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Simpson County School District
Audited Financial Statements
June 30, 2010

Fortenberry & Ballard, PC
Certified Public Accountants

Simpson County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Simpson County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2010, which collectively comprise the Simpson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Simpson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2011, on our consideration of the Simpson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292, Fax (601) 992-2033

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Simpson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 8, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SIMPSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of Simpson County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$1,489,114, including a prior period adjustment of \$214,991, which represents a 5% increase from fiscal year 2009.
- General revenues amounted to \$27,823,407 and \$28,498,185, or 77% and 79% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,113,510, or 23% of total revenues for 2010, and \$7,631,424, or 21% of total revenues for 2009.
- The District had \$34,662,794 and \$32,322,135 in expenses for the fiscal years 2010 and 2009; only \$8,113,510 for 2010 and \$7,631,424 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$27,823,407 and \$28,498,185 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,874,858 in revenues and \$23,873,299 in expenditures for 2010, and \$25,448,391 in revenues and \$24,115,967 in expenditures for 2009. The General Fund's fund balance decreased by \$79,988 from 2009 to 2010, and increased \$299,443 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$1,002,046 for 2010 and increased by \$2,286,677 for 2009. The increase for 2010 was due primarily to the completion of the Mendenhall Elementary School classroom addition.
- Long-term debt increased by \$2,445,000 for 2010 and decreased by \$530,000 for 2009. The increase for 2010 was due primarily to the issuance of qualified school construction bonds payable in the amount of \$3,000,000. In addition, the liability for compensated absences decreased by \$52,635 for 2010 and decreased by \$162,098 for 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund and each additional special revenue major fund.

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.

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$32,766,226 as of June 30, 2010.

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

Table 1 presents a summary of the District's net assets at June 30, 2010, and June 30, 2009.

Table 1
Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009	Percentage Change
Current assets	\$ 10,872,773	10,665,295	2%
Restricted assets	4,647,885	4,338,366	7%
Capital assets, net	22,676,726	21,674,680	5%
Total assets	38,197,384	36,678,341	4%
Current liabilities	362,958	2,725,394	(87)%
Long-term debt outstanding	5,068,200	2,675,835	89%
Total liabilities	5,431,158	5,401,229	1%
Net assets:			
Invested in capital assets, net of related debt	20,613,493	19,294,680	7%
Restricted	9,969,558	8,257,450	21%
Unrestricted	2,183,175	3,724,982	(41)%
Total net assets	\$ 32,766,226	31,277,112	5%

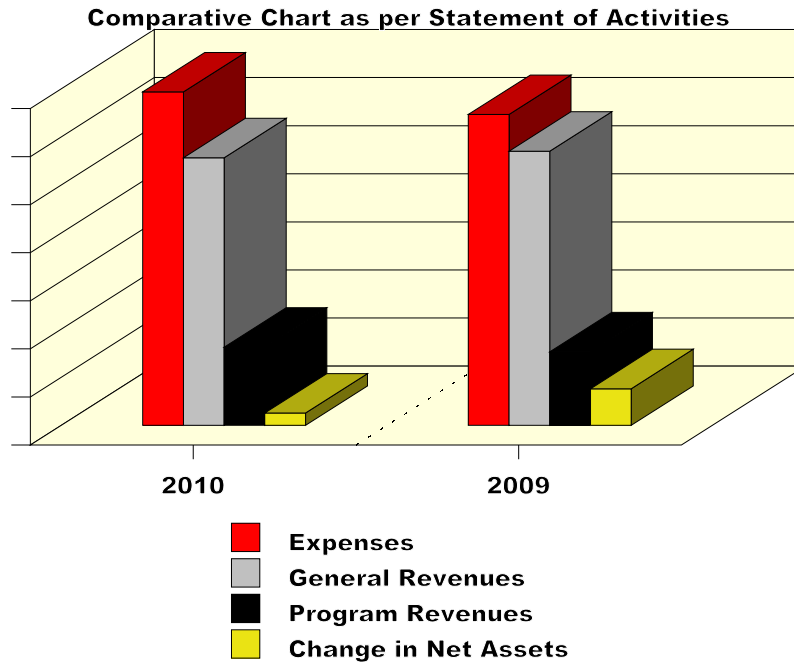
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The issuance of a Qualified School Construction Bond in the amount of \$3,000,000.
- Increase in net capital assets in the amount of \$1,002,046
- The principal retirement of \$555,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$35,936,917 and \$36,129,609, respectively. The total cost of all programs and services was \$34,662,794 for 2010 and \$32,322,135 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2
Changes in Net Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 923,784	754,502	22%
Operating grants and contributions	7,189,726	6,876,922	5%
Total program revenues	8,113,510	7,631,424	6%
General revenues:			
Property taxes	6,337,781	5,478,989	16%
Grants and contributions not restricted	19,783,298	19,681,241	1%
Unrestricted investment earnings	521,999	389,854	34%
Sixteenth section sources	1,060,370	2,835,344	(63)%
Other	119,959	112,757	6%
Total general revenues	27,823,407	28,498,185	(2)%
Total revenues	35,936,917	36,129,609	(1)%
Expenses:			
Instruction	20,743,699	19,429,523	7%
Support services	11,338,262	10,345,663	10%
Non-instructional	2,397,268	2,408,868	0%
Sixteenth section	95,448	23,445	307%
Interest on long-term debt	88,117	114,636	(23)%
Total expenses	34,662,794	32,322,135	7%
Increase (Decrease) in net assets	1,274,123	3,807,474	(67)%
Net Assets, July 1, as originally reported	31,277,112	27,490,782	14%
Prior Period Adjustment	214,991	(21,144)	1117%
Net Assets, July 1, as restated	31,492,103	27,469,638	15%
Net Assets, June 30	\$ 32,766,226	31,277,112	5%



