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QUITMAN COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015



QUITMAN COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Quitman County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Quitman County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District, as of June 30, 2015, 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.

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BRANDON, MISSISSIPPI 39043
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions on pages 7-14, 49-51, 53 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

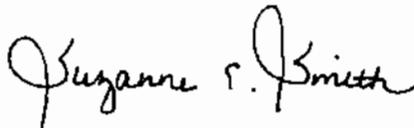
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quitman County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2016, on our consideration of the Quitman County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quitman County School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
June 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Quitman County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$12,046,620, including a prior period adjustment of (\$12,220,935), which represents a 323% decrease from fiscal year 2014. Total net position for 2014 decreased \$325,970, including a prior period adjustment of (\$21,399), which represents an 8% decrease from fiscal year 2013.
- General revenues amounted to \$9,124,080 and \$8,750,334, or 74% and 74% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,283,724, or 26% of total revenues for 2015, and \$3,136,333, or 26% of total revenues for 2014.
- The District had \$12,233,489 and \$12,191,298 in expenses for fiscal years 2015 and 2014; only \$3,283,724 for 2015 and \$3,136,333 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,124,080 for 2015 were adequate to provide for these programs, while general revenues of \$8,750,334 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,622,919 in revenues and \$8,182,416 in expenditures for 2015, and \$7,634,034 in revenues and \$7,695,403 in expenditures in 2014. The General Fund's fund balance increased by \$1,162,967, including prior period adjustments of \$942,528, from 2014 to 2015, and decreased by \$503,945 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$663,706 for 2015 and decreased by \$146,976 for 2014. The increase for 2015 was primarily due to the increase in building improvements and the purchase of mobile equipment and furniture and equipment.
- Long-term debt, including the liability for compensated absences, increased by \$3,793,113 for 2015 and decreased by \$277,714 for 2014. This increase for 2015 was due primarily to the issuance of general obligation bonds in the amount of \$4,000,000. The liability for compensated absences increased by \$10,113 for 2015 and decreased by \$8,714 for 2014.

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 deferred

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

outflows of resources and liabilities and deferred inflows of resources, with the differences 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, pension expense and interest on long-term liabilities.

Fund Financial Statements

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

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

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

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. This report presents a schedule of the district's proportionate share of the net pension liability and a schedule of district contribution 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,318,958 as of June 30, 2015.

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1
Condensed Statement of Net Position**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 3,130,255	\$ 3,128,026	0.07 %
Restricted assets	3,848,861	-	N/A %
Capital assets, net	3,265,586	2,601,880	25.51 %
Total assets	10,244,702	5,729,906	78.79 %
Deferred outflows of resources	1,270,691	-	N/A %
Current liabilities	646,457	589,786	9.61 %
Long-term debt outstanding	5,205,571	1,412,458	268.55 %
Net pension liability	12,212,091	-	N/A %
Total liabilities	18,064,119	2,002,244	802.19 %
Deferred inflows of resources	1,770,232	-	N/A %
Net position:			
Net investment in capital assets	1,986,447	1,256,880	58.05 %
Restricted	709,824	1,772,799	-59.96 %
Unrestricted	(11,015,229)	697,983	-1678.15 %
Total net position	\$ (8,318,958)	\$ 3,727,662	-323.17 %

Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (11,015,229)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	12,711,632
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,696,403</u>

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

- Increase in net capital assets in the amount of \$663,706.
- The principal retirement of \$217,000 of long-term debt.
- The issuance of \$4,000,000 of long-term debt in the form of general obligation bonds

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

- The recognition of a net pension liability of \$12,212,091 in accordance with new standards (GASB Statement No. 68).

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$12,407,804 and \$11,886,667, respectively. The total cost of all programs and services was \$12,233,489 for 2015 and \$12,191,298 for 2014. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 87,393	\$ 367,691	(76.23) %
Operating grants and contributions	3,196,331	2,768,642	15.45 %
General revenues:			
Property taxes	2,352,657	2,134,456	10.22 %
Grants and contributions not restricted	6,252,728	5,881,011	6.32 %
Investment earnings	22,319	18,374	21.47 %
Sixteenth section sources	354,880	361,925	(1.95) %
Other	141,496	354,568	(60.09) %
Total revenues	12,407,804	11,886,667	4.38 %
Expenses:			
Instruction	5,444,129	5,802,956	(6.18) %
Support services	4,765,041	5,222,624	(8.76) %
Non-instructional	1,064,462	1,123,287	(5.24) %
Sixteenth section	18,495	18,185	1.70
Pension expense	829,907	-	N/A
Interest on long-term liabilities	111,455	24,246	359.68 %
Total expenses	12,233,489	12,191,298	0.35 %
Increase (Decrease) in net position	174,315	(304,631)	(157.22) %
Net Position, July 1, as previously reported	3,727,662	4,053,632	(8.04) %
Prior Period Adjustment	(12,220,935)	(21,339)	(57,170.42) %
Net Position, July 1, as restated	(8,493,273)	4,032,293	(310.63) %
Net Position, June 30	\$ (8,318,958)	\$ 3,727,662	(323.17) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, 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.

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 5,444,129	\$ 5,802,956	(6.18) %
Support services	4,765,041	5,222,624	(8.76) %
Non-instructional	1,064,462	1,123,287	(5.24) %
Sixteenth section	18,495	18,185	1.70 %
Pension Expense	829,907	-	N/A %
Interest on long-term liabilities	111,455	24,246	359.68 %
Total expenses	\$ 12,233,489	\$ 12,191,298	0.35 %
	Net (Expense) Revenue		
	2015	2014	Percentage Change
Instruction	\$ (4,135,557)	\$ (4,806,481)	(13.96) %
Support services	(3,791,147)	(4,526,528)	(16.25) %
Non-instructional	(119,218)	56,662	(310.40) %
Sixteenth section	(18,495)	245,628	(107.53) %
Pension Expense	(829,907)	-	N/A %
Interest on long-term liabilities	(55,441)	(24,246)	128.66 %
Total net (expense) revenue	\$ (8,949,765)	\$ (9,054,965)	(1.16) %

- Net cost of governmental activities [(\$8,949,765) for 2015 and (\$9,054,965) for 2014] was financed by general revenue, which is primarily made up of property taxes (\$2,352,657 for 2015 and \$2,134,456 for 2014) and state and federal revenues (\$6,252,728 for 2015 and \$5,881,011 for 2014).
- Investment earnings amounted to \$22,319 for 2015 and \$18,374 for 2014.

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.

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$6,390,341, an increase of \$3,850,536, which includes a decrease in inventory of \$5,259 and a prior period adjustment of \$41,680. \$1,767,665 or 28% 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 \$4,622,676 or 72% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,162,967, including a prior period adjustment of \$942,528. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,161,292, including a prior period adjustment of (\$896,595) and a decrease in reserve for inventory of \$5,259. The increase (decrease) in the fund balances for the other major funds were as follows:

Title I Fund	<u>Major Fund</u>	\$	<u>Increase (Decrease)</u>
			No change
	G.O. Bond Gym Construction Fund		3,848,861

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$6,733,265, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$902,279 from 2014. Total accumulated depreciation as of June 30, 2015, was \$3,467,679, and total depreciation expense for the year was \$236,243, resulting in total net capital assets of \$3,265,586.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	
Land	\$ 76,602	\$ 76,602	0.00 %
Buildings	230,327	230,330	(0.00) %
Building improvements	2,169,551	1,513,473	43.35 %
Improvements other than buildings	285,973	302,521	(5.47) %
Mobile equipment	451,192	418,900	7.71 %
Furniture and equipment	51,941	60,054	(13.51) %
Total	\$ 3,265,586	\$ 2,601,880	25.51 %

QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

Debt Administration. At June 30, 2015, the District had \$5,205,571 in outstanding long-term debt, of which \$358,000 is due within one year. The liability for compensated absences increased \$10,113 from the prior year. Principal payments of \$217,000 were made during the year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General Obligation Bonds Payable	\$ 4,000,000	\$ -	N/A %
Certificates of participation payable	-	71,000	(100.00) %
Three mill notes payable	153,000	299,000	(48.83) %
Qualified school construction bonds payable	975,000	975,000	0.00 %
Compensated absences payable	77,571	67,458	14.99 %
Total	\$ 5,205,571	\$ 1,412,458	268.55 %

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

CURRENT ISSUES

The Quitman County School District is financially stable. During the year the district issued \$4,000,000 in general obligation bond debt. Improvements are planned for the district's school buildings as use of this bond debt.

