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SIMPSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Simpson County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Simpson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 28, 2013, on my consideration of the Simpson County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County School District's internal control over financial reporting and compliance.

Charles L. Shivers, CPA

Ridgeland, MS
October 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SIMPSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Simpson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$204,536, including a prior period adjustment of (\$26,901), which represents a .5% increase from fiscal year 2012. Total net position for 2012 increased \$1,093,768, including a prior period adjustment of \$98,030, which represents a 3.1% increase from fiscal year 2011.
- General revenues amounted to \$28,009,375 and \$27,989,203, or 78.8% and 78.3% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,560,016, or 21.2% of total revenues for 2013, and \$7,763,071, or 21.7% of total revenues for 2012.
- The District had \$35,337,954 and \$34,756,536 in expenses for fiscal years 2013 and 2012; only \$7,560,016 for 2013 and 7,763,071 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,009,375 for 2013 and \$27,989,203 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$28,051,047 in revenues and \$27,065,623 in expenditures for 2013, and \$27,280,706 in revenues and \$25,402,031 in expenditures in 2012. The General Fund's fund balance increased by \$256,647 from 2012 to 2013, and increased by \$4,666,372 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$135,955 for 2013 and increased by \$372,137 for 2012. The increase for 2013 was due to the addition of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$637,345 for 2013 and decreased by \$1,363,258 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,345 for 2013 and decreased by \$98,238 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36,990,334 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the 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, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 10,156,740	\$ 10,888,351	(6.72) %
Restricted assets	7,510,317	7,122,151	5.45 %
Capital assets, net	24,224,077	24,360,032	(0.56) %
Total assets	41,891,134	42,370,534	(1.13) %
Deferred outflows of resources	0	0	N/A %
Current liabilities	1,818,431	2,345,370	(22.47) %
Long-term debt outstanding	2,602,021	3,239,366	(19.67) %
Total liabilities	4,420,452	5,584,736	(20.85) %
Deferred inflows of resources	480,348	0	N/A %
Net position:			
Invested in capital assets, net of related debt	21,398,749	21,380,052	0.09 %
Restricted	6,881,313	7,581,892	(9.24) %
Unrestricted	8,710,272	7,823,854	11.33 %
Total net position	\$ 36,990,334	\$ 36,785,798	0.56 %

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 \$135,955.
- The principal retirement of \$635,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$35,569,391 and \$35,752,274, respectively. The total cost of all programs and services was \$35,337,954 for 2013 and \$34,756,536 for 2012.

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 703,757	\$ 665,998	5.67 %
Operating grants and contributions	6,856,259	7,097,073	(3.39) %
General revenues:			
Property taxes	8,183,904	7,881,160	3.84 %
Grants and contributions not restricted	18,800,785	18,859,697	(0.31) %
Investment earnings	25,598	27,527	(7.01) %
Sixteenth section sources	955,420	1,148,018	(16.78) %
Other	43,668	72,801	(40.02) %
Total revenues	35,569,391	35,752,274	(0.51) %
Expenses:			
Instruction	19,737,270	20,975,718	(5.90) %
Support services	12,787,935	11,042,977	15.80 %
Non-instructional	2,588,224	2,566,106	0.86 %
Sixteenth section	176,818	138,965	27.24 %
Interest on long-term liabilities	47,707	32,770	45.58 %
Total expenses	35,337,954	34,756,536	1.67 %
Increase (Decrease) in net position	231,437	995,738	(76.76) %
Net Position, July 1, as previously reported	36,785,798	35,692,030	3.06 %
Prior Period Adjustment	(26,901)	98,030	(127.44) %
Net Position, July 1, as restated	36,758,897	35,790,060	2.71 %
Net Position, June 30	\$ 36,990,334	\$ 36,785,798	0.56 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 19,737,270	\$ 20,975,718	(5.90) %
Support services	12,787,935	11,042,977	15.80 %
Non-instructional	2,588,224	2,566,106	0.86 %
Sixteenth section	176,818	138,965	27.24 %
Interest on long-term liabilities	47,707	32,770	45.58 %
Total expenses	\$ 35,337,954	\$ 34,756,536	1.67 %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (16,776,057)	\$ (17,463,942)	(3.94) %
Support services	(11,001,589)	(9,450,509)	16.41 %
Non-instructional	224,233	92,721	141.84 %
Sixteenth section	(176,818)	(138,965)	27.24 %
Interest on long-term liabilities	(47,707)	(32,770)	45.58 %
Total net (expense) revenue	\$ (27,777,938)	\$ (26,993,465)	2.91 %

- Net cost of governmental activities (\$27,777,938 for 2013 and \$26,993,465 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$8,183,904 for 2013 and \$7,881,160 for 2012) and state and federal revenues (\$18,800,785 for 2013 and \$18,859,697 for 2012). In addition, there was \$955,420 and \$1,148,018 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$25,598 for 2013 and \$27,527 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$16,023,298, a decrease of \$308,271, which includes a decrease in inventory of \$15,312. \$8,689,329 or 54.2% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,333,969 or 45.8% 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 \$256,647. The fund balance of Other Governmental Funds showed a decrease in the amount of \$608,156, which includes a decrease in reserve for inventory of \$15,312. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
EHA Part B Fund	no increase or decrease
16th Section Principal Fund	\$ 43,238