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

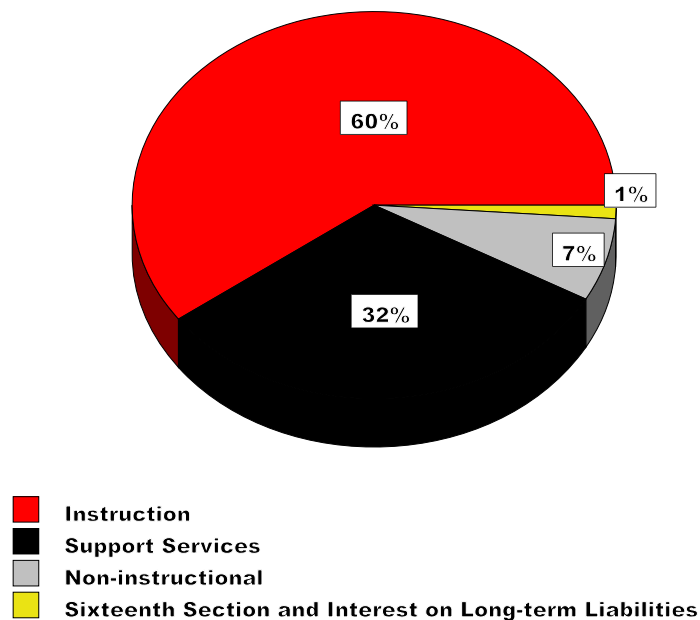
Table 3
Net Cost of Governmental Activities

<u>Total Expenses</u>			
	2010	2009	Percentage Change
Instruction	\$ 20,743,699	19,429,523	7%
Support services	11,338,262	10,345,663	10%
Non-instructional	2,397,268	2,408,868	0%
Sixteenth section	95,448	23,445	307%
Interest on long-term liabilities	88,117	114,636	(23)%
Total expenses	\$ 34,662,794	32,322,135	7%

Net (Expense) Revenue

		2010	2009	Percentage Change
Instruction	\$	(16,960,760)	(16,006,570)	6%
Support services		(9,799,373)	(8,703,514)	13%
Non-instructional		251,355	61,499	309%
Sixteenth section		47,611	72,510	(34)%
Interest on long-term liabilities		(88,117)	(114,636)	(23)%
Total net (expense) revenue	\$	(26,549,284)	(24,690,711)	8%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$26,549,284 for 2010 and \$24,690,711 for 2009) was financed by general revenue, which is primarily made up of property taxes (\$6,337,781 for 2010 and \$5,478,989 for 2009) and state and federal revenues (\$19,783,298 for 2010 and \$19,681,241 for 2009). In addition, there was \$1,060,370 and \$2,835,344 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$521,999 for 2010 and \$389,854 for 2009.

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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$15,190,746, an increase of \$2,869,383, which includes the increase in inventory of \$1,016 and a prior period adjustment of \$178,513. \$7,217,755 or 48% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. \$2,531,441 or 16% of the fund balance represents unreserved, designated fund balance which will be used for capital improvements. The remaining fund balance of \$5,441,550 or 36% is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, ad valorem, debt service, capital projects, unemployment benefits, forestry improvement purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$79,988, including a prior period adjustment of \$140,589. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,082,677, which includes an increase in reserve for inventory of \$1,016 to reflect the actual inventory for the current fiscal year and a prior period adjustment of \$37,924. The other increase (decrease) in the fund balances of the other major funds were as follows:

Major Fund	Increase (Decrease)
ARRA Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 1,051,308
Mendenhall Elementary 2010 Addition Fund	\$ 2,761,767
Sixteenth Section Principal Fund	\$ 218,973

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget.

- Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year to reflect an increase in ad valorem receipts.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program

(MAEP) funds resulting from budget cuts. However, the District did receive approximately \$1.4M in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the federal revenue received and reported in the Budget Stabilization Fund because this funding was received subsequent to the approval of the original budget.

- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year to more accurately reflect actual expenditures incurred. Amounts originally budgeted were overstated.
- The District revised the budget to reflect revenue from federal sources in the ARRA Fund. The federal funds received were related to the American Recovery and Reinvestment Act (ARRA) and provided additional funding for programs under Title I. The budget was also revised to more accurately reflect expenditures incurred for instruction, support services and non-instructional services in these special revenue funds.
- The District revised the budget to reflect revenue from federal sources in various other special revenue funds receiving ARRA funds under the American Recovery and Reinvestment Act (ARRA) which provided additional funding for programs under Title I and Part B of IDEA. The budget was also revised to more accurately reflect expenditures incurred for instruction, support services and non-instructional services in these special revenue funds.
- Budgeted amounts for sixteenth section sources in the Sixteenth Section Interest Funds were increased during the fiscal year resulting primarily from an increase in timber sales.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$33,701,879, including land, construction in progress, buildings, improvements other than buildings, buses, other school vehicles, mobile equipment and furniture and equipment. This amount represents an increase of \$1,448,983 from 2009 which is primarily due to additions to construction in progress. Total accumulated depreciation as of June 30, 2010 was \$11,025,153 and total depreciation expense for the year was \$792,174 resulting in total net capital assets of \$22,676,726.