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 Quitman County School District, P. O. Drawer E, Marks, Mississippi 38666.

FINANCIAL STATEMENTS

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QUITMAN COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,674,455
Due from other governments	407,204
Other receivables	34,987
Inventories	13,609
Restricted assets	3,848,861
Capital assets, net of accumulated depreciation	3,265,586
Total Assets	10,244,702
Deferred Outflows of Resources	
Pensions	1,270,691
	1,270,691
Liabilities	
Accounts payable and accrued liabilities	588,775
Interest payable on long-term liabilities	57,682
Long-term liabilities, due within one year:	
Capital related liabilities	358,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,770,000
Non-capital related liabilities	77,571
Net Pension Liability	12,212,091
Total Liabilities	18,064,119
Deferred Inflows of Resources	
Pensions	1,770,232
	1,770,232
Net Position	
Net investment in capital assets	1,986,447
Restricted for:	
Expendable:	
School-based activities	112,111
Ad valorem	154,434
Debt service	212,759
Capital improvements	151,415
Forestry improvements	61,105
Unemployment benefits	18,000
Unrestricted	(11,015,229)
Total Net Position	\$ (8,318,958)

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

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QUITMAN COUNTY SCHOOL DISTRICT

Governmental Funds

Exhibit C

Balance Sheet

June 30, 2015

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Gym Construction Fund	G. O. Bond Construction Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 2,003,733			3,848,861	670,722	6,523,316
Due from other governments	86,879	214,729			125,596	407,204
Due from other funds	299,151					299,151
Inventories					13,609	13,609
Total assets	2,369,763	214,729		3,848,861	809,927	7,243,280
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	441,355	55,774			91,646	588,775
Due to other funds		158,955			105,209	264,164
Total Liabilities	441,355	214,729	0		196,855	852,939
Fund Balances:						
Nonspendable:						
Inventory					13,609	13,609
Restricted:						
Ad valorem	154,434					154,434
Capital improvement purposes				3,848,861	151,415	4,000,276
Debt service					270,441	270,441
Forestry improvement purposes					61,105	61,105
Grant activities					54,637	54,637
Unemployment benefits					18,000	18,000
Assigned:						
Student Activities	6,309					6,309
Technology improvements					21,220	21,220
Unemployment benefits					22,645	22,645
Unassigned						
Total Fund Balances	1,767,665	0		3,848,861	613,072	1,767,665
	1,926,408					6,390,341
Total Liabilities and Fund Balances	\$ 2,369,763	214,729		3,848,861	809,927	7,243,280

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

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QUITMAN COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Exhibit C-1
June 30, 2015

Total fund balances for governmental funds \$ 6,390,341

Amounts reported for governmental activities in the statement of Net Position are

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 76,602	
Buildings	1,151,635	
Building improvements	3,120,544	
Improvements other than buildings	364,377	
Mobile equipment	1,504,591	
Furniture and equipment	515,516	
Accumulated depreciation	<u>(3,467,679)</u>	3,265,586

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (12,212,091)

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,270,691	
Deferred inflows of resources related to pensions	<u>(1,770,232)</u>	(12,711,632)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds payable	(4,000,000)	
Three mill notes payable	(153,000)	
Qualified school construction bonds payable	(975,000)	
Compensated absences payable	(77,571)	
Accrued interest payable	<u>(57,682)</u>	<u>(5,263,253)</u>

Net Position of governmental activities \$ (8,318,958)

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

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QUITMAN COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015**

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Gym Construction Fund	G. O. Bond Construction Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 2,310,249			965	292,651	2,603,865
State sources	5,936,228				661,220	6,597,448
Federal sources	21,562	1,055,737			1,774,312	2,851,611
Sixteenth section sources	354,880					354,880
Total Revenues	8,622,919	1,055,737		965	2,728,183	12,407,804
Expenditures:						
Instruction	4,502,983	703,866			874,505	6,081,354
Support services	3,582,074	326,610		152,104	982,243	5,043,031
Noninstructional services	73,904	96,548			909,775	1,080,227
Sixteenth section	18,495				93,174	18,495
Facilities acquisition and construction						
Debt service:						
Principal					217,000	217,000
Interest	4,460				50,878	55,338
Other	500				4,570	5,070
Total Expenditures	8,182,416	1,127,024		152,104	3,132,145	12,593,689
Excess (Deficiency) of Revenues over (under) Expenditures	440,503	(71,287)		(151,139)	(403,962)	(185,665)
Other Financing Sources (Uses):						
Proceeds from general obligation bonds				4,000,000		4,000,000
Operating transfers in	158,599	96,886			378,663	634,148
Operating transfers out	(378,663)	(21,346)			(234,139)	(634,148)
Total Other Financing Sources (Uses)	(220,064)	75,540		4,000,000	144,524	4,000,000
Net Change in Fund Balances	220,439	4,253		3,848,861	(259,438)	3,814,115
Fund Balances:						
July 1, 2014, as previously reported	765,441	0		0	1,774,364	2,539,805
Prior period adjustments	942,528	(4,253)			(896,595)	41,680
July 1, 2014, as restated	1,707,969	(4,253)		0	877,769	2,581,485
Increase (Decrease) in reserve for inventory					(5,259)	(5,259)
June 30, 2015	\$ 1,928,408	0		3,848,861	613,072	6,390,341

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

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QUITMAN COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds	\$	3,814,115
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these		
Capital outlay	\$	208,520
Depreciation expense		<u>(238,243)</u>
		(27,723)
2. 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:		
Issuance of general obligation bonds		(4,000,000)
Payments of debt principal		217,000
Accrued interest payable		<u>(56,117)</u>
		(3,839,117)
3. Some items relating to pensions and 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:		
Pension expense - current year		(829,907)
Deferred outflows - pensions		<u>1,072,319</u>
		242,412
3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences		(10,113)
Change in inventory reserve		<u>(5,259)</u>
		(15,372)
Change in Net Position of governmental activities	\$	<u>174,315</u>

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

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QUITMAN COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 47,643
Total Assets	<u>\$ 47,643</u>
Liabilities	
Due to other funds	\$ 34,987
Due to student clubs	12,656
Total Liabilities	<u>\$ 47,643</u>

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

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QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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 unit.

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund - This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grant to local educational agencies.

G. O. Bond Gym Construction Fund - This is a capital projects fund that accounts for the proceeds of the \$4,000,000 2015 general obligation bond issue and the related expenditures of that fund.

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

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

The District's fiduciary funds include the following:

Student Club Funds - These various funds account for the monies raised through student club activities.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund - This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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.

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.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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,

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

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

The following schedule details the capitalization thresholds:

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

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

7. 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.

Deferred outflows – Pension Contributions

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.

Deferred inflows – Pension Settlements to Plan Members

See Note 8 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.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. There are no committed fund balance amounts at June 30, 2015.

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 the Business Manager of the district pursuant to authorization established by the school district's approved fund balance policy.

