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SIMPSON COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2015**

St. Clair CPA, PLLC
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Simpson County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 5, 2015, on my consideration of the Simpson County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County School District's internal control over financial reporting and compliance.

St. Clair CPA, PLLC

Certified Public Accountant
October 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of the Simpson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$37,169,433, including a prior period adjustment of (\$40,002,536), which represents a 99.3% decrease from fiscal year 2014. Total net position for 2014 increased \$431,305, including a prior period adjustment of (\$1,491), which represents a 1.2% increase from fiscal year 2013.
- General revenues amounted to \$28,136,950 and \$28,230,492, or 78.9% and 78.7 % of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,499,093, or 21.1% of total revenues for 2015, and \$7,661,480, or 21.3 % of total revenues for 2014.
- The District had \$32,802,940 and \$35,459,176 in expenses for fiscal years 2015 and 2014; only \$7,499,093 for 2015 and \$7,661,480 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,136,950 for 2015 and \$28,230,492 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$27,908,758 in revenues and \$25,849,090 in expenditures for 2015, and \$28,739,799 in revenues and \$26,675,600 in expenditures in 2014. The General Fund's fund balance increased by \$1,444,805 from 2014 to 2015, and increased by \$664,650 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$479,077 for 2015 and decreased by \$661,543 for 2014. The decrease for 2015 was due to the disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$5,832,735 for 2015 and decreased by \$9,184 for 2014. This increase for 2015 was due primarily to the issuance of three mill notes. The liability for compensated absences decreased by \$17,265 for 2015 and decreased by \$9,184 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, schedule of the district’s proportionate share of the net pension liability and schedule of district contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$252,206 as of June 30, 2015.

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

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 12,983,023	\$ 11,585,007	12.07 %
Restricted assets	13,721,483	7,168,226	91.42 %
Capital assets, net	23,083,457	23,562,534	-2.03 %
Total assets	49,787,963	42,315,767	17.66 %
Deferred outflows of resources	3,389,034	0	N/A
Current liabilities	2,114,281	1,864,611	13.39 %
Long-term debt outstanding	8,425,572	2,592,837	224.96 %
Net pension liability	37,628,324	0	N/A
Total liabilities	48,168,177	4,457,448	980.62 %
Deferred inflows of resources	4,756,614	436,680	989.27 %
Net position:			
Net investment in capital assets	20,244,047	20,780,874	-2.58 %
Restricted	7,764,875	7,256,659	7.00 %
Unrestricted	(27,756,716)	9,384,106	-395.78 %
Total net position	\$ 252,206	\$ 37,421,639	-99.33 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(27,756,716)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	37,628,324
Unrestricted net position, exclusive of the net pension liability effect	<u>\$9,871,608</u>

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

- Decrease in net capital assets in the amount of \$479,077.
- The addition of three mill notes in the amount of \$5,850,000.
- Inclusion of net pension liability of \$37,628,324.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$35,636,043 and \$35,891,972, respectively. The total cost of all programs and services was \$32,802,940 for 2015 and \$35,459,176 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 801,180	\$ 613,421	30.61 %
Operating grants and contributions	6,697,913	7,048,059	(4.97) %
General revenues:			
Property taxes	8,733,863	8,434,352	3.55 %
Grants and contributions not restricted	18,397,780	18,691,399	(1.57) %
Investment earnings	37,635	23,998	56.83 %
Sixteenth section sources	924,004	1,016,195	(9.07) %
Other	43,668	64,548	(32.35) %
Total revenues	35,636,043	35,891,972	(0.71) %
Expenses:			
Instruction	17,501,560	20,301,726	(13.79) %
Support services	11,226,672	12,596,507	(10.87) %
Non-instructional	2,071,315	2,340,022	(11.48) %
Sixteenth section	213,114	154,293	38.12 %
Pension expense	1,612,808	0	N/A
Interest on long-term liabilities	177,471	66,628	166.36 %
Total expenses	32,802,940	35,459,176	(7.49) %
Increase (Decrease) in net position	2,833,103	432,796	554.60 %
Net Position, July 1, as previously reported	37,421,639	36,990,334	1.17 %
Prior Period Adjustment	(40,002,536)	(1,491)	2,682,833.33 %
Net Position, July 1, as restated	(2,580,897)	36,988,843	(106.98) %
Net Position, June 30	\$ 252,206	\$ 37,421,639	(99.33) %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 17,501,560	\$ 20,301,726	(13.79) %
Support services	11,226,672	12,596,507	(10.87) %
Non-instructional	2,071,315	2,340,022	(11.48) %
Sixteenth section	213,114	154,293	38.12 %
Pension Expense	1,612,808	0	N/A
Interest on long-term liabilities	177,471	66,628	166.36 %
Total expenses	\$ 32,802,940	\$ 35,459,176	(7.49) %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (14,479,921)	\$ (16,933,956)	(14.49) %
Support services	(9,392,644)	(11,130,944)	(15.62) %
Non-instructional	572,111	488,125	17.21 %
Sixteenth section	(213,114)	(154,293)	38.12 %
Pension Expense	(1,612,808)	0	N/A
Interest on long-term liabilities	(177,471)	(66,628)	166.36 %
Total net (expense) revenue	\$ (25,303,847)	\$ (27,797,696)	(8.97) %