Table 4
Capital Assets, Net of Accumulated Depreciation

		<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$	159,514	159,514	0%
Construction in progress		304,153	3,053,190	(90)%
Buildings		20,826,738	16,767,215	24%
Improvements other than buildings		20,559	20,559	0%
Mobile equipment		1,232,036	1,468,225	(16)%
Furniture and equipment		133,726	205,977	(35)%
Total	\$	<u>22,676,726</u>	<u>21,674,680</u>	5%

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

Debt Administration. At June 30, 2010, the District had \$5,068,200 in outstanding long-term debt, of which \$592,160 is due within one year. The District made a principal payment in the amount of \$555,000 on limited obligation bonds payable. The liability for compensated absences decreased \$52,635 from the prior year.

Table 5
Outstanding Long-Term Debt

		<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Limited obligation notes payable	\$	1,825,000	2,380,000	(23)%
Qualified school construction bonds		3,000,000		
Compensated absences payable		243,200	295,835	(18)%
Total	\$	<u>5,068,200</u>	<u>2,675,835</u>	89%

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

CURRENT ISSUES

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

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

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

Enrollment for the 2009-2010 year remained approximately the same as it was in the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

Exhibit A

Simpson County School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,437,685
Due from other governments	1,359,052
Other receivables, net	2,460
Inventories	73,576
Restricted assets	4,647,885
Capital assets, non-depreciable:	
Land	159,514
Construction in progress	304,153
Capital assets, net of accumulated depreciation:	
Buildings	20,826,738
Improvements other than buildings	20,559
Mobile equipment	1,232,036
Furniture and equipment	133,726
Total Assets	38,197,384
Liabilities	
Accounts payable and accrued liabilities	204,314
Unearned revenue	125,598
Interest payable on long-term liabilities	33,046
Long-term liabilities, due within one year	
Capital related liabilities	580,000
Non-capital related liabilities	12,160
Long-term liabilities, due beyond one year	
Capital related liabilities	4,245,000
Non-capital related liabilities	231,040
Total Liabilities	5,431,158
Net Assets	
Invested in capital assets, net of related debt	20,613,493
Restricted net assets:	
Expendable:	
School-based activities	4,789,627
Debt service	737,768
Forestry improvements	211,507
Unemployment benefits	101,949
Non-expendable:	
Sixteenth section	4,128,707
Unrestricted	2,183,175
Total Net Assets	\$ 32,766,226

The accompanying notes are an integral part of this statement.

Exhibit B

Simpson County School District
Statement of Activities
For the Year Ended June 30, 2010

for the Year Ended June 30, 2018

					Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 20,743,699	242,212	3,540,727		(16,960,760)
Support services	11,338,262	106,775	1,432,114		(9,799,373)
Non-instructional	2,397,268	431,738	2,216,885		251,355
Sixteenth section	95,448	143,059			47,611
Interest on long-term liabilities	88,117				(88,117)
Total Governmental Activities	34,662,794	923,784	7,189,726	-	(26,549,284)
General Revenues:					
Taxes:					
General purpose levies					6,337,781
Unrestricted grants and contributions:					
State					18,054,397
Federal					1,728,901
Unrestricted investment earnings					521,999
Sixteenth section sources					1,060,370
Other					119,959
Total General Revenues					27,823,407
Change in Net Assets					1,274,123
Net Assets - Beginning, as originally reported					31,277,112
Prior Period Adjustments					214,991
Net Assets - Beginning, as restated					31,492,103
Net Assets - Ending					\$ 32,766,226

The accompanying notes are an integral part of this statement.

Simpson County School District
Balance Sheet - Governmental Funds
June 30, 2010

Exhibit C

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	ARRA Fund	Sixteenth Section Interest Fund	Mendenhall Elementary 2010 Addition Fund	Sixteenth Section Principal Fund			
ASSETS								
Cash and cash equivalents	\$ 1,161,562	39,367	3,721,043	2,761,767	4,209,369		1,761,189	13,654,297
Investments	-	-	-	-	-		431,273	431,273
Due from other governments	322,113	188,257	-	-	-		421,562	931,932
Other receivables, net	2,460	-	-	-	-		-	2,460
Due from other funds	1,023,098	-	-	-	-		111,573	1,134,671
Advances to other funds	-	-	-	-	93,654		-	93,654
Inventories	-	-	-	-	-		73,576	73,576
Total Assets	2,509,233	227,624	3,721,043	2,761,767	4,303,023		2,799,173	16,321,863
LIABILITIES & FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	82,858	39,367	38,232	-	-		43,857	204,314
Due to other funds	-	188,257	341,521	-	87,905		89,868	707,551
Advances from other funds	93,654	-	-	-	-		-	93,654
Unearned revenue	-	-	-	-	-		125,598	125,598
Total Liabilities	176,512	227,624	379,753	-	87,905		259,323	1,131,117
Fund Balances:								
Reserved for:								
Ad valorem	52,988	-	-	-	93,654		-	52,988
Advances	-	-	-	-	-		73,576	93,654
Inventory	-	-	-	-	-		-	73,576
Capital projects	-	-	-	230,326	-		-	230,326
Debt service	-	-	-	-	-		770,814	770,814
Unemployment benefits	-	-	-	-	-		101,949	101,949
Forestry improvement purposes	-	-	-	-	-		211,507	211,507
Permanent fund purposes	-	-	-	-	3,899,493		7,243	3,906,736
Unreserved, designated for:								
Capital projects	-	-	-	2,531,441	-		-	2,531,441
Unreserved, undesignated, reported in:								
General Fund	2,279,733	-	-	-	-		-	2,279,733
Special Revenue Funds	-	-	3,341,290	-	-		1,374,761	4,716,051
Permanent Funds	-	-	-	-	221,971		-	221,971
Total Fund Balances	2,332,721	-	3,341,290	2,761,767	4,215,118		2,539,850	15,190,746
Total Liabilities & Fund Balances	\$ 2,509,233	227,624	3,721,043	2,761,767	4,303,023		2,799,173	16,321,863