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 the major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$37,613,512, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$704,685 from 2012. Total accumulated depreciation as of June 30, 2013, was \$13,389,435, and total depreciation expense for the year was \$850,915, resulting in total net capital assets of \$24,224,077.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 159,514	\$ 159,514	0.00 %
Construction in Progress	0	104,229	(100.00) %
Buildings	22,095,435	22,658,014	(2.48) %
Building improvements	230,234	0	N/A %
Improvements other than buildings	20,559	20,559	0.00 %
Mobile equipment	1,620,754	1,333,220	21.57 %
Furniture and equipment	97,581	84,496	15.49 %
Total	\$ 24,224,077	\$ 24,360,032	(0.56) %

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

Debt Administration. At June 30, 2013, the District had \$2,602,021 in outstanding long-term debt, of which \$20,563 is due within one year. The liability for compensated absences decreased \$2,345 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 0	\$ 635,000	(100.00) %
Qualified school construction bonds payable	2,344,980	2,344,980	0.00 %
Compensated absences payable	257,041	259,386	(0.90) %
Total	\$ 2,602,021	\$ 3,239,366	(19.67) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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Simpson County School District
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 8,876,846
Due from other governments	933,493
Other receivables, net	290,106
Inventories and prepaid items	56,295
Restricted assets (Note 4)	7,510,317
Non-depreciable capital assets (Note 5)	159,514
Depreciable capital assets, net (Note 5)	24,064,563
Total Assets	<u>41,891,134</u>
Total Deferred Outflows of Resources	<u>0</u>
Liabilities	
Accounts payable and accrued liabilities	1,643,759
Interest payable on long-term liabilities	174,672
Long-term liabilities (Due within one year) (Note 6)	
Non-capital related liabilities	20,563
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	2,344,980
Non-capital related liabilities	236,478
Total Liabilities	<u>4,420,452</u>
Deferred Inflows of Resources	
Deferred credit on bonds payable (Note 15)	480,348
Total Deferred Inflows of Resources	<u>480,348</u>
Net Position	
Net investment in capital assets	21,398,749
Restricted net position	
Expendable	
School-based activities	1,574,591
Debt service	438,243
Contractual commitments	
Forestry improvements	211,062
Unemployment benefits	85,124
Non-expendable	
Sixteenth section	4,572,293
Unrestricted	<u>8,710,272</u>
Total Net Position	<u>\$ 36,990,334</u>

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

Simpson County School District
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 19,737,270	270,894	2,690,319	(16,776,057)
Support services	12,787,935		1,786,346	(11,001,589)
Non-instructional	2,588,224	432,863	2,379,594	224,233
Sixteenth section	176,818			(176,818)
Interest on long-term liabilities	47,707			(47,707)
Total Governmental Activities	35,337,954	703,757	6,856,259	(27,777,938)
General Revenues				
Taxes				
				8,183,904
Unrestricted grants and contributions				
				18,558,706
				242,079
				25,598
				955,420
				43,668
				<u>28,009,375</u>
Changes in Net Position				
				<u>231,437</u>
Net Position - Beginning , as previously reported				
				36,785,798
Prior Period Adjustments (Note 10)				
				(26,901)
Net Position - Beginning - as restated				
				<u>36,758,897</u>
Net Position - Ending				
				<u>\$ 36,990,334</u>

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

Simpson County School District
 Balance Sheet - Governmental Funds
 June 30, 2013

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund	16th Section Principal Fund		
Assets					
Cash and cash equivalents (Note 2)	\$ 8,876,846	557,169	4,060,482	2,285,730	15,780,227
Cash with fiscal agent (Note 2)				6,936	6,936
Investments (Note 2)				600,000	600,000
Due from other governments	386,244	95,088		452,161	933,493
Other receivables, net	2,461				2,461
Due from other funds (Note 3)	1,605,808		50	13,039	1,618,897
Advances to other funds (Note 3)			536,060		536,060
Inventories				56,295	56,295
Total Assets	10,871,359	652,257	4,596,592	3,414,161	19,534,369
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	1,336,193	35,126		272,440	1,643,759
Due to other funds (Note 3)	31,793	617,131	32,480	649,848	1,331,252
Advances from other funds (Note 3)	536,060				536,060
Total Liabilities	1,904,046	652,257	32,480	922,288	3,511,071
Fund Balances					
Nonspendable					
Inventory				56,295	56,295
Permanent fund principal			4,028,052	8,181	4,036,233
Advances			536,060		536,060
Restricted					
Debt service				612,915	612,915
Forestry improvements				211,062	211,062
Unemployment benefits				85,124	85,124
Grant activities				1,518,296	1,518,296
Committed					
Band	6,690				6,690
Assigned					
School activities	271,294				271,294
Unassigned	8,689,329				8,689,329
Total Fund Balances	8,967,313	0	4,564,112	2,491,873	16,023,298
Total Liabilities and Fund Balances	10,871,359	652,257	4,596,592	3,414,161	19,534,369

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

Simpson County School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 16,023,298