- Net cost of governmental activities (\$25,303,847 for 2015 and \$27,797,696 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$8,733,863 for 2015 and \$8,434,352 for 2014) and state and federal revenues (\$18,397,780 for 2015 and \$18,691,399 for 2014). In addition, there was \$924,004 and \$1,016,195 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$37,635 for 2015 and \$23,998 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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 \$24,964,356, an increase of \$7,857,394, which includes a decrease in inventory of \$3,717. \$10,817,676 or 43% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$14,146,680 or 57% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,444,805. The fund balance of Other Governmental Funds showed an increase in the amount of \$621,803, which includes a decrease in reserve for inventory of \$3,717. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase</u>
Three Mill 10 Year Construction Fund	\$ 5,748,582
16th Section Principal Fund	\$ 42,204

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$37,411,814, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$21,855 from 2014. Total accumulated depreciation as of June 30, 2015, was \$14,328,357, and total depreciation expense for the year was \$811,469, resulting in total net capital assets of \$23,083,457.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 311,514	\$ 311,514	0.00 %
Construction in Progress	106,521	0	N/A
Buildings	20,936,519	21,499,099	(2.62) %
Building improvements	211,048	220,641	(4.35) %
Improvements other than buildings	51,674	53,027	(2.55) %
Mobile equipment	1,301,618	1,355,479	(3.97) %
Furniture and equipment	164,563	122,774	34.04 %
Total	\$ 23,083,457	\$ 23,562,534	(2.03) %

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

Debt Administration. At June 30, 2015, the District had \$8,425,572 in outstanding long-term debt, of which \$370,447 is due within one year. The liability for compensated absences decreased by \$17,265 from the prior year. The district issued \$5,850,000 in three mill notes during the current year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Three mill notes payable	5,850,000	0	N/A
Qualified school construction bonds payable	2,344,980	2,344,980	0.00 %
Compensated absences payable	230,592	247,857	(6.97) %
Total	\$ 8,425,572	\$ 2,592,837	224.96 %

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 financial management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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Simpson County School District
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,011,216
Due from other governments	\$ 1,139,646
Other receivables, net	\$ 766,649
Inventories	\$ 65,512
Restricted assets (Note 4)	\$ 13,721,483
Non-depreciable capital assets (Note 5)	\$ 418,035
Depreciable capital assets, net (Note 5)	\$ 22,665,422
Total Assets	<u>\$ 49,787,963</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	\$ 3,389,034
Total Deferred Outflows of Resources	<u>\$ 3,389,034</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,740,150
Interest payable on long-term liabilities	\$ 374,131
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 352,000
Non-capital related liabilities	\$ 18,447
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 7,842,980
Non-capital related liabilities	\$ 212,145
Net pension liability (Note 8)	\$ 37,628,324
Total Liabilities	<u>\$ 48,168,177</u>
Deferred Inflows of Resources	
Deferred credit on bonds payable (Note 14)	\$ 393,012
Deferred inflow - pensions (Note 8)	\$ 4,363,602
Total Deferred Inflows of Resources	<u>\$ 4,756,614</u>
Net Position	
Net investment in capital assets	\$ 20,244,047
Restricted net position	
Expendable	
School-based activities	\$ 1,774,220
Debt service	\$ 1,071,973
Forestry improvements	\$ 168,418
Unemployment benefits	\$ 87,494
Non-expendable	
Sixteenth section	\$ 4,662,770
Unrestricted	<u>\$ (27,756,716)</u>
Total Net Position	<u>\$ 252,206</u>