The accompanying notes are an integral part of this statement.

Simpson County School District

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,190,746
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,025,153.	22,676,726
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,068,200)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(33,046)
Total Net Assets - Governmental Activities	\$ <u><u>32,766,226</u></u>

The accompanying notes 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, 2010

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	ARRA Fund	Sixteenth Section Interest Fund	Mendenhall Elementary 2010 Addition Fund	Sixteenth Section Principal Fund		
REVENUES:							
Local sources	\$ 6,778,627	-	-	65,940	-	523,787	7,368,354
State sources	17,814,679	-	-	-	-	1,406,596	19,221,275
Federal sources	281,533	833,066	-	-	-	6,637,150	7,751,749
Sixteenth section sources	19	-	1,051,308	-	218,973	218,464	1,488,764
Total Revenues	24,874,858	833,066	1,051,308	65,940	218,973	8,785,997	35,830,142
EXPENDITURES:							
Instruction	14,702,449	606,670	-	-	-	4,928,935	20,238,054
Support services	9,170,850	222,462	-	20	-	1,651,813	11,045,145
Noninstructional services	-	3,934	-	-	-	2,400,999	2,404,933
Sixteenth section	-	-	-	-	-	95,448	95,448
Facilities acquisition and construction	-	-	-	304,153	-	1,510,943	1,815,096
Debt service:							
Principal	-	-	-	-	-	555,000	555,000
Interest	-	-	-	-	-	97,603	97,603
Other	-	-	-	-	-	564	564
Total Expenditures	23,873,299	833,066	-	304,173	-	11,241,305	36,251,843
Excess (Deficiency) of Revenues over Expenditures	1,001,559	-	1,051,308	(238,233)	218,973	(2,455,308)	(421,701)
OTHER FINANCING SOURCES (USES):							
Proceeds of loans	-	-	-	3,000,000	-	-	3,000,000
Insurance loss recoveries	106,775	-	-	-	-	-	106,775
Sale of other property	4,780	-	-	-	-	-	4,780
Operating transfers in	419,747	-	-	-	-	1,753,438	2,173,185
Operating transfers out	(1,753,438)	-	-	-	-	(419,747)	(2,173,185)
Total Other Financing Sources (Uses)	(1,222,136)	-	-	3,000,000	-	1,333,691	3,111,555
Net Change in Fund Balances	(220,577)	-	1,051,308	2,761,767	218,973	(1,121,617)	2,689,854
Fund Balances:							
July 1, 2009, as previously reported	2,412,709	-	2,289,982	-	3,996,145	3,622,527	12,321,363
Prior period adj. & reclassifications	140,589	-	-	-	-	37,924	178,513
July 1, 2009, as restated	2,553,298	-	2,289,982	-	3,996,145	3,660,451	12,499,876
Increase (Decrease) in reserve for inventory	-	-	-	-	-	1,016	1,016
June 30, 2010	\$ 2,332,721	-	3,341,290	2,761,767	4,215,118	2,539,850	15,190,746

The accompanying notes 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, 2010

	<u>Amounts</u>
Net Change in Fund Balances - Governmental Funds	\$ 2,689,854
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,827,200 and the depreciation expense amounted to \$792,174.	1,035,026
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities.	(3,000,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities for governmental activities.	555,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	10,050
5. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(69,458)
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) in the Statement of Activities.	1,016
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	52,635
Change in Net Assets of Governmental Activities	<u><u>\$ 1,274,123</u></u>

The accompanying notes are an integral part of this statement.

Exhibit E**Simpson County School District**

Statement of Fiduciary Assets and Liabilities

June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,918,877
Other receivables, net	<u>5,668</u>
Total Assets	<u><u>1,924,545</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	1,368,274
Due to other funds	427,120
Due to student clubs	<u>129,151</u>
Total Liabilities	\$ <u><u>1,924,545</u></u>

The accompanying notes are an integral part of this statement.

Simpson County School District

Notes to the Financial Statements
June 30, 2010

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

B. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

ARRA Fund - This fund is financed with American Recovery and Reinvestment Act federal funds and is used to help local educational agencies and schools improve the teaching and learning of children failing, or at risk of failing, to meet the State's academic achievement standards (Title I).

Sixteenth Section Interest Fund - This fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands. Available funds may be transferred to the General Fund or Construction Funds and may be used for appropriate purposes.

Mendenhall Elementary 2010 Addition Fund - This fund is used to account for capital expenditures related to the additions to the Mendenhall Elementary School, which are financed by transfers from the General Fund.

