDA #: 84.027
   CFDA#: 84.173
c. Improving teacher quality – state grants
   CFDA#: 84.367
d. The school and libraries program of the universal service fund
   CFDA#: 32.xxx

8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	No
10	Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133?	No

Section II: Financial Statement Findings

Significant deficiency identified that is not considered to be a material weakness.

Finding 2014-01

CONDITION: The business manager initiates, prepares, approves and enters all journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions. The business manager also reconciles the district's bank accounts. Due to the timing of the engagement, this finding is carried forward from the prior year.
CRITERIA: An appropriately and properly designed system of accounting controls would have these duties segregated to the greatest extent possible.
CAUSE OF CONDITION: The cause of this condition is an inadequately designed system of accounting controls.

EFFECT OF CONDITION: This condition could lead to errors being made and those errors not being prevented or detected.
RECOMMENDATION: It is recommended that the duties of the business manager relating to journal entries and bank account reconciliations be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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(601)847-8000 Office
(601)847-8003 Fax

Simpson County School District
111 Education Lane
Mendenhall, MS 39114

Superintendent
Glenn Harris

June 8, 2015

As required by Section 315(c) of OMB Circular A-133, the Simpson County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Finding 2014-01

Corrective Action Plan

a. Contact person responsible for corrective action

   Duane Fewell, Director of Finance

b. Description of correction action to be taken

   The Director of Finance will no long have access to post general journal entries in the financial accounting software. The Director of Finance will prepare and document journal entries as needed. The District Accountant will post the general journal entries to the financial accounting software using the provided documentation. The Director of Finance will review the entries as posted and document his approval with his initials.

c. Anticipated completion date of corrective action

   Corrective action implemented immediately.

Sincerely,

Superintendent of Education

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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Simpson County School District

(601)847-8000 Office | 111 Education Lane, Mendenhall, MS 39114 | (601) 847-8003 Fax

Summary Schedule of Prior Audit Findings

May 27, 2015

As required by Section____.315(b) of OMB Circular A-133, the Simpson County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2014.

Finding	Status
2013-08	Corrected

Sincerely,

Business Manager

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