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

Simpson County School District
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 17,501,560	\$ 240,579	\$ 2,781,060	\$ (14,479,921)
Support services	\$ 11,226,672	\$ 176,590	\$ 1,657,438	\$ (9,392,644)
Non-instructional	\$ 2,071,315	\$ 384,011	\$ 2,259,415	\$ 572,111
Sixteenth section	\$ 213,114			\$ (213,114)
Pension expense	\$ 1,612,808			\$ (1,612,808)
Interest on long-term liabilities	\$ 177,471			\$ (177,471)
Total Governmental Activities	\$ 32,802,940	\$ 801,180	\$ 6,697,913	\$ (25,303,847)
General Revenues				
Taxes				
General purpose levies				\$ 8,306,984
Debt purpose levies				\$ 426,879
Unrestricted grants and contributions				
State				\$ 18,290,113
Federal				\$ 107,667
Unrestricted investment earnings				\$ 37,635
Sixteenth section sources				\$ 924,004
Other				\$ 43,668
Total General Revenues				\$ 28,136,950
Changes in Net Position				\$ 2,833,103
Net Position - Beginning , as previously reported				\$ 37,421,639
Prior Period Adjustments (Note 15)				\$ (40,002,536)
Net Position - Beginning - as restated				\$ (2,580,897)
Net Position - Ending				\$ 252,206

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

Simpson County School District
Balance Sheet - Governmental Funds
June 30, 2015

Exhibit C

	Major Funds				
	General Fund	Three Mill 10 Year Construction Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 2)	\$ 11,011,216	5,748,582	4,267,539	2,692,117	23,719,454
Cash with fiscal agent (Note 2)				23,245	23,245
Investments (Note 2)				990,000	990,000
Due from other governments	482,098			657,548	1,139,646
Other receivables, net	2,460				2,460
Due from other funds (Note 3)	1,496,637				1,496,637
Advances to other funds (Note 3)			444,976		444,976
Inventories				65,512	65,512
Total Assets	12,992,411	5,748,582	4,712,515	4,428,422	27,881,930
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	1,470,667			269,483	1,740,150
Due to other funds (Note 3)			49,877	682,571	732,448
Advances from other funds (Note 3)	444,976				444,976
Total Liabilities	1,915,643	0	49,877	952,054	2,917,574
Fund Balances					
Nonspendable					
Inventory				65,512	65,512
Permanent fund principal			4,217,662	132	4,217,794
Restricted					
Debt service				1,446,104	1,446,104
Permenant fund advances			444,976		444,976
Capital Improvements		5,748,582			5,748,582
Forestry improvements				168,418	168,418
Unemployment benefits				87,494	87,494
Grant activities				1,708,708	1,708,708
Assigned					
School activities	243,893				243,893
Band	15,199				15,199
Unassigned	10,817,676				10,817,676
Total Fund Balances	11,076,768	5,748,582	4,662,638	3,476,368	24,964,356
Total Liabilities and Fund Balances	\$ 12,992,411	5,748,582	4,712,515	4,428,422	27,881,930

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

Simpson County School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 24,964,356

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

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

Land	311,514	
Construction in Progress	106,521	
Buildings	30,538,753	
Building Improvements	239,827	
Improvements other than buildings	136,612	
Mobile equipment	4,733,262	
Furniture and equipment	1,345,325	
Accumulated depreciation	<u>(14,328,357)</u>	23,083,457

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

Net pension liability	(37,628,324)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	3,389,034	
Deferred inflows of resources related to pensions	<u>(4,363,602)</u>	(974,568)

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

Notes payable	(5,850,000)	
Qualified school construction bonds payable	(2,344,980)	
Compensated absences	(230,592)	
Deferred credit on bonds payable	(393,012)	
Accrued interest payable	<u>(374,131)</u>	(9,192,715)