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Sixteenth Section Principal Fund - This fund is used to account for the sale of non-renewable resources (oil, gas, gravel, sand, etc.) on sixteenth section lands. The use of the fund is limited to providing advances to the General Fund or Capital Projects Fund to finance capital expenditures. State law requires any funds on hand to be invested. Interest income may be transferred to the General Fund

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

These fiduciary funds include also three (3) agency funds, which are used to report resources held by the district in a purely custodial capacity.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally 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 and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Ad valorem property taxes are levied by the governing authorities of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by 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 are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues. The effect of inter-fund activity has been eliminated from the government-wide statements.

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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.

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in the *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Assets, liabilities, and net assets or equity

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district, as well as for its component units, are reported at

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

fair market value.

2. Receivables and payables

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery,

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal 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

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

balance in the Capital Projects Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved - designated for capital projects - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

(2) Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43 Miss. Code Ann. (1972), authorizes the school

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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 deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amounts 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 \$13,654,297 and \$1,918,877, respectively. The carrying amount of deposits reported in the government-wide financial statements was cash and cash equivalents of \$9,437,685, and restricted assets of \$4,216,612. The bank balance was \$17,652,924.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, some of the district's bank balance of \$17,652,924 was exposed to custodial credit risk.

Investments

As of June 30, 2010, the district had the following investments in the investment pool.

Investment Type

	Maturities (in years)	Fair Value	Rating
Money Market	less than one year	\$ 431,273	A
Total Investments		<u>\$ 431,273</u>	

This amount is shown as Restricted Assets on Exhibit A.

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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 investments 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.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

(3) Inter-fund Receivables, Payables, and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	ARRA Fund	\$ 188,257
	Sixteenth Section Interest Fund	341,521
	Sixteenth Section Principal Fund	87,905
	Other Governmental Funds	89,868
	Fiduciary Funds	315,547
Other Governmental Funds	Fiduciary Funds	<u>111,573</u>
Total		\$ <u>1,134,671</u>

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

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 93,654
Total		\$ 93,654

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

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 46,828	3,746	50,574
2012	46,826	1,873	48,699
Total	\$ 93,654	5,619	99,273

C. Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Fund	\$ 419,747
Other Governmental Funds	General Fund	1,753,438
Total		\$ 2,173,185

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

(4) Restricted Assets

The restricted assets represent the cash balance, totaling \$4,216,612, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance of totaling \$431,273 of the MAEP Limited Obligation Bond Fund (Debt Service Fund).

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(5) Capital Assets

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

	Balance 7-1-2009	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2010
<u>Non-depreciable capital assets:</u>						
Land	\$ 159,514					159,514
Construction in progress	3,053,190	1,815,096		(4,564,133)		304,153
Total non-depreciable capital assets	3,212,704	1,815,096	0	(4,564,133)	0	463,667
<u>Depreciable capital assets:</u>						
Buildings	23,244,939			4,564,133		27,809,072
Improvements other than buildings	102,791					102,791
Mobile equipment	4,086,601		180,888		18,580	3,924,293
Furniture and equipment	1,605,861	12,104	238,585		22,676	1,402,056
Total depreciable capital assets	29,040,192	12,104	419,473	4,564,133	41,256	33,238,212
<u>Less accumulated depreciation for:</u>						
Buildings	6,477,724	504,610				6,982,334
Improvements other than buildings	82,232					82,232
Mobile equipment	2,618,376	230,418	161,315		4,778	2,692,257
Furniture and equipment	1,399,884	57,146	188,700			1,268,330
Total accumulated depreciation	10,578,216	792,174	350,015	0	4,778	11,025,153
Total depreciable capital assets, net	18,461,976	(780,070)	69,458	4,564,133	36,478	22,213,059
Governmental activities capital assets, net	\$ 21,674,680	1,035,026	69,458	0	36,478	22,676,726

Balance per 06-30-09 audit report was incorrect and did not foot/crossfoot properly. Correct balance for mobile equipment accumulated depreciation was used above for beginning balance at 07-01-09. There was no effect on total net capital assets. Adjustments were made to correctly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 537,226
Support services	246,861
Non-Instructional	8,087
Total depreciation expense	\$ 792,174

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Commitments under construction contracts at June 30, 2010, are summarized as follows:

	Spent to June 30, 2010	Remaining Commitment
\$		
Magee High School	304,153	2,531,441
Total	<u>304,153</u>	<u>2,531,441</u>

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

(6) Long-term liabilities

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

		Balance 7-1-2009	Additions	Reductions	Balance 6-30-2010	Amounts due within one year
A. Limited obligation bonds payable	\$	2,380,000		555,000	1,825,000	580,000
B. Qualified school construction bonds			3,000,000		3,000,000	
C. Compensated absences payable		295,835		52,635	243,200	12,160
Total	\$	<u>2,675,835</u>	<u>3,000,000</u>	<u>607,635</u>	<u>5,068,200</u>	<u>592,160</u>

The District has pledged state appropriations for Mississippi Adequate Education Program in the amount of \$667,126. The purpose of the pledge is to repay limited obligation bonds of the district. The pledge will remain in effect through 2018. The amount of the pledge is the total amounts of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

A. Limited Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	4.38 - 6.25%	06-15-98	08-12-12	\$ 6,520,000	1,825,000
Total				<u>\$ 6,520,000</u>	<u>1,825,000</u>

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Details of the district's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30		Principal	Interest	Total
2011	\$	580,000	67,156	647,156
2012		610,000	41,125	651,125
2013		635,000	13,891	648,891
Total	\$	<u>1,825,000</u>	<u>122,172</u>	<u>1,947,172</u>

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

B. Qualified School Construction Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond payable	0%	2010	2025	\$ 3,000,000	3,000,000
Total				\$ <u>3,000,000</u>	<u>3,000,000</u>

C. Compensated Absences Payable.

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

(7) Other Commitments

Commitments under construction contracts are described in Note 5.