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	159,514	
Buildings	30,707,537	
Building improvements	239,827	
Improvement other than buildings	102,791	
Mobile equipment	5,055,995	
Furniture and equipment	1,347,848	
Accumulated depreciation	<u>(13,389,435)</u>	24,224,077

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

Qualified school construction bonds payable	(2,344,980)	
Compensated absences	(257,041)	
Deferred credit on bonds payable	(480,348)	
Accrued interest payable	<u>(174,672)</u>	<u>(3,257,041)</u>

Total Net Position - Governmental Activities

\$ 36,990,334

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

Simpson County School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund	16th Section Principal Fund		
Revenues					
Local sources	\$ 8,464,277			448,985	8,913,262
State sources	18,558,706			666,053	19,224,759
Federal sources	242,079	955,018		5,235,193	6,432,290
Sixteenth section sources	785,985		54,123	115,304	955,412
Total Revenues	28,051,047	955,018	54,123	6,465,535	35,525,723
Expenditures					
Instruction	15,727,450	531,889		3,062,024	19,321,363
Support services	11,276,231	412,379		1,466,057	13,154,667
Noninstructional services				2,561,588	2,561,588
Sixteenth section	61,942			114,876	176,818
Facilities acquisition and construction				175,197	175,197
Debt service					
Principal (Note 6)				635,000	635,000
Interest				13,892	13,892
Other				1,564	1,564
Total Expenditures	27,065,623	944,268	0	8,030,198	36,040,089
Excess (Deficiency) of Revenues Over Expenditures	985,424	10,750	54,123	(1,564,663)	(514,366)
Other Financing Sources (Uses)					
Insurances loss recoveries	221,407				221,407
Operating transfers in (Note 3)	337,323			1,287,507	1,624,830
Operating transfers out (Note 3)	(1,287,507)	(10,750)	(10,885)	(315,688)	(1,624,830)
Total Other Financing Sources (Uses)	(728,777)	(10,750)	(10,885)	971,819	221,407
Net Change in Fund Balances	256,647	0	43,238	(592,844)	(292,959)
Fund Balances					
July 1, 2012	8,710,666	0	4,520,874	3,100,029	16,331,569
Decrease in reserve for inventory				(15,312)	(15,312)
June 30, 2013	\$ 8,967,313	0	4,564,112	2,491,873	16,023,298

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

Simpson County School District
 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, 2013

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (292,959)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:</p>	
Capital outlay	758,587
Depreciation expense	<u>(850,915)</u>
	(92,328)
<p>In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.</p>	
	(16,726)
<p>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 issuance cost, 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:</p>	
Payments of debt principal	635,000
Accrued interest payable	(32,251)
Amortization of deferred credit of bonds payable	<u>43,668</u>
	646,417
<p>Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:</p>	
Change in compensated absences	2,345
Change in inventory reserve	<u>(15,312)</u>
	(12,967)
Changes in Net Position of Governmental Activities	<u>\$ 231,437</u>

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

Simpson County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 471,219
Due from other funds (Note 3)	27,975
Other receivables	<u>5,704</u>
Total Assets	<u><u>504,898</u></u>
Liabilities	
Accounts payable and accrued liabilities	11,714
Due to other funds (Note 3)	315,620
Due to student clubs	<u>177,564</u>
Total Liabilities	<u><u>\$ 504,898</u></u>

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

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SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

The school district reports the following major governmental funds:

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

EHA Part B Fund - This special revenue fund is used to account for the resources and expenditures associated with children with disabilities.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

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

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

See Note 15 for further details.

8. Compensated Absences

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

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

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

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

10. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned.

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 was the was taken by the School Board to establish this commitment.

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 \$15,780,227 and \$471,219 respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$6,936.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury SLGS	N/A	Greater than 10 Years	\$ <u>600,000</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - EHA Part B Fund	\$ 617,131
	Major fund - 16th Section Principal Fund	32,480
	Other governmental funds	640,577
	Fiduciary funds	315,620
Major fund - 16th Section Principal Fund	General Fund	50
Other governmental funds	General Fund	3,768
	Other governmental funds	9,271
Fiduciary funds	General Fund	27,975
Total		<u>\$ 1,646,872</u>

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing adjustments. The inter-fund loan associated with the Fiduciary Funds represents the accumulation of workers compensation insurance deductions which is due to the General Fund.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major fund - 16th Section Principal Fund	General Fund	<u>\$ 536,060</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 44,649	21,442	66,091
2015	46,435	19,656	66,091
2016	48,292	17,799	66,091
2017	50,224	15,867	66,091
2018	52,233	13,858	66,091
2019 - 2023	<u>294,227</u>	<u>36,231</u>	<u>330,458</u>
Total	<u>\$ 536,060</u>	<u>124,853</u>	<u>660,913</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,287,507
Major fund - EHA Part B Fund	General Fund	10,750
Major fund - 16th Section Principal Fund	General Fund	10,885
Other governmental funds	General Fund	315,688
Total		<u>\$ 1,624,830</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, extended school year