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

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the district to achieve and maintain an unassigned fund balance in the general fund at fiscal yearend of not less than 7% of total revenues for the general fund for the year just ended. If the unassigned fund balance at fiscal yearend falls below this 7% amount, the district will develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Caah Equivalents

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 \$6,523,316 and \$47,643, respectively.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 158,955
	Other governmental funds	105,209
	Fiduciary funds	34,967
Total		<u>\$ 299,151</u>

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. The fiduciary funds are holding interest and other amounts due to the General Fund at June 30, 2015.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 378,663
Title I Fund	General Fund	21,346
Other governmental funds	General Fund	137,253
	Title I Fund	96,886
Total		<u>\$ 634,148</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds. Also represented are operational transfers between other governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the unexpended bond proceeds in the form of cash and cash equivalents, totaling \$3,848,861, of the G. O. Bond Gym Construction Fund, which is legally restricted and may not be used for purposes that support the district's programs. These assets are shown as cash and cash equivalents on the governmental funds balance sheet.

Note 5 – Capital Assets

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

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

	Balance 7/1/2014	Increases	Decreases	Prior Period Adjustments	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 76,602	-			76,602
Construction in progress	-	93,174	780,933	687,759	-
Total non-depreciable capital assets	76,602	93,174	780,933	687,759	76,602
<u>Depreciable capital assets:</u>					
Buildings	1,151,635		-		1,151,635
Building Improvements	2,339,611	780,933			3,120,544
Improvements other than buildings	364,377				364,377
Mobile equipment	1,401,115	103,476			1,504,591
Furniture and equipment	497,646	11,870	-	6,000	515,516
Total depreciable capital assets	5,754,384	896,279	-	6,000	6,656,663
<u>Less accumulated depreciation for:</u>					
Buildings	921,305	-	-	3	921,308
Building Improvements	826,138	124,825		30	950,993
Improvements other than buildings	61,856	14,575		1,973	78,404
Mobile equipment	982,215	71,709		(525)	1,053,399
Furniture and equipment	437,592	25,134	-	849	463,575
Total accumulated depreciation	3,229,106	236,243	-	2,330	3,467,679
Total depreciable capital assets, net	2,525,278	660,036	-	3,670	3,188,984
Governmental activities capital assets, net	\$ 2,601,880	753,210	780,933	691,429	3,265,586

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 20,534
Support services	199,921
Non-instructional	15,788
Total depreciation expense - Governmental activities	\$ 236,243

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ -	4,000,000	-	4,000,000	205,000
B. Certificates of participation payable	71,000		71,000	-	-
C. Three mill notes payable	299,000		146,000	153,000	153,000
D. Qualified school construction bonds payable	975,000		-	975,000	-
E. Compensated absences payable	67,458	10,113	-	77,571	-
Subtotal	\$ 1,412,458	4,010,113	217,000	5,205,571	\$ 358,000

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

A. General obligation bonds payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, series 2015	2.5-3.25%	1-Apr-15	1-Apr-30	\$ 4,000,000	4,000,000
Total				<u>\$ 4,000,000</u>	<u>4,000,000</u>

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

General obligation refunding bond issue of April 1, 2009.

Year Ending June 30	Principal	Interest	Total
2016	\$ 205,000	112,119	317,119
2017	215,000	105,456	320,456
2018	220,000	99,006	319,006
2019	230,000	92,406	322,406
2020	240,000	85,506	325,506
2021-2025	1,325,000	329,557	1,654,557
2026-2030	1,565,000	142,075	1,707,075
Total	<u>\$ 4,000,000</u>	<u>966,125</u>	<u>4,966,125</u>

This debt will be retired from the G. O. Bond Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 5.5% of property assessments as of October 1, 2014.

B. Certificates of participation payable

This debt was paid in full during the year ended June 30, 2015.

C. Three mill notes payable

Debt currently outstanding is as follows:

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill, Series 2006	4.11%	15-Sep-06	15-Jun-16	\$ 950,000	\$ 153,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 153,000	3,144	156,144
Total	\$ 153,000	3,144	156,144

This debt will be retired from the Three Mill Notes Debt Retirement Fund (debt service fund).

D. Qualified school construction bonds payable

As more fully explained in Note 10, 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, Series 2013	4.56%	15-Apr-13	1-Dec-24	\$ 975,000	\$ 975,000

The annual sinking bond payments will be paid from the Qualified School Construction Bond Debt Retirement Fund (debt service fund). It is secured with a pledge of Education Enhancement (EEF) Funds for buildings and buses that are to be used for repayment of the bonds. Proceeds of the bonds were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local funds and are payable through December 1, 2024. Annual sinking fund deposits are expected to require all of the district's annual allocation of such state revenues and other local funds to complete the required debt service payments. The total amount remaining to be paid on the bonds is \$975,000. There was no sinking fund payment required for the current year; however, interest payments of \$44,460 were made. Total state Education Enhancement Fund revenue for buildings and buses was \$56,014.

E. 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.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Five (5) copiers at Quitman Elementary School
2. Five (5) copiers at Quitman Middle School
3. Four (4) copiers at Quitman High School
4. Five (5) copiers at Quitman County Vocational Center

Lease expenditures for the year ended June 30, 2015, amounted to \$14,012. Future lease payments for this lease are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2016	\$ 22,524
2017	22,524
2018	8,512
Total	\$ <u>53,560</u>

Note 8 – Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Contributions. 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, 2015 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, 2015, 2014 and 2013 were \$1,072,319, \$968,263, and \$875,736, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$12,212,091 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.097 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$829,907. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 190,505	\$
Net difference between projected and actual earnings on pension plan investments		1,770,232
Changes in proportion and differences between District contributions and proportionate share of Contributions	7,867	
District contributions subsequent to the measurement date	1,072,319	
Total	\$ 1,270,691	\$ 1,770,232

\$1,072,319 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (371,201)
2017	(371,201)
2018	(386,900)
2019	(442,558)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 16,648,721	\$ 12,212,090	\$ 8,511,281

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (13,922,307)
Deferred outflows - contributions made during fiscal year 2014	<u>968,263</u>
Total prior period adjustment related to GASB 68 and 71	(12,954,044)
2. Restatement of a prior period capital assets	691,429
3. Restatement of prior period assets or liabilities	<u>41,680</u>
Total	<u>\$ (12,220,935)</u>

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

Fund	Explanation	Amount
General Fund	Reclassification of fund type	\$ 872,549
	Restatement of a prior year asset or liability	69,979
Title I Fund	Restatement of a prior year asset or liability	(4,253)
Other governmental funds	Reclassification of fund type	(872,549)
	Restatement of a prior year asset or liability	<u>(24,046)</u>
Total		<u>\$ 41,680</u>

Note 10 –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 pay off 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. There was no amount on deposit at June 30, 2015 since the sinking fund deposits do not begin until December 2016. 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.

QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ -
2017	109,000
2018	109,000
2019	109,000
2020	108,000
2021 – 2025	540,000
Total	<u>\$ 975,000</u>

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 - 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 Quitman County School District evaluated the activity of the district through June 1, 2016, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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QUITMAN COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,014,042	2,044,504	2,310,249	30,462	265,745
State sources	5,929,084	5,929,084	5,936,228	0	7,144
Federal sources	0	0	21,562	0	21,562
Sixteenth section sources	0	310,340	354,880	310,340	44,540
Total Revenues	7,943,126	8,283,928	8,622,919	340,802	336,991
Expenditures:					
Instruction	4,371,142	4,637,763	4,502,983	(266,621)	134,780
Support services	3,530,030	3,954,171	3,582,074	(424,141)	372,097
Noninstructional services	36,105	90,942	73,904	(54,837)	17,038
Sixteenth section	0	0	18,495	0	(18,495)
Debt service:					
Interest	0	44,460	4,460	(44,460)	40,000
Other	0	0	500	0	(500)
Total Expenditures	7,937,277	8,727,336	8,182,416	(790,059)	544,920
Excess (Deficiency) of Revenues over (under) Expenditures	5,849	(443,408)	440,503	(449,257)	883,911
Other Financing Sources (Uses):					
Operating transfers in	1,371,272	1,501,674	158,599	130,402	(1,343,075)
Operating transfers out	(1,371,446)	(2,066,483)	(378,663)	(695,035)	1,687,820
Total Other Financing Sources (Uses)	(176)	(564,809)	(220,064)	(564,633)	344,745
Net Change in Fund Balances	5,673	(1,008,217)	220,439	(1,013,890)	1,228,656
Fund Balances:					
July 1, 2014, as previously reported	1,069,707	765,441	765,441	(304,266)	0
Prior period adjustments	0	883,445	942,528	883,445	59,083
July 1, 2014, as restated	1,069,707	1,648,886	1,707,969	579,179	59,083
June 30, 2015	\$ 1,075,380	640,669	1,928,408	(434,711)	1,287,739

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

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QUITMAN COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,065,556	1,412,298	1,055,737	346,742	(356,561)
Total Revenues	1,065,556	1,412,298	1,055,737	346,742	(356,561)
Expenditures:					
Instruction	551,392	841,972	703,866	(290,580)	138,106
Support services	375,929	425,606	326,610	(49,677)	98,996
Noninstructional services	84,222	104,750	96,548	(20,528)	8,202
Total Expenditures	1,011,543	1,372,328	1,127,024	(360,785)	245,304
Excess (Deficiency) of Revenues over (under) Expenditures	54,013	39,970	(71,287)	(14,043)	(111,257)
Other Financing Sources (Uses):					
Operating transfers in	0	0	96,886	0	96,886
Operating transfers out	(54,013)	(35,717)	(21,346)	18,296	14,371
Total Other Financing Sources (Uses)	(54,013)	(35,717)	75,540	18,296	111,257
Net Change in Fund Balances	0	4,253	4,253	4,253	0
Fund Balances:					
July 1, 2014, as previously reported	0	0	0	0	0
Prior period adjustments	0	(4,253)	(4,253)	(4,253)	0
July 1, 2014, as restated	0	(4,253)	(4,253)	(4,253)	0
June 30, 2015	\$ 0	0	0	0	0

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

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QUITMAN COUNTY SCHOOL DISTRICT
 Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS
Last 10 Fiscal Years*

	2015
District's proportion of the net pension liability (asset)	<u>0.100609%</u>
District's proportionate share of the net pension liability (asset) \$	12,212,090
District's covered-employee payroll	6,147,702
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	196.64%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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QUITMAN COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	1,072,319									
Contributions in relation to the contractually required contribution	\$ 1,072,319									
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	6,808,375									
Contributions as a percentage of covered-employee payroll	15.75%									

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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QUITMAN COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

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SUPPLEMENTARY INFORMATION

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QUITMAN COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

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	\$ 295,618
National school lunch program	10.555	578,086
Summer food service program for children	10.559	14,288
Total child nutrition cluster		<u>887,992</u>
Discretionary grants limited availability	10.579	3,552
Fresh fruit and vegetable program	10.582	18,514
Total U.S. Department of Agriculture		<u>910,058</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	34,614
Total Federal Communications Commission		<u>34,614</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,055,737
Career and technical education - basic grants to states	84.048	24,414
Twenty-first century community learning centers	84.287	178,672
Improving teacher quality-State Grants	84.367	270,118
Subtotal		<u>1,528,941</u>
Special education cluster:		
Special education - grants to states	84.027	339,614
Special education - preschool grants	84.173	16,821
Total special education cluster		<u>356,435</u>
Total passed-through Mississippi Department of Education		<u>1,885,376</u>
Total U.S. Department of Education		<u>1,885,376</u>
U. S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	19,654
Total U.S. Department of Health and Human Services		<u>19,654</u>
Total for All Federal Awards		<u>\$ 2,849,702</u>

NOTES TO SCHEDULE

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

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QUITMAN COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2015**

Expenditures	Total	Instruction and Other Student Expenditures		
		General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,810,636	694,372	781,616	1,114,327
Other	3,783,053	381,247	47,042	2,207,706
Total	\$ 12,593,689	1,075,619	828,658	3,322,033
Total number of students *	1,183			
Cost per student	\$ 10,645	909	700	2,808

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

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

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

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

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OTHER INFORMATION

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QUITMAN COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2015	* 2014	* 2013	* 2012
Revenues:				
Local sources	\$ 2,310,249	2,083,892	1,870,210	2,501,995
State sources	5,936,228	5,550,142	5,826,752	6,219,129
Federal sources	21,562			
Sixteenth section sources	354,880			
Total Revenues	8,622,919	7,634,034	7,696,962	8,721,124
Expenditures:				
Instruction	4,502,983	4,410,900	4,292,197	4,063,925
Support services	3,582,074	3,221,257	2,750,658	2,943,621
Noninstructional services	73,904	63,246	6,345	46,800
Sixteenth section	18,495			
Facilities acquisition and construction			1,159,941	
Debt service:				
Interest	4,460			
Other	500			
Total Expenditures	8,182,416	7,695,403	8,209,141	7,054,346
Excess (Deficiency) of Revenues over (under) Expenditures	440,503	(61,369)	(512,179)	1,666,778
Other Financing Sources (Uses):				
Operating transfers in	158,599	63,297	723,187	54,123
Operating transfers out	(378,663)	(505,873)	(489,248)	(531,369)
Other financing uses			(20,188)	(50,877)
Total Other Financing Sources (Uses)	(220,064)	(442,576)	213,751	(528,123)
Net Change in Fund Balances	220,439	(503,945)	(298,428)	1,138,655
Fund Balances:				
Beginning of period, as previously reported	765,441	1,269,386	1,567,814	483,281
Prior period adjustments	942,528			(54,122)
Beginning of period, as restated	1,707,969	1,269,386	1,567,814	429,159
End of Period	\$ 1,928,408	765,441	1,269,386	1,567,814

*SOURCE - PRIOR YEAR AUDIT REPORTS

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QUITMAN COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2015	* 2014	* 2013	* 2012
Revenues:				
Local sources	\$ 2,603,865	2,605,276	2,210,988	2,739,272
State sources	6,597,448	6,170,757	6,425,763	6,808,592
Federal sources	2,851,611	2,478,896	2,703,661	3,504,906
Sixteenth section sources	354,880	625,738	335,549	424,666
Total Revenues	12,407,804	11,880,667	11,675,961	13,477,436
Expenditures:				
Instruction	6,081,354	5,679,325	5,630,550	5,995,510
Support services	5,043,031	5,249,097	4,499,631	4,405,836
Noninstructional services	1,080,227	1,109,091	1,045,019	1,070,833
Sixteenth section	18,495	18,185	26,620	27,200
Facilities acquisition and construction	93,174		1,159,941	
Debt service:				
Principal	217,000	269,000	257,000	276,281
Interest	55,338	27,134	38,298	50,303
Other	5,070			
Total Expenditures	12,593,689	12,351,832	12,657,059	11,825,963
Excess (Deficiency) of Revenues over (under) Expenditures	(185,885)	(471,165)	(981,098)	1,651,473
Other Financing Sources (Uses):				
Proceeds of loans			975,000	
Proceeds of bonds	4,000,000			
Operating transfers in	634,148	671,784	1,270,758	710,638
Other financing sources		6,000		5,000
Operating transfers out	(634,148)	(671,784)	(1,270,758)	(710,638)
Other financing uses			(20,188)	(50,877)
Total Other Financing Sources (Uses)	4,000,000	6,000	954,812	(45,877)
Net Change in Fund Balances	3,814,115	(465,165)	(26,286)	1,605,596
Fund Balances:				
Beginning of period, as previously reported	2,539,805	2,999,402	3,041,249	1,403,869
Prior period adjustments	41,680			50,877
Beginning of period, as restated	2,581,485	2,999,402	3,041,249	1,454,746
Increase (Decrease) in reserve for inventor	(5,259)	5,568	(15,561)	(19,093)
End of Period	\$ 6,390,341	2,539,805	2,999,402	3,041,249

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
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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***

Superintendent and School Board
Quitman County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quitman County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Quitman County School District's basic financial statements, and have issued our report thereon dated June 1, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weaknesses (2015-001, 2015-002, and 2015-003, and 2015-004). 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.