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(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 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$2,240,013, \$2,111,727, and \$1,998,323, respectively, which equaled the required contributions for each year.

(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
2011	\$ 125,643
2012	112,548
2013	103,282
2014	73,634
2015	58,791
2016-2020	263,081
2021-2025	75,520
2026-2030	74,245

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

2031-2035	71,295
2036-2040	71,245
2041-2045	71,245
2046-2050	47,225
Total	<u>\$ 1,147,754</u>

(10) Risk Management

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Qualified School Construction Bonds

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

The school district makes annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 15 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

Simpson County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

costs of issuance. The amount on deposit at June 30, 2010 was \$0. The amount accumulated in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 0
2012	187,806
2013	187,806
2014	187,806
2015	187,806
2016 - 2020	939,030
2021 - 2025	939,030
Total	\$ <u>2,629,284</u>

(12) Prior Period Adjustments/Exhibits

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 To correctly present capital assets at year end.	\$ 36,478
2 See explanation below.	178,513
Total	\$ <u>214,991</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct error in recording workers compensation expense in prior year.	\$ 140,589
Other Governmental Funds	Same as above.	37,924
Total		\$ <u>178,513</u>

(13) Insurance Loss Recoveries

The Simpson County School District received \$106,775 in insurance loss recoveries related to fire damage during the 2009-2010 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reclassified to general revenues.

REQUIRED SUPPLEMENTARY INFORMATION

**Simpson County School District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 5,941,250	\$ 6,786,269	\$ 6,778,627	\$ 845,019	\$ (7,642)
State sources	19,940,228	17,814,679	17,814,679	(2,125,549)	-
Federal sources	20,000	281,533	281,533	261,533	-
Sixteenth section sources	-	19	19	19	-
Total Revenues	25,901,478	24,882,500	24,874,858	(1,018,978)	(7,642)
EXPENDITURES:					
Instruction	14,832,643	14,702,735	14,702,449	129,908	286
Support services	11,492,681	9,171,269	9,170,850	2,321,412	419
Total Expenditures	26,325,324	23,874,004	23,873,299	2,451,320	705
Excess (Deficiency) of Revenues over Expenditures	(423,846)	1,008,496	1,001,559	1,432,342	(6,937)
OTHER FINANCING SOURCES (USES):					
Insurance loss recoveries	-	106,775	106,775	106,775	-
Sale of transportation equipment	7,500	-	-	(7,500)	-
Sale of other property	-	4,780	4,780	4,780	-
Operating transfers in	2,297,195	3,149,391	419,747	852,196	(2,729,644)
Operating transfers out	(3,162,216)	(4,412,438)	(1,753,438)	(1,250,222)	2,659,000
Total Other Financing Sources (Uses)	(857,521)	(1,151,492)	(1,222,136)	(293,971)	(70,644)
Net Change in Fund Balances	(1,281,367)	(142,996)	(220,577)	1,138,371	(77,581)
Fund Balances:					
July 1, 2009, as previously reported			2,412,709		
Prior period adj. & reclassifications			140,589		
July 1, 2009, as restated			2,553,298		
June 30, 2010			\$ 2,332,721		

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

Simpson County School District
Budgetary Comparison Schedule
ARRA Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ -	\$ 912,815	\$ 833,066	\$ 912,815	\$ (79,749)
Total Revenues	-	912,815	833,066	912,815	(79,749)
EXPENDITURES:					
Instruction	1,092,648	686,419	606,670	406,229	79,749
Support services	247,815	222,462	222,462	25,353	-
Noninstructional services	11,679	3,934	3,934	7,745	-
Total Expenditures	1,352,142	912,815	833,066	439,327	79,749
Excess (Deficiency) of Revenues over Expenditures	(1,352,142)	-	-	1,352,142	-
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(1,352,142)	-	-	1,352,142	-
Fund Balances:					
July 1, 2009			-		
June 30, 2010			\$ -		

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

**Simpson County School District
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Sixteenth section sources	\$ 478,750	\$ 1,051,308	\$ 1,051,308	\$ 572,558	\$ -
Total Revenues	478,750	1,051,308	1,051,308	572,558	-
EXPENDITURES:					
Sixteenth section	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	478,750	1,051,308	1,051,308	572,558	-
OTHER FINANCING SOURCES (USES):					
Operating transfers in	21,250	-	-	(21,250)	-
Operating transfers out	(500,000)	-	-	500,000	-
Total Other Financing Sources (Uses)	(478,750)	-	-	478,750	-
Net Change in Fund Balances	-	1,051,308	1,051,308	1,051,308	-
Fund Balances:					
July 1, 2009			2,289,982		
June 30, 2010			\$ 3,341,290		