Total Net Position - Governmental Activities

\$ 252,206

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

Simpson County School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

Exhibit D

	Major Funds				
	General Fund	Three Mill 10 Year Construction Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 8,577,782	5,103		838,459	9,421,344
State sources	18,460,484			623,854	19,084,338
Federal sources	109,445			5,898,888	6,008,333
Sixteenth section sources	761,047		66,044	96,913	924,004
Total Revenues	27,908,758	5,103	66,044	7,458,114	35,438,019
Expenditures					
Instruction	15,422,473			3,336,247	18,758,720
Support services	10,308,116			1,830,456	12,138,572
Noninstructional services				2,342,657	2,342,657
Sixteenth section	98,845			114,269	213,114
Facilities acquisition and construction		106,521			106,521
Debt service					
Interest	19,656				19,656
Other				2,024	2,024
Total Expenditures	25,849,090	106,521	0	7,625,653	33,581,264
Excess (Deficiency) of Revenues Over Expenditures	2,059,668	(101,418)	66,044	(167,539)	1,856,755
Other Financing Sources (Uses)					
Proceeds of loans (Note 6)		5,850,000			5,850,000
Insurances loss recoveries (Note 13)	154,356				154,356
Operating transfers in (Note 3)	290,619			1,195,029	1,485,648
Operating transfers out (Note 3)	(1,059,838)		(23,840)	(401,970)	(1,485,648)
Total Other Financing Sources (Uses)	(614,863)	5,850,000	(23,840)	793,059	6,004,356
Net Change in Fund Balances	1,444,805	5,748,582	42,204	625,520	7,861,111
Fund Balances					
July 1, 2014	9,631,963		4,620,434	2,854,565	17,106,962
Decrease in reserve for inventory				(3,717)	(3,717)
June 30, 2015	\$ 11,076,768	5,748,582	4,662,638	3,476,368	24,964,356

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

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

Exhibit D-1

		<u>Amount</u>
Net Change in Fund Balance - Governmental Funds		\$ 7,861,111
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	358,016	
Depreciation expense	<u>(811,469)</u>	(453,453)
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(25,624)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(5,850,000)	
Accrued interest payable	(155,791)	
Deferred credit of bonds payable	<u>43,668</u>	(5,962,123)
Reconciling items applicable to pension liability and related accounts:		
Pension contributions made subsequent to the measurement date	2,957,331	
Pension expense for the current year	(1,612,808)	
Rounding difference in net pension liability	<u>55,121</u>	1,399,644
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	17,265	
Change in inventory reserve	<u>(3,717)</u>	13,548
Changes in Net Position of Governmental Activities		<u><u>\$ 2,833,103</u></u>

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

Simpson County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 931,185
Other receivables	<u>\$ 5,706</u>
Total Assets	<u><u>\$ 936,891</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 14,255
Due to other funds (Note 3)	\$ 764,189
Due to student clubs	<u>\$ 158,447</u>
Total Liabilities	<u><u>\$ 936,891</u></u>

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

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SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, the 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. Government-wide and Fund Financial Statements

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

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

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

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

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

The school district reports the following major governmental funds:

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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

3 Mill Construction Fund - This fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of a 3 mill note.

16th Section Principal Fund - This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60

SIMPSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

SIMPSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows of resources are directly related to pension reporting.

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

Deferred inflows of resources are directly related to pension reporting and deferred credit on bonds payable.

See Note 8 and Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

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

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

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

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

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

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

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

SIMPSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 23,719,454 and \$931,185, respectively.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$23,245.

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	n/a	Greater than 10 Years	<u>\$ 990,000</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - 16th Section Principal fund	\$ 49,877
	Other governmental funds	682,571
	Fiduciary funds	764,189
Total		<u>\$ 1,496,637</u>

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments. The inter-fund loan associated with the Fiduciary Funds represents the accumulation workers compensation insurance and accrued payroll. The 16th Section Principal Fund is transferring interest.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major fund - 16th Section Principal fund	General Fund	\$ 444,976
Total		<u>\$ 444,976</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 48,292	\$ 17,799	\$ 66,091
2017	50,224	15,867	66,091
2018	52,233	13,858	66,091
2019	54,322	11,769	66,091
2020	56,495	9,596	66,091
2021 - 2023	183,410	14,864	198,274
Total	<u>\$ 444,976</u>	<u>\$ 83,753</u>	<u>\$ 528,729</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,059,838
Major fund - 16 Section Principal	General Fund	23,840
Other governmental funds	General Fund	266,779
	Other governmental funds	135,191
Total		<u>\$ 1,485,648</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, ESY program, school nurse program and construction in the Other Governmental Funds. The transfer from Major Fund - 16th Section