Compliance and Other Matters

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

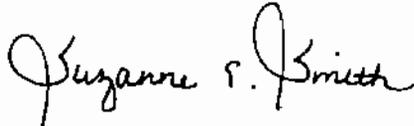
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District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
June 1, 2016

SUZANNE E. SMITH, CPA, PLLC
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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Superintendent and School Board
Quitman County School District

Report on Compliance for Each Major Federal Program

We have audited Quitman 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 Quitman County School District's major federal programs for the year ended June 30, 2015. Quitman County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Quitman County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quitman County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Quitman County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Quitman 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-012, 2015-013, and 2015-014. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

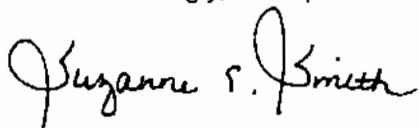
Management of Quitman County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Quitman County School District's internal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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-012, 2015-013, and 2015-014 that we consider to be significant deficiencies.

Quitman County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying auditee corrective action plan. The district's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
June 1, 2016

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

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2015, which collectively comprise Quitman County School District's basic financial statements and have issued our report thereon dated June 1, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed one instance of noncompliance related to incorrect or inappropriate functional level expenditure coding and shown as **Finding SL2015-005**.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations shown as **Findings SL2015-001, SL2015-002, SL2015-003, and SL2015-004**.

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Finding SL2015-001. Surety Bonds. Finding: The district is required by Section 37-9-31, Miss. Code Ann. (1972), to bond school principals in a penal sum of \$50,000. The district is further required by Section 37-39-21, Miss. Code Ann. (1972), to bond district purchasing agents in the penal sum of \$50,000. A review of surety bond coverage revealed that one principal was not bonded for the year ended June 30, 2015, while the superintendent of education, acting as a purchasing agent, was not bonded as a purchasing agent during the year.

Recommendation: We recommend that the district comply with state laws governing surety bond requirements.

District Response: In the future we will make sure that all principals and purchasing agents are bonded.

Finding SL2015-002. State Purchasing Laws. Finding: The district is required by Section 31-7-13, Miss. Code Ann. (1972), to follow the requirements for obtaining competitive pricing when purchases exceed certain threshold amounts. A review of 119 non-payroll expenditures revealed 35 instances where the district failed to adequately document compliance with state purchasing laws for purchases made that exceeded the threshold amount that requires competitive purchasing practices.

Recommendation: We recommend that the district comply with state laws governing public purchasing. We further recommend that the district organize and maintain the necessary files and records to substantiate compliance with public purchasing laws.

District Response: In the future we will make sure that we comply with public purchasing laws and that the appropriate documentation is maintained to show compliance with those laws.

Finding SL2015-003. Sixteenth Section Lease Termination. The district is required by Section 29-3-57 to begin the necessary action to terminate all leases not paid within 60 days of the annual due date of the lease. A test of 10 lease receipts indicated that 6 of the 10, or 60%, were paid more than 60 days past the due date of the lease. There was no evidence of board action to begin termination of the late payment leases.

Recommendation: We recommend that the district comply with state law by beginning termination action on any sixteenth section lease that is not paid within 60 days of the annual due date.

District Response: We will begin the practice of exercising board action to begin lease termination on all leases that become delinquent.

Finding SL2015-004. Tax Request and Limitation. The district requested more ad valorem effort than allowed by Section 37-57-104 and Section 37-57-105, Miss. Code Ann. (1972). The district requested \$91,450 more than was allowed in ad valorem effort for the 2014-2015 year. As a result, an over collection of \$154,434 occurred for the year. An audit adjustment was made to restrict the excess collections to be used in the subsequent fiscal year. The district accepted and posted the audit adjustment.

Recommendation: We recommend that the district request no more than the statutory limit each year when formulating its resolution for local tax effort.

District Response: We will request no more than the statutory limit each year when formulating our resolution for local tax effort.

Finding SL2015-005. Appropriate expenditure coding. During the testing of non-payroll expenditures we noted three instances, totaling \$60,707.89, where the district used inappropriate coding when classifying expenditures. Two of the three expenditures were reclassified to the appropriate codes through an audit adjustment accepted and posted by district personnel.

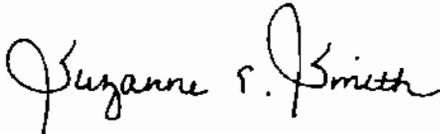
Recommendation: We recommend that the school district use appropriate expenditure codes as outlined by the *Accounting Manual for Mississippi Public School Districts*, prescribed by the Mississippi Department of Education.

District Response: We will be more diligent in the use of appropriate expenditure codes as prescribed by the Mississippi Department of Education.

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

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

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
June 1, 2016

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**QUITMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.027; 84.173	Special Education Cluster
84.287	Twenty-first century community learning centers

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

Section II: Financial Statement Findings

Deficiencies Identified as Material Weaknesses in Internal Controls Over Reporting

Finding 2015-001. Bank account reconciliations not complete.

Criteria: Timely, accurate bank account reconciliations are required for correct presentation of cash in the financial and accounting records of the school district.

Condition: There were unresolved differences in five (5) of the district's bank account reconciliations at June 30, 2015. The largest differences, totaling \$20,016.79, were found in the imprest clearing bank accounts used to clear payroll transactions and claims docket transactions. Audit adjustments were proposed and accepted to correct the differences.

Cause: The district failed to fully resolve all differences.

Effect: Cash and other deposits in the fiduciary funds was understated by \$20,016.79. Audit adjustments were proposed and accepted to correct the differences.

Questioned Costs: None

Recommendation: We recommend that all bank account reconciliations be completed on a timely basis and that all differences be reviewed and resolved promptly.

Finding 2015-002. Control Deficiencies surrounding the control cycle of non-payroll expenditures and related liabilities.

Criteria: The district is charged with the responsibility of designing and implementing a system of internal controls surrounding non-payroll expenditures and related liabilities that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an acceptably low level.

Condition: The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement. The district failed to accrue accrued liabilities at the end of the fiscal year in the total amount of \$58,680.13. Proposed audit adjustments of \$42,157.22 were made and accepted to record certain payables. \$16,522.91 in adjustments to record payables were passed at the audit adjustment level.

We performed detailed testing on one hundred nineteen (119) non-payroll expenditure transactions. During the detailed testing performed, we noted four (4) instances where paid claims packets to substantiate expenditures were not available for review. We noted fifteen (15) instances where the district issued purchase order did not match the invoice in either total amount of purchase or number of items purchased. Our testing showed twenty-nine (29) instances where the invoice date fell before the purchase order date, revealing purchases made without appropriate authorization. We noted a total of five (5) purchase orders that were never signed by a purchasing agent. Three (3) expenditures were coded incorrectly, and audit adjustments were proposed and accepted to correct two of these misstatements. Finally, we noted one hundred six (106) instances where no receiving documentation was preserved to document the receipt and condition of goods or services received.