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

program, school nurse program, and construction in the Other Governmental Funds. The transfer from the 16th Section Principal Fund was for accumulated interest income. The transfer from the EHA Part B Fund and the Other Governmental Funds was for indirect cost.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agent and investment balance, totaling \$6,903,381, \$6,936 and \$600,000, respectively, of the Sixteenth Section Principal Fund (Permanent Fund), Debt Service Funds and various Federal programs which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2013
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 159,514					159,514
Construction-in-progress	104,229	175,197		(239,827)	(39,599)	0
Total non-depreciable capital assets	<u>263,743</u>	<u>175,197</u>	<u>0</u>	<u>(239,827)</u>	<u>(39,599)</u>	<u>159,514</u>
<u>Depreciable capital assets:</u>						
Buildings	30,707,537					30,707,537
Building improvements	0			239,827		239,827
Improvements other than buildings	102,791					102,791
Mobile equipment	4,519,935	536,060				5,055,995
Furniture and equipment	1,314,821	47,330	(42,644)		28,341	1,347,848
Total depreciable capital assets	<u>36,645,084</u>	<u>583,390</u>	<u>(42,644)</u>	<u>239,827</u>	<u>28,341</u>	<u>37,453,998</u>
<u>Less accumulated depreciation for:</u>						
Buildings	8,049,523	562,579				8,612,102
Building improvements	0	9,593				9,593
Improvements other than buildings	82,232	0				82,232
Mobile equipment	3,186,715	248,526				3,435,241
Furniture and equipment	1,230,325	30,217	(25,918)		15,643	1,250,267
Total accumulated depreciation	<u>12,548,795</u>	<u>850,915</u>	<u>(25,918)</u>	<u>0</u>	<u>15,643</u>	<u>13,389,435</u>
Total depreciable capital assets, net	<u>24,096,289</u>	<u>(267,525)</u>	<u>(16,726)</u>	<u>239,827</u>	<u>12,698</u>	<u>24,064,563</u>
Governmental activities capital assets, net	<u>\$ 24,360,032</u>	<u>(92,328)</u>	<u>(16,726)</u>	<u>0</u>	<u>(26,901)</u>	<u>24,224,077</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 626,898
Support services	212,693
Non-instructional	11,324
Total depreciation expense - Governmental activities	<u>\$ 850,915</u>

Note 6 – Long-term Liabilities

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 635,000		635,000	0	0
B. Qualified school construction bonds payable	2,344,980			2,344,980	0
C. Compensated absences payable	259,386		2,345	257,041	20,563
Total	\$ 3,239,366	0	637,345	2,602,021	20,563

A. Limited obligation bonds payable

The limited obligation bonds were paid in full during the fiscal year.

B. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0	11/19/2009	9/15/2024	\$ 3,000,000	2,344,980

C. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

The school district has an operating lease for nineteen copiers.

Lease expenditures for the year ended June 30, 2013, amounted to \$74,635. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2014	\$ 18,258

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,656,900, \$2,334,750 and \$2,212,747, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 152,562
2015	130,643
2016	117,066
2017	108,396
2018	102,359
2019 – 2023	172,828
2024 – 2028	71,980
2029 – 2033	69,875
Thereafter	166,956
Total	<u>\$ 1,092,665</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Adjustment to capital assets (see Note 5)	<u>\$ (26,901)</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.

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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – 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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$606,936. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 200,000
2015	200,000
2016	200,000
2017	200,000
2018	200,000
2019 – 2023	1,000,000
2024 – 2025	400,000
Total	<u>\$ 2,400,000</u>

Note 14 – Insurance loss recoveries

The School District received \$221,407 in insurance loss recoveries related to wind and water damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss		
Recoveries	Percentage	Expense Function
\$ 210,991	95%	Instruction
<u>10,416</u>	<u>5%</u>	Support services
<u>\$ 221,407</u>	<u>100%</u>	

Note 15 – Effect of Deferred Amounts on Net Position

The restricted debt service net position amount of (\$42,105) includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted for the issuance of an interest free debt obligation. The \$480,348 balance of the deferred inflow of resources at June 30, 2013 will be recognized as revenue and increase unrestricted net position over the remaining twelve years of the outstanding debt obligation.

Note 16 – 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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district and determined there were no subsequent events requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Simpson County School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 8,350,688	8,464,277	8,464,277	113,589	0
State sources	18,711,578	18,558,706	18,558,706	(152,872)	0
Federal sources	393,700	242,079	242,079	(151,621)	0
Sixteenth section sources	0	0	785,985	0	785,985
Total Revenues	<u>27,455,966</u>	<u>27,265,062</u>	<u>28,051,047</u>	<u>(190,904)</u>	<u>785,985</u>
Expenditures					
Instruction	15,815,260	15,727,450	15,727,450	87,810	0
Support services	10,473,951	11,122,628	11,276,231	(648,677)	(153,603)
Sixteenth section	0	0	61,942	0	(61,942)
Facilities acquisition and construction	190,400	153,603	0	36,797	153,603
Total Expenditures	<u>26,479,611</u>	<u>27,003,681</u>	<u>27,065,623</u>	<u>(524,070)</u>	<u>(61,942)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>976,355</u>	<u>261,381</u>	<u>985,424</u>	<u>(714,974)</u>	<u>724,043</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	221,407	221,407	221,407	0
Operating transfers in	3,249,770	3,389,853	337,323	140,083	(3,052,530)
Operating transfers out	(4,168,977)	(4,150,173)	(1,287,507)	18,804	2,862,666
Total Other Financing Sources (Uses)	<u>(919,207)</u>	<u>(538,913)</u>	<u>(728,777)</u>	<u>380,294</u>	<u>(189,864)</u>
Net Change in Fund Balances			<u>256,647</u>		
Fund Balances					
July 1, 2012			<u>8,710,666</u>		
June 30, 2013			<u>\$ 8,967,313</u>		