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Principal Fund to General Fund was for interest. The transfer from Other Governmental to General Fund was for indirect costs. The transfer from Other Governmental to Other Governmental was to close out FY 14 Summer Food program and to cover QSCB debt.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agent and investment balance, totaling \$12,708,238, \$23,245 and \$990,000, respectively, of the Sixteenth Section Principal Fund (Permanent Fund), Debt Service Funds and various Federal programs which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	311,514			311,514
Construction-in-progress		106,521		106,521
Total non-depreciable capital assets	311,514	106,521	-	418,035
<u>Depreciable capital assets:</u>				
Buildings	30,538,753			30,538,753
Building improvements	239,827			239,827
Improvements other than buildings	136,612			136,612
Mobile equipment	4,810,924	169,698	(247,360)	4,733,262
Furniture and equipment	1,352,329	81,797	(88,801)	1,345,325
Total depreciable capital assets	37,078,445	251,495	(336,161)	36,993,779
<u>Less accumulated depreciation for:</u>				
Buildings	9,039,654	562,580		9,602,234
Building improvements	19,186	9,593		28,779
Improvements other than buildings	83,585	1,353		84,938
Mobile equipment	3,455,445	198,823	(222,624)	3,431,644
Furniture and equipment	1,229,555	39,120	(87,913)	1,180,762
Total accumulated depreciation	13,827,425	811,469	(310,537)	14,328,357
Total depreciable capital assets, net	23,251,020	(559,974)	(25,624)	22,665,422
Governmental activities capital assets, net	23,562,534	(453,453)	(25,624)	23,083,457

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 568,516
Support services	222,279
Non-instructional	20,674
Total depreciation expense - Governmental activities	\$ 811,469

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
Magee Elementary New Campus	\$ 42,550	\$ 0
Mendenhall Elementary Cafeteria	63,971	0
Total governmental activities	<u>106,521</u>	<u>0</u>

Construction projects included in governmental activities are funded with proceeds from three mill notes. As of June 30, 2015 these projects had not been bid out yet.

Note 6 – Long-term Liabilities

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

	Balance 7/01/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Three Mill Notes Payable		5,850,000		5,850,000	352,000
B. Qualified School Construction Bonds Payable	\$2,344,980			2,344,980	0
C. Compensated Absences	247,857		17,265	230,592	18,447
Total	<u>\$ 2,592,837</u>	<u>5,850,000</u>	<u>17,265</u>	<u>8,425,572</u>	<u>370,447</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Notes, Series 2014A	2.70%	8/15/2014	7/15/2029	\$ 5,500,000	\$ 5,500,000
2. Limited Tax Notes, Series 2014B	2.03%	7/15/2014	7/15/2023	350,000	350,000
Total				<u>\$ 5,850,000</u>	<u>\$ 5,850,000</u>

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

1. Three mill notes payable issue of 8/15/2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 295,000	\$ 131,450	\$ 426,450
2017	305,000	128,500	433,500
2018	315,000	124,596	439,596
2019	325,000	119,871	444,871
2020	335,000	114,216	449,216
2021 – 2025	1,850,000	454,611	2,304,611
2026 – 2030	2,075,000	185,888	2,260,888
Total	<u>\$ 5,500,000</u>	<u>\$ 1,259,132</u>	<u>\$ 6,759,132</u>

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

2. Three mill notes payable issue of 7/15/2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 57,000	\$ 10,079	\$ 67,079
2017	51,000	5,430	56,430
2018	46,000	4,446	50,446
2019	42,000	3,552	45,552
2020	38,000	2,741	40,741
2021 – 2024	116,000	4,222	120,222
Total	\$ 350,000	\$ 30,470	\$ 380,470

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 352,000	\$ 141,529	\$ 493,529
2017	356,000	133,930	489,930
2018	361,000	129,042	490,042
2019	367,000	123,423	490,423
2020	373,000	116,957	489,957
2021 – 2025	1,966,000	458,833	2,424,833
2026 – 2030	2,075,000	185,888	2,260,888
Total	\$ 5,850,000	\$ 1,289,602	\$ 7,139,602

B. Qualified school construction bonds payable

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

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

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

C. Compensated absences payable

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

Note 7 – Other Commitments

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Lease expenditures for the year ended June 30, 2015, amounted to \$95,196. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2016	\$ 95,196
2017	95,196
2018	95,196
2019	59,952
Total	<u>\$ 345,540</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$2,957,331, \$2,950,869 and \$2,679,415 respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$37,628,324 for its proportionate share of the net pension liability.

SIMPSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .31 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,612,808. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 431,703	\$
Net difference between projected and actual earnings on pension plan investments		4,363,602
Changes of assumptions:		
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date	2,957,331	
Total	\$ 3,389,034	\$ 4,363,602

\$2,957,331 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (935,612)
2017	(935,612)
2018	(969,775)
2019	(1,090,901)
Total	(3,931,900)

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 51,298,626	\$ 37,628,324	\$ 26,225,259

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

Note 9 – Sixteenth Section Lands

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

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 135,427
2017	125,704
2018	86,727
2019	71,495
2020	36,135
2021 – 2025	122,827
2026 – 2030	78,989
2031 – 2035	76,015
Thereafter	132,699
Total	<u>\$ 866,018</u>

SIMPSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Note 10 – Contingencies

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

Note 11 – Risk Management

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

Note 12 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$1,013,245. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 200,000
2016	200,000
2016	200,000
2016	200,000
2016	200,000
2021 – 2025	1,000,000
Total	<u>\$ 2,000,000</u>

Note 13 - Insurance loss recoveries

The Simpson County School District received \$154,356 in insurance loss recoveries related to damage at Simpson Central fieldhouse due to a fallen tree during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Insurance Loss		
Recoveries	Percentage	Expense Function
\$ 154,356	100%	Instruction

Note 14 – Effect of Deferred Amounts on Net Position

The net investment in capital assets amount of \$20,637,059 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of an interest free debt obligation. The \$393,012 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase net investments in capital assets over the remaining ten years of the outstanding debt obligation.

The unrestricted net position amount of \$(28,149,728) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

Note 15 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (42,953,405.00)
Deferred outflows - contributions made during fiscal year 2014	2,950,869
Total prior period adjustment related to GASB 68 and 71	\$ (40,002,536)

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Simpson County School District evaluated the activity of the district through October 5, 2015, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

In August 2015, the school board approved Larry J. Sumrall Contractors with the lowest bid of \$1,730,800 as general contractor on the Mendenhall Elementary Cafeteria construction project.

Also, in August 2015, the school board approved the purchase of 32.7 acres on Goodwater Road in the amount of \$327,000. This location will be the building site for the new Magee Elementary School.

REQUIRED SUPPLEMENTARY INFORMATION

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Simpson County School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 8,497,367	8,577,782	8,577,782	80,415	0
State sources	18,469,172	18,460,484	18,460,484	(8,688)	0
Federal sources	105,000	109,445	109,445	4,445	0
Sixteenth section sources		761,047	761,047	761,047	0
Total Revenues	<u>27,071,539</u>	<u>27,908,758</u>	<u>27,908,758</u>	<u>837,219</u>	<u>0</u>
Expenditures					
Instruction	15,685,745	15,422,473	15,422,473	263,272	0
Support services	10,516,211	10,308,116	10,308,116	208,095	0
Sixteenth section		98,845	98,845	(98,845)	0
Debt service					
Interest	19,656	19,656	19,656	0	0
Total Expenditures	<u>26,221,612</u>	<u>25,849,090</u>	<u>25,849,090</u>	<u>372,522</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>849,927</u>	<u>2,059,668</u>	<u>2,059,668</u>	<u>1,209,741</u>	<u>0</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	154,973	154,356	154,356	(617)	0
Operating transfers in	3,079,899	3,377,617	290,619	297,718	(3,086,998)
Operating transfers out	(4,233,791)	(4,146,836)	(1,059,838)	86,955	3,086,998
Total Other Financing Sources (Uses)	<u>(998,919)</u>	<u>(614,863)</u>	<u>(614,863)</u>	<u>384,056</u>	<u>0</u>
Net Change in Fund Balances			<u>1,444,805</u>		
Fund Balances					
July 1, 2014, as previously reported			<u>9,631,963</u>		
June 30, 2015			<u>\$ 11,076,768</u>		

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

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	(In Thousands)
	<u>2015</u>
District's proportion of the net pension liability (asset)	<u>0.31%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 37,628</u>
District's covered-employee payroll	<u>\$ 18,778</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>200.38%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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

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

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

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,957									
Contributions in relation to the contractually required contribution	2,957									
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 18,778									
Contributions as a percentage of covered- employee payroll	15.75%									