Cause: The district failed to design and implement a sound system of internal controls surrounding non-payroll expenditures and related payables.

Effect: There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded. This risk further increases the likelihood that the financial statement information will not be complete and that a proper cut-off at the end of the fiscal year will not be made.

Questioned costs: None

Recommendation: We recommend that the district develop a system of sound internal controls surrounding the cycle of non-payroll expenditures and related liabilities and begin steps to implement the system of controls.

Finding 2015-003. Control Deficiencies surrounding the control cycle of capital assets and related expenditures.

Criteria: The district is charged with the responsibility of designing and implementing a system of internal controls surrounding capital assets and related expenditures that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an appropriately low level.

Condition: Our testing of non-payroll expenditures revealed eleven (11) instances where equipment meeting the threshold for inclusion in the district's subsidiary asset records or for capitalization and depreciation were not tagged, captured, and

added to the district's subsidiary asset records. One (1) of the items was recommended for addition to the asset records and accepted and added by district employees at the time of audit. The district failed to capture and capitalize building improvements of \$687,759.24. These improvements were recommended for addition to the asset records and accepted and added by district employees at the time of audit. Our testing of current year depreciation expense for a sample size of twenty (20) items yielded four (4) items with incorrect depreciation computations. These corrections were recommended and accepted and adjusted by district employees at the time of audit. Finally, there was no clear evidence of a complete physical inventory being performed during the year ended June 30, 2015.

Cause: While a set of designed internal controls surrounding this control cycle of transactions exists, the controls were circumvented or ignored for the year ending June 30, 2015.

Effect: Net capital assets were understated in the district's subsidiary records at June 30, 2015. Additions and corrections were necessary before being able to rely on the accounting information to compile entity-wide financial statements.

Questioned costs: None

Recommendation: We recommend that the district follow the internal controls found in the school board policies in the area of capital asset management. This includes the requirement that a complete physical inventory be conducted on an annual basis. Results of the inventory should be used to reconcile physical counts with the district's subsidiary records.

Finding 2015-004. Control Deficiencies surrounding the control cycle of payroll expenditures and related liabilities.

Criteria: The district is charged with the responsibility of designing and implementing a system of internal controls surrounding payroll expenditures and related payables that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an appropriately low level. This includes controls to ensure that the district meets the requirements of fair labor standards.

Condition: We tested the details of earnings records for thirty-five (35) district employees for the year ended June 30, 2015. We noted three (3) instances where the board did not approve salary amounts for the employee being tested or the amount of board approved salary differed from the contract amount or amount paid. We noted one (1) instance where there were no daily time records available for a non-exempt employee. Our review revealed that the district has no established monitoring of non-exempt employees in all groups to detect and pay overtime wages if overtime hours are reached in any given work week.

Cause: The district failed to fully implement a sound system of internal controls surrounding payroll expenditures and related payables. This is especially evident in the area of overtime monitoring to ensure compliance with fair labor standards.

Effect: There is an increased risk that misstatements in the area of payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and that the district may not maintain compliance with fair labor standards.

Questioned Costs: None

Recommendation: We recommend that the school board approve all salary wage and rate amounts for all employees. Such exhibits should be fully integrated into the official minutes of the school board. We further recommend that detailed hourly payroll records be maintained and reviewed for all non-exempt employees to identify any amounts due employees for overtime hours worked. This review should extend to those employees who are paid in equal installments, but who are non-exempt from fair labor standards requirements.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies surrounding internal controls and instances of noncompliance that are not material.

Repeat Finding 2015-005. Control deficiencies in the expenditure cyclea of the Title I grant award.

Award: Title I grants to local educational agencies
CFDA Number: 84.010

Criteria: The district is charged with the responsibility for designing and implementing a set of internal controls to ensure

compliance with federal award programs. As part of this responsibility, the district must ensure that goods and services purchased are appropriately authorized and that such goods and services are received in good condition. The district must further ensure that all employees being paid from program award dollars are actually working in the federal award area.

Condition: In our testing of non-payroll expenditures we noted four (4) instances where a district purchase order authorizing the purchase was dated after the related expenditure invoice date. We noted three (3) instances where paid claims were not supported by adequate receiving documentation. Finally we noted that seven (7) employees paid from the grant award did not have semi-annual certifications or had only one of the two required semi-annual certifications on file.

Cause: The district failed to fully implement a sound system of internal controls surrounding grant award expenditures.

Effect: Our testing showed that the grant award dollars were being obligated without documentation of proper authorization for the purchases made. Further, claims were not supported by adequate receiving documentation, increasing the risk that claims could be paid for goods or services not received or that goods and services are received in poor condition. The lack of semi-annual certifications increases the risk that employees funded through grant award dollars may not spend their time on grant activities.

Questioned Costs: None

Recommendation: We recommend that the school district begin immediate steps to improve the controls surrounding grant award expenditures by requiring properly authorized purchase orders prior to actual purchases being made, by requiring written receiving documentation to verify receipt of goods and services prior to actual payment for the goods and services, and by preparing semi-annual certifications on all employees paid from the grant award.

Finding 2015-006. Cash management – excess amounts of cash drawn.

Award: Title I grants to local educational agencies
CFDA Number: 84.010

Criteria: The school district must have a system for drawing down federal award dollars that will ensure that cash is drawn only for immediate needs.

Condition: The district drew excessive cash down in four (4) of the twelve (12) months tested for the year ending June 30, 2015.

Cause: The district failed to properly implement a sound system of internal controls surrounding cash management in the grant award. The district requested cash draw downs based on current month expenditures, without looking at the related cash receipts flowing into the program. Refunds and approved program transfers from other federal award grants were ignored instead of being considered when cash needs were computed.

Effect: For the months of October 2014, December 2014, January 2015, and February 2015, the district requested more cash than was needed to satisfy current needs. The excessive cash draws are a violation of the cash management requirements.

Questioned Costs: None

Recommendation: We recommend that the district limit cash draws to those amounts needed for immediate use.

Finding 2015-007. Equipment and Inventory Management – Control Deficiencies.

Award: Title I grants to local educational agencies
CFDA Number: 84.010

Criteria: The district is charged with the responsibility of designing and implementing a set of internal controls to ensure that equipment is managed in accordance with federal and state requirements, with the more stringent requirements of the two being ensured. The district must account for all equipment purchased with grant award dollars.

Cause: The district failed to properly implement a sound system of internal controls surrounding equipment and inventory management.

Condition: The district failed to capture and add to its subsidiary equipment inventory records thirty-five (35) pieces of equipment totaling \$35,361.86.

Effect: The failure to capture the equipment and add the items to the district's subsidiary equipment inventory records increases the risk that equipment may be stolen, damaged, or converted to inappropriate use (use outside of program objectives).

Questioned Costs: None

Recommendation: We recommend that the district begin immediate steps to enforce the guidelines and controls surrounding the purchase and subsequent tagging and inventorying of assets meeting the threshold for inclusion in the district's subsidiary asset inventory records.

Finding 2015-008. Procurement and Suspension and Debarment.

Award: Title I grants to local educational agencies
CFDA Number: 84.010

Criteria: The district is charged with the responsibility of designing and implementing a set of internal controls to ensure compliance with competitive purchasing requirements of the grant award. For all purchases exceeding the micro-purchase threshold amount (\$3,000 through September 30, 2015 and \$3,500 on October 2, 2015), the district must show that competitiveness was introduced into the purchasing process through quotes or a formal bid process. The requirements include three tiers for determining the levels of competitiveness required. This includes the retention of documents to substantiate compliance with competitive purchasing requirements.

Cause: The district failed to properly implement a sound system of internal controls surrounding competitive purchasing.

Condition: The district failed to maintain documentation to show that competitive purchasing requirements were met in twenty-four (24) instances of program expenditures.