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

Simpson County School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 932,859	955,018	955,018	22,159	0
Total Revenues	<u>932,859</u>	<u>955,018</u>	<u>955,018</u>	<u>22,159</u>	<u>0</u>
Expenditures					
Instruction	535,888	531,889	531,889	3,999	0
Support services	400,494	412,379	412,379	(11,885)	0
Total Expenditures	<u>936,382</u>	<u>944,268</u>	<u>944,268</u>	<u>(7,886)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,523)</u>	<u>10,750</u>	<u>10,750</u>	<u>14,273</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(11,101)	(10,750)	(10,750)	(351)	0
Total Other Financing Sources (Uses)	<u>(11,101)</u>	<u>(10,750)</u>	<u>(10,750)</u>	<u>(351)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2013

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTARY INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 739,145
National school lunch program	10.555	1,786,762
Summer food service program for children	10.559	30,301
Total child nutrition cluster		<u>2,556,208</u>
Total U.S. Department of Agriculture		<u>2,556,208</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	<u>221,039</u>
Total Federal Communications Commission		<u>221,039</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Fund for the improvement of education	84.215	<u>266,359</u>
Total		<u>266,359</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,521,500
Career and technical education - basic grants to states	84.048	60,818
Safe and drug-free schools and communities - state grants	84.186	1,300
Twenty first century community learning centers	84.287	390,998
Improving teacher quality - state grants	84.367	338,051
Teacher incentive fund	84.374	228,544
Total		<u>2,541,211</u>
Special education cluster:		
Special education - grants to states	84.027	955,017
Special education - preschool grants	84.173	44,238
Total special education cluster		<u>999,255</u>
Total passed-through Mississippi Department of Education		<u>3,540,466</u>
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	<u>26,697</u>
Total passed-through the Mississippi Institution of Higher Learning		<u>26,697</u>
Total U.S. Department of Education		<u>3,833,522</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	<u>19,500</u>
Total U.S. Department of Health and Human Services		<u>19,500</u>
Total for All Federal Awards		<u>\$ 6,630,269</u>

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

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass through entities did not assign identifying numbers to the school district.

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 25,779,602	\$ 18,985,265	\$ 1,143,347	\$ 2,217,286	\$ 3,433,704
Other	\$ 10,260,487	\$ 3,612,316	\$ 579,917	\$ 62,448	\$ 6,005,806
Total	<u>\$ 36,040,089</u>	<u>\$ 22,597,581</u>	<u>\$ 1,723,264</u>	<u>\$ 2,279,734</u>	<u>\$ 9,439,510</u>
Total number of students	<u>3,921</u>				
Cost per student	<u>\$ 9,190</u>	<u>\$ 5,763</u>	<u>\$ 439</u>	<u>\$ 581</u>	<u>\$ 2,407</u>

Notes to the schedule.

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

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

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

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

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

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OTHER INFORMATION

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 8,464,277	8,026,994	7,263,478	6,778,627
State sources	18,558,706	17,948,669	17,321,772	17,814,679
Federal sources	242,079	395,778	284,855	281,533
Sixteenth section sources	785,985	909,265	2,193	19
Total Revenues	28,051,047	27,280,706	24,872,298	24,874,858
Expenditures				
Instruction	15,727,450	15,992,632	13,239,354	14,702,449
Support services	11,276,231	9,299,170	8,915,494	9,170,850
Noninstructional services	0	55,676	0	0
Sixteenth section	61,942	14,953	1,500	0
Facilities acquisition and construction	0	39,600	57,271	0
Total Expenditures	27,065,623	25,402,031	22,213,619	23,873,299
Excess (Deficiency) of Revenues Over Expenditures	985,424	1,878,675	2,658,679	1,001,559
Other Financing Sources (Uses)				
Insurances loss recoveries	221,407	73,734	92,025	106,775
Sale of transportation equipment	0	0	5,553	0
Sale of other property	0	1,812	0	4,780
Operating transfers in	337,323	4,864,973	135,205	419,747
Operating transfers out	(1,287,507)	(2,300,925)	(1,179,889)	(1,753,438)
Total Other Financing Sources (Uses)	(728,777)	2,639,594	(947,106)	(1,222,136)
Net Change in Fund Balances	256,647	4,518,269	1,711,573	(220,577)
Fund Balances				
July 1, as previously reported	8,710,666	4,044,294	2,332,721	2,412,709
Prior period adjustments	0	148,103	0	140,589
July 1, as restated	8,710,666	4,192,397	2,332,721	2,553,298
June 30	\$ 8,967,313	8,710,666	4,044,294	2,332,721

* Source - Prior year audit reports.