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

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

SIMPSON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

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SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 716,393
National school lunch program	10.555	\$ 1,908,169
Summer food service program for children	10.559	\$ 11,326
Total child nutrition cluster		<u>\$ 2,635,888</u>
Total U.S. Department of Agriculture		<u>\$ 2,635,888</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	\$ 55,730
Total Federal Communications Commission		<u>\$ 55,730</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Carol M. White physical education program	84.215F	\$ 371,465
Total		<u>\$ 371,465</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,617,356
Career and technical education - basic grants to states	84.048	\$ 59,391
Improving teacher quality - state grants	84.367	\$ 276,342
Teacher incentive fund	84.374	\$ 252,552
Total		<u>\$ 2,205,641</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 1,011,367
Special education - preschool grants	84.173	\$ 51,872
Total special education cluster		<u>\$ 1,063,239</u>
Total passed-through Mississippi Department of Education		<u>\$ 3,268,880</u>
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	\$ 1,114
Total passed-through the Mississippi Institution of Higher Learning		<u>\$ 1,114</u>
Total U.S. Department of Education		<u>\$ 3,641,459</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	\$ 51,937
Total U.S. Department of Health and Human Services		<u>\$ 51,937</u>
Total for All Federal Awards		<u>\$ 6,385,014</u>

NOTES TO SCHEDULE

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

SIMPSON COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2015

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 25,923,011	\$ 18,891,196	\$ 1,203,435	\$ 2,210,099	\$ 3,618,281
Other	\$ 7,658,253	\$ 2,785,592	\$ 557,666	\$ 54,264	\$ 4,260,731
Total	<u>\$ 33,581,264</u>	<u>\$ 21,676,788</u>	<u>\$ 1,761,101</u>	<u>\$ 2,264,363</u>	<u>\$ 7,879,012</u>
Total number of students	<u>3,569</u>				
Cost per student	<u>\$ 9,409</u>	<u>\$ 6,074</u>	<u>\$ 493</u>	<u>\$ 634</u>	<u>\$ 2,208</u>

Notes to the schedule.

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

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

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

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

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

OTHER INFORMATION

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

UNAUDITED

	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 8,577,782	8,870,427	8,464,277	8,026,994
State sources	18,460,484	18,098,303	18,558,706	17,948,669
Federal sources	109,445	942,610	242,079	395,778
Sixteenth section sources	761,047	828,459	785,985	909,265
Total Revenues	<u>27,908,758</u>	<u>28,739,799</u>	<u>28,051,047</u>	<u>27,280,706</u>
Expenditures				
Instruction	15,422,473	16,062,881	15,727,450	15,992,632
Support services	10,308,116	10,582,695	11,276,231	9,299,170
Noninstructional services	0	0	0	55,676
Sixteenth section	98,845	8,581	61,942	14,953
Facilities acquisition and construction	0	0	0	39,600
Debt service				
Interest	19,656	21,443	0	0
Total Expenditures	<u>25,849,090</u>	<u>26,675,600</u>	<u>27,065,623</u>	<u>25,402,031</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,059,668</u>	<u>2,064,199</u>	<u>985,424</u>	<u>1,878,675</u>
Other Financing Sources (Uses)				
Insurances loss recoveries	154,356	20,880	221,407	73,734
Sale of other property	0	0	0	1,812
Operating transfers in	290,619	194,246	337,323	4,864,973
Operating transfers out	(1,059,838)	(1,614,675)	(1,287,507)	(2,300,925)
Total Other Financing Sources (Uses)	<u>(614,863)</u>	<u>(1,399,549)</u>	<u>(728,777)</u>	<u>2,639,594</u>
Net Change in Fund Balances	<u>1,444,805</u>	<u>664,650</u>	<u>256,647</u>	<u>4,518,269</u>
Fund Balances				
July 1	9,631,963	8,967,313	8,710,666	4,044,294
Prior period adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>148,103</u>
July 1, as restated	<u>9,631,963</u>	<u>8,967,313</u>	<u>8,710,666</u>	<u>4,192,397</u>
June 30	<u>\$ 11,076,768</u>	<u>9,631,963</u>	<u>8,967,313</u>	<u>8,710,666</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 9,421,344	9,315,304	8,913,262	8,488,019
State sources	19,084,338	18,866,724	19,224,759	19,358,813
Federal sources	6,008,333	6,629,191	6,432,290	6,684,622
Sixteenth section sources	924,004	1,016,205	955,412	1,148,019
Total Revenues	35,438,019	35,827,424	35,525,723	35,679,473
Expenditures				
Instruction	18,758,720	19,701,872	19,321,363	20,359,218
Support services	12,138,572	12,561,356	13,154,667	11,120,982
Noninstructional services	2,342,657	2,337,094	2,561,588	2,557,675
Sixteenth section	213,114	154,293	176,818	138,965
Facilities acquisition and construction	106,521	0	175,197	323,073
Debt service				
Principal	0	0	635,000	610,000
Interest	19,656	21,443	13,892	41,125
Other	2,024	1,517	1,564	2,923
Total Expenditures	33,581,264	34,777,575	36,040,089	35,153,961
Excess (Deficiency) of Revenues Over Expenditures	1,856,755	1,049,849	(514,366)	525,512
Other Financing Sources (Uses)				
Proceeds of loans	5,850,000	0	0	0
Insurances loss recoveries	154,356	20,880	221,407	73,734
Sale of other property	0	0	0	1,812
Operating transfers in	1,485,648	1,954,006	1,624,830	7,165,898
Operating transfers out	(1,485,648)	(1,954,006)	(1,624,830)	(7,165,898)
Other financing uses	0	0	0	(2,745)
Total Other Financing Sources (Uses)	6,004,356	20,880	221,407	72,801
Net Change in Fund Balances	7,861,111	1,070,729	(292,959)	598,313
Fund Balances				
July 1	17,106,962	16,023,298	16,331,569	15,585,180
Prior period adjustments	0	0	0	151,876
July 1, as restated	17,106,962	16,023,298	16,331,569	15,737,056
Increase (Decrease) in reserve for inventory	(3,717)	12,935	(15,312)	(3,800)
June 30	\$ 24,964,356	17,106,962	16,023,298	16,331,569