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

Simpson County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2010

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

Simpson County School District**Schedule 1**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 551,929
National School Lunch Program	10.555	1,513,952
Summer Food Service Program for Children	10.559	26,570
Total child nutrition cluster		<u>2,092,451</u>
Total passed-through the Mississippi Department of Education		<u>2,092,451</u>
Total U. S. Department of Agriculture		<u><u>2,092,451</u></u>
<u>Federal Communication Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	<u>275,533</u>
Total Federal Communication Commission		<u><u>275,533</u></u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,376,888
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>925,863</u>
Total Title I cluster		<u><u>2,302,751</u></u>
Career and Technical Education - Basic Grants to States	84.048	52,253
Safe and Drug Free Schools and Communities - State Grants	84.186	20,391
Fund for the Improvement of Education	84.215	236,873
Foreign Language Assistance	84.293	1,432
State Grants for Innovative Programs	84.298	58
Improving Teacher Quality - State Grants	84.367	386,845
Education for Homeless Children and Youth, Recovery Act	84.387	18,770
ARRA - State Fiscal Stabilization Fund	84.394	<u>1,453,368</u>
Subtotal		<u><u>2,169,990</u></u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,364,982
Special Education - Preschool Grants	84.173	<u>44,934</u>
Total special education cluster		<u><u>1,409,916</u></u>
Total passed-through the Mississippi Department of Education		<u><u>5,882,657</u></u>
Total U. S. Department of Education		<u><u>5,882,657</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 8,250,641</u></u>

Notes to Schedule

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

Simpson County School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2010

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Expenditures	Total	Instruction and Other Student			General Administration		School Administration	Other
		Instructional	Student	Other	Administration	Administration	Administration	Other
Salaries and fringe benefits	\$ 25,458,235	19,290,962			1,234,215		2,085,112	2,847,946
Other	10,793,608	4,009,716			545,610		98,006	6,140,276
Total	\$ 36,251,843	23,300,678			1,779,825		2,183,118	8,988,222
<hr/>								
Total number of students *	4,110							
<hr/>								
Cost per student	\$ 8,820	5,669			433		531	2,187
<hr/>								

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. (all the 1000, 2100 & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)

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

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

includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER SUPPLEMENTAL INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 6,778,627	5,971,932	5,636,230	5,791,588
State sources	17,814,679	19,339,047	19,739,656	18,170,398
Federal sources	281,533	137,412	128,953	147,649
Sixteenth section sources	19			
Total Revenues	<u>24,874,858</u>	<u>25,448,391</u>	<u>25,504,839</u>	<u>24,109,635</u>
Expenditures:				
Instruction	14,702,449	15,498,194	14,495,916	13,779,559
Support services	9,170,850	8,617,773	8,079,655	8,107,136
Noninstructional services				
Facilities acquisition and construction				
Debt service:				
Interest				2,095
Other			776	
Total Expenditures	<u>23,873,299</u>	<u>24,115,967</u>	<u>22,576,347</u>	<u>21,888,790</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,001,559</u>	<u>1,332,424</u>	<u>2,928,492</u>	<u>2,220,845</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	106,775	31,250		468,275
Sale of transportation equipment		5,796		
Sale of other property	4,780			
Operating transfers in	419,747	79,334	193,222	230,732
Operating transfers out	(1,753,438)	(1,149,361)	(2,831,025)	(2,928,160)
Total Other Financing Sources (Uses)	<u>(1,222,136)</u>	<u>(1,032,981)</u>	<u>(2,637,803)</u>	<u>(2,229,153)</u>
Net Change in Fund Balances	<u>(220,577)</u>	<u>299,443</u>	<u>290,689</u>	<u>(8,308)</u>
Fund Balances:				
July 1,	2,412,709	2,113,266	1,822,577	1,830,885
Prior period adjustments	140,589	0	0	0
June 30,	<u>\$ 2,332,721</u>	<u>2,412,709</u>	<u>2,113,266</u>	<u>1,822,577</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SIMPSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 7,368,354	6,442,405	6,066,351	6,295,286
State sources	19,221,275	20,763,719	21,182,079	19,638,287
Federal sources	7,751,749	5,794,444	5,269,582	5,028,707
Sixteenth section sources	1,488,764	3,097,791	486,702	535,321
Total Revenues	35,830,142	36,098,359	33,004,714	31,497,601
Expenditures:				
Instruction	20,238,054	19,072,862	18,275,317	17,420,648
Support services	11,045,145	10,430,042	9,491,890	9,695,943
Noninstructional services	2,404,933	2,421,766	2,175,702	2,007,157
Sixteenth section	95,448	23,445	6,460	53,303
Facilities acquisition and construction	1,815,096	2,746,267	306,922	579,007
Debt service:				
Principal	555,000	530,000	505,000	480,000
Interest	97,603	123,211	147,725	173,241
Other	564	649	1,437	707
Total Expenditures	36,251,843	35,348,242	30,910,453	30,410,006
Excess (Deficiency) of Revenues over (under) Expenditures	(421,701)	750,117	2,094,261	1,087,595
Other Financing Sources (Uses):				
Proceeds of loans	3,000,000			
Insurance loss recoveries	106,775	31,250		468,275
Sale of transportation equipment		5,796		
Sale of other property	4,780			
Operating transfers in	2,173,185	1,242,426	3,364,733	3,332,951
Operating transfers out	(2,173,185)	(1,242,426)	(3,364,733)	(3,332,951)
Total Other Financing Sources (Uses)	3,111,555	37,046	0	468,275
Net Change in Fund Balances	2,689,854	787,163	2,094,261	1,555,870
Fund Balances:				
July 1, as originally reported	12,321,363	11,523,032	9,430,508	7,874,267
Prior period adjustments	178,513			
July 1, as restated	12,499,876	11,523,032	9,430,508	7,874,267
Increase (Decrease) in reserve for inventory	1,016	11,168	(1,737)	371
June 30,	\$ 15,190,746	12,321,363	11,523,032	9,430,508