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 8,913,262	8,488,019	7,795,781	7,368,354
State sources	19,224,759	19,358,813	18,699,691	19,221,275
Federal sources	6,432,290	6,684,622	10,040,981	7,751,749
Sixteenth section sources	955,412	1,148,019	1,211,507	1,488,764
Total Revenues	35,525,723	35,679,473	37,747,960	35,830,142
Expenditures				
Instruction	19,321,363	20,359,218	20,341,425	20,238,054
Support services	13,154,667	11,120,982	11,355,570	11,045,145
Noninstructional services	2,561,588	2,557,675	2,538,309	2,404,933
Sixteenth section	176,818	138,965	133,440	95,448
Facilities acquisition and construction	175,197	323,073	2,432,739	1,815,096
Debt service				
Principal	635,000	610,000	580,000	555,000
Interest	13,892	41,125	70,902	97,603
Other	1,564	2,923	550	564
Total Expenditures	36,040,089	35,153,961	37,452,935	36,251,843
Excess (Deficiency) of Revenues Over Expenditures	(514,366)	525,512	295,025	(421,701)
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	3,000,000
Insurances loss recoveries	221,407	73,734	92,025	106,775
Sale of transportation equipment	0	0	5,553	0
Sale of other property	0	1,812	0	4,780
Operating transfers in	1,624,830	7,165,898	1,515,094	2,173,185
Operating transfers out	(1,624,830)	(7,165,898)	(1,515,094)	(2,173,185)
Other financing uses	0	(2,745)	0	0
Total Other Financing Sources (Uses)	221,407	72,801	97,578	3,111,555
Net Change in Fund Balances	(292,959)	598,313	392,603	2,689,854
Fund Balances				
July 1, as previously reported	16,331,569	15,585,180	15,190,746	12,321,363
Prior period adjustments	0	151,876	0	178,513
July 1, as restated	16,331,569	15,737,056	15,190,746	12,499,876
Increase (Decrease) in reserve for inventory	(15,312)	(3,800)	1,831	1,016
June 30	\$ 16,023,298	16,331,569	15,585,180	15,190,746

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Independent Auditor's Report

Superintendent and School Board
Simpson County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, (*the business-type activities, the aggregate discretely presented component units*), each major fund, and the aggregate remaining fund information of Simpson County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph 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, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses [2013-05, 2013-06 and 2013-07].

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. [2013-01, 2013-02, 2013-03 and 2013-04].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Simpson County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters

that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of Findings and Questioned Costs as item [2013-08].

Simpson County School District's Response to Findings

Simpson County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Simpson County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Charles L Shivers, CPA

Ridgeland, MS
October 28, 2013

CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Superintendent and School Board
Simpson County School District

Report on Compliance for Each Major Federal Program

I have audited Simpson County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Simpson County School District's major federal programs for the year ended June 30, 2013. Simpson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Simpson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of my 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 item [2013-08]. My opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item [2013-08] that I consider to be a significant deficiency.

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

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

Charles L Shivers, CPA

Ridgeland, MS
October 28, 2013

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

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Simpson County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2013, which collectively comprise Simpson County School District's basic financial statements and have issued my report thereon dated October 28, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-0- of classroom supply funds carried over from previous years.

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

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the instance of noncompliance described in Finding 2013-08 in the Schedule of Findings and Questioned Costs.

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

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

Charles L Shivers, CPA

Ridgeland, MS
October 28, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SIMPSON COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted? | Yes |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | c. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2013-01

CONDITION: A high school bookkeeper performed all duties regarding the receipt of activity funds (receipted the funds, entered data into the accounting system, prepared the deposit slip and made the deposit). Due to the timing of the engagement, this finding is carried forward from the prior year.

CRITERIA: A well designed system of accounting controls for the receipt of activity funds would be such that no one individual performs all aspects of the transaction from beginning to end.

CAUSE OF CONDITION: The cause of the condition is the result of an inadequately designed system.

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

EFFECT OF CONDITION: This situation could result in errors occurring in receipt of activity fund transactions (posting, deposits, etc) and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties of receipting activity funds be segregated to the greatest extent possible such that no one individual performs all aspects of the transaction from beginning to end.

Finding 2013-02

CONDITION: The design of the financial accounting software is such that the payroll clerk has total rights and access to the payroll module.

CRITERIA: A well design system of accounting controls would segregate portions of the payroll module of the accounting software between the payroll clerk and the personnel office.

CAUSE OF CONDITION: The cause of the condition is a failure to properly segregate the duties and responsibilities of the payroll clerk and the personnel office within the financial accounting software.

EFFECT OF CONDITION: The effect of this condition could result in errors occurring within the payroll system and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties and responsibilities of the payroll clerk and the personnel office be segregated within the financial accounting software.

Finding 2013-03

CONDITION: The inventory of assets at the Magee High School was performed by staff members that had custody of the assets.

CRITERIA: A well designed system of accounting controls would be such that a person who is independent of the custody of the asset would be charged with performing inventory procedures for the assets.

CAUSE OF CONDITION: The cause of the condition is failure of the district to comply with existing accounting control procedures.

EFFECT OF CONDITION: The effect of this condition could result in an inaccurate and incomplete inventory of assets.

RECOMMENDATION: It is recommended that the inventory of assets be conducted by an individual that is independent of the custody of the assets.