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Simpson County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Simpson County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements, and have issued my report thereon dated October 5, 2015.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a significant deficiency [2015-01].

Compliance and Other Matters

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

Simpson County School District's Response to Findings

Simpson County School District's response to the finding identified in my audit is described in the accompanying Auditee's

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

Purpose of this Report

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

St. Clair CPA, PLLC

Certified Public Accountant
October 5, 2015



ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Simpson County School District

Report on Compliance for Each Major Federal Program

I have audited Simpson County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Simpson County School District's major federal programs for the year ended June 30, 2015. Simpson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Simpson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Simpson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Simpson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and

to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Simpson County School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

St. Clair CPA, PLLC

Certified Public Accountant
October 5, 2015

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

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board
Simpson County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2015, which collectively comprise Simpson County School District's basic financial statements and have issued my report thereon dated October 5, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

St. Clair CPA, PLLC

Certified Public Accountant
October 5, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | c. Fund for the Improvement of Education – Carol White Physical Education Program | |
| | CFDA#: 84.215F | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

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

Finding 2015-01

CONDITION: The business manager receipts revenues, prepares deposit slips, enters into the accounting system and reconciles district bank accounts. Due to the timing of the engagement, this finding is carried forward from the prior year.

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

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2015

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

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

RECOMMENDATION: It is recommended that the duties of the business manager relating to receipting revenue, preparing deposit slips, posting entries and bank account reconciliations be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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(601)847-8000 Office

(601)847-8003 Fax

Simpson County School District

111 Education Lane
Mendenhall, MS 39114

Superintendent

Glenn Harris

September 28, 2015

As required by Section 315(c) of OMB Circular A-133, the Simpson County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Finding

2015-1

Corrective Action Plan

a. Contact person responsible for corrective action

Duane Fewell, Director of Finance

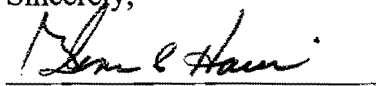
b. Description of correction action to be taken

The Finance Director will no longer receipt payments, prepare deposit slips, or take deposits to the financial institution. A clerk in the Finance Department will write receipts for all payments, prepare deposit slips, and deposit all funds in the appropriate accounts. The Finance Director will then code the receipts and enter them into the financial accounting package.

c. Anticipated completion date of corrective action

Corrective action will be implemented beginning with receipts for the month of October 2015.

Sincerely,



Superintendent of Education

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