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Simpson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Simpson School District as of and for the year ended June 30, 2010, which collectively comprise the Simpson School District's basic financial statements and have issued our report thereon dated July 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [Findings **2010-1** and **2010-2**].

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. [Finding **2010-3**].

Compliance and Other Matters

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

Simpson County's School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Simpson County School District's responses and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 8, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Simpson County School District

Compliance

We have audited the compliance of the Simpson School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Simpson's School District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the Simpson School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Simpson School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Simpson School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we

do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 8, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Simpson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2010, which collectively comprise Simpson County School District's basic financial statements and have issued our report thereon dated July 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,373 of classroom supply funds carried over from previous years.

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

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

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

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

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292, Fax (601) 992-2033

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 8, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Simpson County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Noncompliance material relating to financial statements noted? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Title I Cluster
CFDA # 84.010
CFDA #84.389
 - b. Improving Teacher Quality
CFDA # 84.367
 - c. State Fiscal Stabilization Funds (SFSF), Recovery Act
CFDA # 84.394
 - d. The Schools and Libraries Program of the Universal Service Fund
CFDA # 32.xxx
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.

9. Auditee qualified as a low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*:

Material Weaknesses:

Finding 2010-1:

Bank reconciliations were not performed in a timely manner. Failure to reconcile bank statements upon receipt from the bank in a timely manner throughout the year increases the risk that material transactions that have occurred may be unrecorded and/or not accurately reflected in the general ledger. This also increases the risk that fraud or other irregularities could occur and not be detected by school district personnel during the normal course of their duties. Due to the timing of the 2010 audit, this finding is repeated. Steps have been taken by management to correct this issue.

Recommendation:

Bank reconciliations should be performed upon receipt from the bank in a timely manner.

Finding 2010-2:

Sound internal control dictates that the individual responsible for recording transactions should not be the same individual responsible for reviewing and/or reconciling the related accounts. The District's Accountant is responsible for the receipt, recording transactions through the journal entry process and reconciling the bank statements. Control account reconciliation review should be performed by someone other than the person performing the recording function. When one individual performs both the recording and reconciling functions, proper independent oversight of these tasks is not being achieved. Due to the timing of the 2010 audit, this finding is repeated. Steps have been taken by management to correct this issue.

Recommendation:

Duties should be separated so that the District's Accountant is not the only person involved in the bank account reconciliation process and the journal entry recording processes. Someone other than the Business Manager should be responsible for the initial preparation of the bank reconciliations and the recording of journal entries. Alternatively, if these processes continue to be performed by the District's Accountant, someone in a higher managerial or administrative role should review and approve these processes in order to achieve a proper level of oversight.

Significant Deficiency:

Finding 2010-3:

The payroll clerk enters all data associated with the processing of payroll, including employee data, transactions coding and direct deposit information. A well designed system of accounting controls for payroll would segregate the duties of data entry to the greatest extent possible. The cause of this condition is the result of an inadequately designed system. This condition could result in errors in processing payroll or the payment of unauthorized payroll. Due to the timing

of the 2010 audit, this finding is repeated. Steps have been taken by management to correct this issue.

Recommendation:

It is recommended that the financial accounting software be modified so the rights and access be segregated so that one person enters employee data, someone else enters transaction coding and another person enters direct deposit information.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

Simpson County School District
111 Education Lane
Mendenhall, MS 39114
Joe H. Welch - Superintendent
Joanna Maddox - Interim Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

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, 2010.

<u>Finding</u>	<u>Status</u>
2010-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Joanna Maddox Title: Interim Business Manager Phone Number: 601-847-8000</p> <p>b. Corrective Action Planned:</p> <p>Bank reconciliations will be performed upon receipt from the bank in a timely manner.</p> <p>c. Anticipated Completion Date:</p> <p>06-30-2011</p>
2010-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Joanna Maddox Title: Interim Business Manager Phone Number: 601-847-8000</p> <p>b. Corrective Action Planned:</p> <p>Duties will be separated so that the District's Accountant is not the only person involved in the bank account reconciliation process and the journal entry recording processes. Someone other than the Business Manager will be responsible for the initial preparation of the bank reconciliations and the recording of journal entries. Alternatively, if these processes continue to be performed by the District's Accountant, someone in a higher managerial or administrative role will review and approve these processes in order to achieve a proper level of oversight.</p>

2010-3

c. Anticipated Completion Date:

06-30-2011

a. Name of Contact Person Responsible for Corrective Action

Name: Joanna Maddox

Title: Interim Business Manager

Phone Number: 601-847-8000

b. Corrective Action Planned:

The District will modify their financial accounting software so the rights and access be segregated so that one person enters employee data, someone else enters transaction coding and another person enters direct deposit information.

c. Anticipated Completion Date:

06-30-2011