Finding 2013-04

CONDITION: Upon testing a high school event form for a football game, it was noted that the individuals responsible for selling the tickets did not sign off on the form indicating approval of the results of the tickets sold to the cash received. It was also noted that based on the beginning and ending ticket numbers presented on the form, the actual cash received was \$432 short of the calculated sales amount. The change cash used by the school for events was not deposited at the end of the school year.

CRITERIA: A well designed system of controls would be such that the individuals responsible for selling the tickets at school events would also sign off indicating their approval. The calculated sales amount based on the beginning and ending tickets sold should agree with the actual cash received and should it not agree, the matter should be investigated. The change cash should be deposited at the end of the school year.

CAUSE OF CONDITION: The cause of the condition is an inadequately designed system of controls and a failure to follow certain controls.

EFFECT OF CONDITION: The effect of this condition could result in errors or irregularities occurring in the reconciling of tickets sold to the cash received. The failure to deposit change cash at year end could result in the physical loss of cash on hand.

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

RECOMMENDATION: It is recommended that the individuals responsible for selling tickets at school events also sign off with their approval for the tickets sold to the cash received. The calculated sales based on the beginning and ending tickets presented should agree with the actual sales for the event. Change cash should be deposited at the end of the school year.

Deficiencies identified that are considered to be material weaknesses.

Finding 2013-05

CONDITION: During the course of the engagement, it was noted that the business manager, the district accountant and the executive secretary to the superintendent each have total and unrestricted access to all aspects of the financial accounting software. Due to the timing of the engagement, this finding is carried forward from the prior year.

CRITERIA: A well designed system of controls would be such that only certain well defined areas of the financial accounting software would be available to certain individuals based on the job duties and responsibilities of those individuals.

CAUSE OF CONDITION: The cause of the condition is the result of an inadequately designed system of controls.

EFFECT OF CONDITION: The effect of this condition could result in intentional or unintentional data entry into the system that could comprise certain key areas of operations, i.e., journal entries, personnel time records, payroll, payables, etc.

RECOMMENDATION: It is recommended that rights and access of the financial accounting software be segregated to the greatest extent possible. It is further recommended that should it be the desire of management to permit the executive secretary to the superintendent to have access to the financial accounting software that it be in a read only format.

Finding 2013-06

CONDITION: The business manager initiates, prepares, approves and enters all journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions. The business manager also reconciles the district bank accounts. Due to the timing of the engagement, this finding is carried forward from the prior year.

CRITERIA: An appropriately and properly designed system of accounting controls would have these duties segregated to the greatest extent possible.

CAUSE OF CONDITION: The cause of this condition is an inadequately designed system of accounting controls.

EFFECT OF CONDITION: This condition could lead to errors being made and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties of the business manager relating to journal entries and bank account reconciliations be segregated to the greatest extent possible.

Finding 2013-07

CONDITION: The school district purchased seven school buses at a cost of \$535,060. The buses were not capitalized and included in the fixed asset inventory.

CRITERIA: A well designed system of accounting controls would identify and capture assets subject to capitalization within a reasonably short period of time after the acquisition of the assets.

CAUSE OF CONDITION: The cause of the condition was a failure to apply existing accounting controls of the district.

EFFECT OF CONDITION: The effect of this condition could result in capital assets being materially misstated.

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

RECOMMENDATION: It is recommended that acquired assets exceeding the dollar threshold be capitalized and included in the inventory within a reasonable time after the acquisition.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2013-08

Federal Program: Title I Grants to Local Educational Agencies, CFDA # 84.010, Passed through the Mississippi Department of Education
Special Education Cluster, CFDA # 84.027 and 84.173, Passed through the Mississippi Department of Education

Compliance Requirement: Procurement, Suspension and Debarment

CONDITION: The Title I Fund and the Special Education Cluster paid for academic software in the amounts of \$43,000 and \$86,729, respectively (\$129,729 in total). This purchase was subject to the state purchase laws; however the purchase was not formally bid by the school board. Also, the district did not perform a search on the Excluded Parties List (EPL) to ascertain that the vendor had not been suspended or debarred from providing services which are to be paid with Federal funds.

CRITERIA: The purchase of commodities in excess of \$50,000 are required to be formally bid by the school board in accordance with Section 31-7-13, Mississippi Code of 1972. Furthermore, the school district is required to perform a EPL search for suspension or debarment of vendors when purchases exceed \$25,000 from Federal funds.

EFFECT: The effect of this condition is a violation of the state procurement statutes. This effect could result in the district acquiring commodities from a vendor that has been suspended or debarred from receiving payment for goods or services paid from Federal funds.

CAUSE: This condition is the result of a failure of district personnel to comply with the accounting controls established by the district.

PERSPECTIVE: This appears to be an isolated incident.

RECOMMENDATION: It is recommended that all purchases subject to the state purchase laws be subjected to the specific requirements of those laws based on the facts and circumstances associated with the purchase. It is recommended that an EPL search be performed for all vendors when the purchase exceeds \$25,000 from Federal funds for the purpose of gaining satisfaction that the vendor has not been suspended or debarred.