Effect: The failure to maintain documentation means that the district cannot substantiate compliance with the grant award's competitive purchasing requirements.

Questioned Costs: None

Recommendation: We recommend that the district begin immediate steps to enforce the guidelines and enforce existing written requirements that require competitive purchasing practices on all orders exceeding the micro-purchase threshold amount. On October 1, 2015, the Micro-Purchase Threshold increased from \$3,000 to \$3,500.

Finding 2015-009. Allowable and unallowable costs/Cost Principles.

Award: Special Education Cluster
CFDA Numbers: 84.027/84.173

Criteria: The district is charged with the responsibility of designing and implementing a set of internal controls to ensure compliance with federal award programs. As part of this responsibility, the district must ensure that goods and services purchased are appropriately authorized and that such goods and services are received in good condition. The district must further ensure that all employees being paid from program award dollars are actually working in the federal award area.

Condition: In our testing of non-payroll expenditures we noted one (1) instance where a grant award purchase was not approved by the federal program director. We noted nine (9) instances where paid claims were not supported by adequate receiving documentation. Finally we noted that three (3) employees paid from the grant award did not have semi-annual certifications or had only one of the two required semi-annual certifications on file.

Cause: The district failed to fully implement a sound system of internal controls surrounding grant award expenditures.

Effect: Our testing shows that the grant award dollars were being obligated without documentation of proper authorization for the purchases made. Further, claims were not supported by adequate receiving documentation, increasing the risk that claims could be paid for goods or services not received or that goods and services are received in poor condition. The lack

of semi-annual certifications increases the risk that employees funded through grant award dollars may not spend their time on grant activities.

Questioned Costs: None

Recommendation: We recommend that the school district begin immediate steps to improve the controls surrounding grant award expenditures by requiring properly authorized purchase orders prior to actual purchases being made, by requiring written receiving documentation to verify receipt of goods and services prior to actual payment for the goods and services, and by preparing semi-annual certifications on all employees paid from the grant award.

Finding 2015-010. Cash management – excess amounts of cash drawn.

Award: Special Education Cluster
CFDA Numbers: 84.027/84.173

Criteria: The school district must have a system for drawing down federal award dollars that will ensure that cash is drawn only for immediate needs.

Condition: The district drew excessive cash down in seven (7) of the twelve (12) months tested for the year ending June 30, 2015.

Cause: The district failed to properly implement a sound system of internal controls surrounding cash management in the grant award. The district requested cash draws based on current month expenditures, without looking at the related cash receipts flowing into the program. Increases in cash caused by reclassification journal entries were not taken into account when making requests for cash draws.

Effect: For the months of October 2014, December 2014, January 2015, and February 2015, the district requested more cash than was needed to satisfy current needs. The excessive cash draws are a violation of the cash management requirements.

Questioned Costs: None

Recommendation: We recommend that the district limited cash draws to those amounts needed for immediate use.

Finding 2015-011. Equipment and Inventory Management – Control Deficiencies.

Award: Special Education Cluster
CFDA Numbers: 84.027/84.173

Criteria: The district is charged with the responsibility of designing and implementing a set of internal controls to ensure that equipment is managed in accordance with federal and state requirements, with the more stringent requirements of the two being ensured. The district must account for all equipment purchased with grant award dollars.

Condition: The district failed to capture and add to its subsidiary equipment inventory records three (3) pieces of equipment totaling \$1,752.95.

Cause: The district failed to properly implement a sound system of internal controls surrounding equipment and inventory management.

Effect: The failure to capture the equipment and add the items to the district's subsidiary equipment inventory records increases the risk that equipment may be stolen, damaged, or converted to inappropriate use (use outside of program objectives).

Questioned Costs: None

Recommendation: We recommend that the district begin immediate steps to enforce the guidelines and controls surrounding the purchase and subsequent tagging and inventorying of assets meeting the threshold for inclusion in the district subsidiary asset inventory records.

Finding 2015-012. Special Provisions – Reporting.

Award: Special Education Cluster
CFDA Numbers: 84.027/84.173

Criteria: The district is charged with the responsibility of designing and implementing a set of internal controls to ensure compliance with federal award program requirements. As part of this responsibility, the district must ensure that all award program financial reports are prepared using information taken from district accounting records.

Condition: Our testing of the details of the annual expenditure report filed with the Mississippi Department of Education in September 2015 revealed that the report did not agree with the district's accounting records. The district failed to report on the Annual Expenditure Report \$11,662.36 of indirect costs charged to the cluster of awards and \$2,204.98 in supplies and \$1,568.00 in equipment in the Preschool grant award.

Cause: The cause of the discrepancies was the district's failure to use final reporting data on the Annual Expenditure Report. This is likely because the district had not completely closed its annual accounting period at the date the expenditure report was compiled.

Effect: The Annual Expenditure Report contained incomplete information. Expenditures were under-reported.

Questioned Costs: None

Recommendation: We recommend that the district completely close its fiscal year and record all transactions before completing the Annual Expenditure Report and filing the report with the Mississippi Department of Education each year.

Finding 2015-013. Allowable and unallowable costs/Cost Principles.

Award: Twenty-first Century Community Learning Centers
CFDA Number: 84.287

Criteria: The district is charged with the responsibility of designing and implementing a set of internal controls to ensure compliance with federal award program requirements. As part of this responsibility, the district must ensure that goods and services purchased are appropriately authorized and that such goods and services are received in good condition. The district must further ensure that costs charged to the grant are not included in both direct cost categories and indirect cost categories. And the district must limit the draw of indirect costs to those costs computed in the indirect cost plan approved by the Mississippi Department of Education.

Condition: In our testing of non-payroll expenditures we noted one (1) instance where a grant award purchase was not supported by a claims packet, which should have included authorizing documentation and an invoice. We noted four (4) instances where paid claims were not supported by adequate receiving documentation. Finally we noted that three (3) employees paid from the grant award were not approved in the grant application, and the work performed by those employees was also a part of the indirect costs captured. (\$9,257.42) We further noted that the district drew excess indirect costs in the total amount of \$5,163.25.

Cause: The district failed to fully implement a sound system of internal controls surrounding grant award expenditures.

Effect: Our testing shows that the grant award dollars were being obligated and paid without documentation for the purchases made. Further, claims were not supported by adequate receiving documentation, increasing the risk that claims could be paid for goods or services not received or that goods and services are received in poor condition. Payroll expenditures were charged both as indirect costs in the district's approved indirect cost plan and as direct costs charged to the program, resulting in disallowed costs of \$9,257.42. The district drew excess indirect costs, resulting in questioned costs of \$5,163.25.

Questioned Costs: \$9,257.42 (payroll unallowed costs) and \$5,163.25 (excess indirect costs)

Recommendation: We recommend that the school district begin immediate steps to improve the controls surrounding grant award expenditures by limiting all costs to those that are allowable and by appropriately documenting all costs associated with the award grant.

Finding 2015-014. Allowable and Unallowable Costs/Coat Principles.

Award/CFDA Numbers:

Learn and serve America – school and community based programs	93.778
Education technology state grants	84.318
Title I grants to local educational agencies	84.010
State grants for innovative programs	84.298
Improving teacher quality state grants	84.267
Title I grants to local educational agencies, recovery	84.389A
Special education grants to states	84.027

Criteria: The district is charged with the responsibility for designing and implementing a set of internal controls to ensure compliance with federal award programs. As part of this responsibility, the district must ensure that program expenditures and transfers are appropriately authorized and that such expenditures and transfers are allowable.

Condition: In an attempt to close out old, unobligated cash balances in grant funds, the school district transferred remaining cash balances to the general fund.

Cause: The district attempted to liquidate such balances through a residual equity transfer instead of returning the monies to the Mississippi Department of Education.