AUDITEE'S CORRECTIVE ACTION PLAN

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(601)847-8000 Office

(601)847-8003 Fax

Simpson County School District

111 East Main Lane
Mendenhall, MS 39114

Superintendent

Glenn Harris

October 28, 2013

As required by Section 315(c) of OMB Circular A-133, the Simpson County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Finding 2013-01

Corrective Action Plan

- a. Contact person responsible for corrective action

Glenn Harris, Superintendent
Duane Fewell, Director of Finance
Joanna Maddox, District Accountant

- b. Description of correction action to be taken

Duties involving receipting, depositing, and posting of activity funds will be segregated. The duties will be divided between the bookkeeper and the clerical secretary at each high school.

- c. Anticipated completion date of corrective action

Corrective action will be implemented immediately.

Finding 2013-02

Corrective Action Plan

- a. Contact person responsible for corrective action

Glenn Harris, Superintendent
Duane Fewell, Director of Finance

- b. Description of correction action to be taken

The Payroll Clerk will be restricted from entering any new employees into the financial accounting software. All new employees will be entered by the Human Resources Department of the Administrative Office. The Payroll Clerk will only have the ability to modify information regarding current employees. In addition, the Payroll Clerk will be limited to "view only" access to direct deposit information. Any modification will be completed by other staff.

- c. Anticipated completion date of corrective action

Corrective action will be implemented immediately.

Finding 2013-03

Corrective Action Plan

- a. Contact person responsible for corrective action

Duane Fewell, Director of Finance
Joanna Maddox, District Accountant

- b. Description of correction action to be taken

The inventory of assets will be conducted by independent staff at each school. Each school has a Data Entry Clerk that is responsible, under the supervision of the Principal, for completing the annual inventory. The Finance Office will conduct additional training with these individuals to ensure the proper process occurs. In addition, the finance department will review the documentation from the inventory process to ensure appropriate signatures are present.

- c. Anticipated completion date of corrective action

Corrective action will be implemented in December 2013.

Finding 2013-04

Corrective Action Plan

- a. Contact person responsible for corrective action

Duane Fewell, Director of Finance
Joanna Maddox, District Accountant

- b. Description of correction action to be taken

Individuals selling the tickets at school events will be required to sign the reconciliation form at the conclusion of sales for the event. Staff at the high schools will be required to deposit all receipts from school events in a timely manner. Differences between the actual sales and the calculated sales, based on the beginning and ending ticket numbers, will be investigated as necessary. The District Accountant will review the monthly activity fund receipts and deposits to ensure compliance. Change cash will be counted by the school staff and verified at the end of each month. A copy of the verification will be sent to the finance office along with the usual monthly documentation. Change cash will be deposited at the end of the school year.

- c. Anticipated completion date of corrective action

Corrective action will be implemented in December 2013.

Finding 2013-05

Corrective Action Plan

- a. Contact person responsible for corrective action

Glenn Harris, Superintendent
Duane Fewell, Director of Finance

- b. Description of correction action to be taken

Total and unrestricted rights to the financial accounting software will be limited to the Director of Finance. The financial accounting software will maintain a log of this individual's activity within the system. A copy of this log can be obtained from the provider at any time for review by the Superintendent. The Executive Secretary to the Superintendent will be restricted to "read only" access.

- c. Anticipated completion date of corrective action

Corrective action will be implemented immediately.

Finding 2013-06

Corrective Action Plan

- a. Contact person responsible for corrective action

Glenn Harris, Superintendent
Duane Fewell, Director of Finance

- b. Description of correction action to be taken

The Finance Director will write a detailed explanation on each journal entry he prepares and posts to the financial accounting system. The Superintendent will read these entries and, as necessary, discuss them with the Director of Finance. The Superintendent will then initial these entries to note his approval.

- c. Anticipated completion date of corrective action

Corrective action will begin with the 2013-2014 fiscal year.

Finding 2013-07

Corrective Action Plan

- a. Contact person responsible for corrective action

Duane Fewell, Director of Finance
Joanna Maddox, District Accountant

b. Description of correction action to be taken

These items have been capitalized and are currently included on the fixed asset inventory for the district. The district will exercise more due diligence in adding such purchases to the fixed asset inventory in a timely manner. A periodic review of purchases of capital assets will be reconciled to the additions made to the inventory to ensure accuracy.

c. Anticipated completion date of corrective action

Corrective action will be implemented immediately.

Finding 2013-08

Corrective Action Plan

a. Contact person responsible for corrective action

Duane Fewell, Director of Finance
Joanna Maddox, District Accountant
Jeanne Pigg, Associate Superintendent of Special Services
Misty Hanna, Associate Superintendent of Federal Programs

b. Description of correction action to be taken

Beginning with the 2013-2014 year, the purchase of this academic software was made subject to appropriate bid laws. All items purchased from the Special Education Cluster and/or the Title I Cluster will be requested by the respective office through the financial accounting software. Staff from both the Office of Special Services and the Office of Federal Programs, along with the Finance Office, will review with more diligence the purchase process for all items to ensure such an oversight does not occur. Also, the Office of Special Services and the Office of Federal Programs will perform a search of the Excluded Parties List prior to requesting to purchase any goods or services.

c. Anticipated completion date of corrective action

Corrective action will be implemented immediately.

Sincerely,



Superintendent of Education