Effect: The transfers constitute unallowable costs, resulting in total questioned costs of \$109,778.97 across seven (7) different federal award programs.

Questioned Costs:

Learn and serve America – school and community based programs	93.778	\$ 3,730.90
Education technology state grants	84.318	22,331.27
Title I grants to local educational agencies	84.010	14,779.16
State grants for innovative programs	84.298	813.20
Improving teacher quality state grants	84.267	35,008.74
Title I grants to local educational agencies, recovery	84.389A	32,039.30
Special education grants to states	84.027	1,076.40

Recommendation: We recommend that the district expend all grant dollars within the period of performance. Draws of cash should be made only to satisfy immediate cash needs. For grant funds remaining after the period of performance has passed, the district should contact the Mississippi Department of Education for assistance in returning the unobligated grant funds.

AUDITEE'S CORRECTIVE ACTION PLAN

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Dr. Evelyn Jossell • Superintendent of Education

Quitman County Central Office • Pauline Jones, Administrative Secretary • Marilyn Autman, Accounts Payable • Miron Thompson, Business Manager • Sharan Farmer, Payroll/Insurance
P. O. Drawer E • Marks, MS 38646 • 662-326-5451 • Fax 662-326-3694 • qcschools.org

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 3150 of OMB Circular A-133, the Quitman County School District has prepared and hereby submits the following corrective action plan for findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2015:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-001	<p>Bank Account Reconciliations not complete.</p> <p>a. Corrective Action Plan Details:</p> <p>All bank account reconciliations will be completed on a timely basis and all differences will be reviewed and resolved promptly.</p> <p>b. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Miron Thompson Title: Business Manager Telephone Number: 662-326-5451</p> <p>c. When Implementation will begin:</p> <p>07/1/2016</p>
2015-002	<p>Control Deficiencies Surrounding the Control Cycle of non-payroll expenditures and related liabilities.</p> <p>a. Corrective Action Plan Details:</p> <p>The district will develop a system of sound internal controls surrounding the cycle of non-payroll expenditures and related liabilities and begin steps to implement the system of controls.</p> <p>b. Name of Contact Person Responsible for Corrective Action:</p>

Name: Miron Thompson
Title: Business Manager

Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-003

Control Deficiencies surrounding the control cycle of capital assets and related expenditures.

a. Corrective Action Plan Details:

The district will follow the internal controls found in the school board policies in the area of capital asset management. This includes the requirement that a complete physical inventory be conducted on an annual basis. The results of the inventory will be used to reconcile physical counts with the district's subsidiary records.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-004

Control Deficiencies Surrounding the Control Cycle of payroll expenditures and related liabilities.

a. Corrective Action Plan Details:

The school board will approve all salary wage and rate amounts for all employees. Such exhibits will be fully integrated into the official minutes of the school board. Detailed hourly payroll records will be maintained and reviewed for all non-exempt employees to identify any amounts due employees for overtime hours worked. This review will extend to those employees who are paid in equal installments, but who are non-exempt from fair labor standards requirements.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

- c. When Implementation will begin:
7/31/2016
- 2015-005 Control deficiencies in the expenditure cycles of the Title I grant to local Educational agencies - CFDA 84.010
- a. Corrective Action Plan Details:
The school district will begin immediate steps to improve the controls surrounding grant award expenditures by requiring properly authorized purchase orders prior to actual purchases being made, by requiring written receiving documentation to verify receipt of good and services prior to actual payment for the goods and services, and by preparing semi-annual certifications on all employees paid from the grant award.
- b. Name of Contact Person Responsible for Corrective Action:
Name: Reginald Griffin
Title: Federal Program Director
Telephone Number: 662-326-5451
- c. When Implementation will begin:
7/31/2016
- 2015-006 Cash Management – excess amounts of cash drawn – Title I grants to local educational agencies – CFDA 84.010
- a. Corrective Action Plan Details:
The district will limit cash draws to those amounts needed for immediate use.
- b. Name of Contact Person Responsible for Corrective Action:
Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451
- c. When Implementation will begin:
7/1/2016
- 2015-007 Equipment and Inventory Management - control deficiencies – Title I Grants to local educational agencies – CFDA 84.010

a. Corrective Action Plan Details:

The district will begin immediate steps to enforce the guidelines and controls surrounding the purchase and subsequent tagging and inventorying of assets meeting the threshold for inclusion in the district's subsidiary asset inventory records.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

When Implementation will begin:

07/1/2016

2015-008 Procurement and Suspension and Debarment – Title I grants to local educational agencies – CFDA 84.010

a. Corrective Action Plan Details:

The district will begin immediate steps to enforce the guidelines and enforce existing written requirements that require competitive purchasing practices on all orders exceeding the micro-purchase threshold amount. On October 1, 2015, the Micro-Purchase Threshold increased from \$3,000 to \$3,500

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-009 Allowable and unallowable costs/Cost Principles – Special Education Cluster – CFDA # 84.027/84.173

a. Corrective Action Plan Details:

The school district will begin immediate steps to improve the controls surrounding grant award expenditures by requiring properly authorized purchase orders prior to actual purchases being made, by requiring written receiving documentation to verify receipt of goods and services, and by

preparing semi-annual certifications on all employees paid from the grant award.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-010 Cash Management – excess amounts of cash drawn - Special Education Cluster
CFDA # 84.027/84.173

a. Corrective Action Plan Details:

The district will limited cash draws to those amounts needed for immediate use.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-011 Equipment and Inventory Management – Control deficiencies – Special
Education Cluster CFDA # 84.027/84.173

a. Corrective Action Plan Details:

The district will begin immediate steps to enforce the guidelines and controls surrounding the purchase and subsequent tagging and inventorying of assets meeting the threshold for inclusion in the district subsidiary asset inventory records.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin.

7/1/2016

2015-012 Special Provisions- Reporting Special Education Cluster - CFDA # 84.027/84.173.

a. Corrective Action Plan Details:

The district will completely close its fiscal year and record all transactions before completing the Annual Expenditure Report and filing the report with the Mississippi Department of Education each year.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-013 Allowable and unallowable costs/Cost Principals - Special Education Cluster - CFDA # 84.027/84.173.

a. Corrective Action Plan:

The district will begin immediate steps to improve the controls surrounding grant award expenditures by limiting all costs to those that are allowable and by appropriately documenting all costs associated with the award grant.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

2015-0014 Allowable and unallowable costs/Cost Principles-

Learning and serve America - School and community based programs	93.778
Education technology state grants	84.318
Title I grants to local educational agencies	84.010

State grants for innovative programs	84.298
Improving teacher quality state grants	84.267
Title I grants to local educational agencies, recovery	84.389A
Special education grants to states	84.027

a. Corrective Action Plan Details:

The district will expend all grant dollars within the period of performance. Draws of cash will be made only to satisfy immediate cash needs. For grant funds remaining after the period of performance has passed, the district will contact the Mississippi Department of Education for assistance in returning the unobligated grant funds.

b. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Telephone Number: 662-326-5451

c. When Implementation will begin:

7/1/2016

Sincerely,



Dr. Evelyn Jossell
Superintendent

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FOLLOW UP ON PRIOR YEAR FINDINGS

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Dr. Evelyn W. Jossell • Superintendent of Education

Quitman County Central Office: Pauline Jones, Executive Assistant • Marilyn Autman, Accounts Payable
• Miron Thompson, Business Manager • Sharan Farmer, Payroll/Insurance

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FOLLOW UP ON PRIOR YEAR FINDINGS

Finding Status

Finding 2014-01: Corrected

Finding 2014-02: Corrected

Finding 2014-03: Repeat Finding at 2015-005.

Finding 2013-06: Repeat Finding at 2015-005

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