



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Itawamba County School District

Audited Financial Statements
For the Year Ended June 30, 2019

Fortenberry & Ballard, PC
Certified Public Accountants

**Itawamba County School District
TABLE OF CONTENTS**

| | |
|---|--------|
| | PAGE # |
| INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION | 4 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 9 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Exhibit A - Statement of Net Position | 22 |
| Exhibit B - Statement of Activities | 23 |
| Governmental Funds Financial Statements | |
| Exhibit C - Balance Sheet | 24 |
| Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 26 |
| Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances | 28 |
| Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 30 |
| Fiduciary Funds Financial Statements | |
| Exhibit E - Statement of Fiduciary Assets and Liabilities | 31 |
| Notes to the Financial Statements | 33 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule - General Fund | 62 |
| Budgetary Comparison Schedule - School Food Service Fund | 63 |
| Budgetary Comparison Schedule - Title I - A Basic Fund | 64 |
| Schedule of the District’s Proportionate Share of the Net Pension Liability | 65 |
| Schedule of District Contributions (PERS) | 66 |
| Schedule of the District’s Proportionate Share of the Net OPEB Liability | 67 |
| Schedule of District Contributions (OPEB) | 68 |
| Notes to the Required Supplementary Information | 69 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of Federal Awards | 73 |
| Notes to the Schedule of Expenditures of Federal Awards | 74 |
| Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds | 75 |
| OTHER INFORMATION | |
| Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years | 77 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years | 78 |
| REPORTS ON INTERNAL CONTROL AND COMPLIANCE | |
| 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 <i>Government Auditing Standards</i> | 80 |
| Independent Auditor’s Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance | 82 |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS | |
| | 86 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 92 |
| AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS | |
| | 98 |

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Itawamba County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|--------------------------------------|------------------------|
| Governmental Activities | Unmodified |
| General Fund | Qualified |
| School Food Service Fund | Unmodified |
| Title I - A Basic Fund | Qualified |
| QSCB Sinking Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Basis for Qualified Opinion on General Fund and Title I - A Basic Fund

The Itawamba County School District transferred funds from Title I - A Basic Fund to District Maintenance Fund as a prior period adjustment that increased fund balance without supporting documentation. Due to the nature of the Itawamba County School District's records, we were unable to satisfy ourselves as to the fair presentation of the General Fund and Title I - A Basic Fund.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Title I - A Basic Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and Title I - A Basic Fund of the Itawamba County School District, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, School Food Service Fund, QSCB Sinking Fund, and the aggregate remaining fund information of the Itawamba County School District, as of June 30, 2019, 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 9 to 20 and 62 to 71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements

in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Itawamba County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2020, on our consideration of the Itawamba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is

solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Itawamba County School District's 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 Itawamba County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 19, 2020

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The following discussion and analysis of Itawamba County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. 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 2019 decreased \$996,130, including a prior period adjustment of \$114,961, which represents a 5% decrease from fiscal year 2018. Total net position for 2018 decreased \$3,373,239, including a prior period adjustment of (\$3,055,677), due primarily to the effect of recording the net OPEB liability, which represents a 22% decrease from fiscal year 2017.
- General revenues amounted to \$24,586,583 and \$25,587,188, or 81% and 82% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,849,040, or 19% of total revenues for 2019, and \$5,791,218, or 18% of total revenues for 2018.
- The District had \$31,546,714 and \$31,695,968 in expenses for fiscal years 2019 and 2018; only \$5,849,040 for 2019 and \$5,791,218 for 2018 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$24,586,583 for 2019 and \$25,587,188 for 2018 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$24,269,791 in revenues and \$24,431,328 in expenditures for 2019, and \$24,930,668 in revenues and \$24,761,484 in expenditures for 2018. The General Fund's fund balance increased by \$110,750, including a prior period adjustment of \$504,229, from 2018 to 2019, and decreased by \$384,424, including a prior period adjustment of (\$122,107), from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$1,003,270 for 2019 and decreased by \$866,007 for 2018. The decrease for 2019 was due primarily to the recording of depreciation expense during the year.
- Long-term debt decreased by \$1,110,095 for 2019 and decreased by \$1,911,657 for 2018. This decrease for 2019 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$18,885 for 2019 and decreased by \$4,478 for 2018.

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

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, deferred outflows, liabilities, and deferred inflows, with the differences between them 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, pension expense, OPEB 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.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19,727,289 as of June 30, 2019.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019 and June 30, 2018.

Table 1
Condensed Statement of Net Position

| | June 30, 2019 | June 30, 2018 | Percentage Change |
|---|------------------------|----------------------|------------------------------|
| Current assets | \$ 5,175,088 | 5,679,202 | (9)% |
| Restricted assets | 1,707,269 | 1,411,341 | 21% |
| Capital assets, net | 26,008,646 | 27,011,916 | (4)% |
| Total assets | 32,891,003 | 34,102,459 | (4)% |
| Deferred outflows of resources | 7,728,927 | 7,903,372 | (2)% |
| Current liabilities | 1,588,725 | 1,850,231 | (14)% |
| Long-term debt outstanding | 5,274,212 | 6,365,422 | (17)% |
| Net OPEB liability | 2,952,211 | 2,969,170 | (1)% |
| Net pension liability | 45,799,052 | 42,522,143 | 8% |
| Total liabilities | 55,614,200 | 53,706,966 | 4% |
| Deferred inflows of resources | 4,733,019 | 7,030,024 | (33)% |
| Net position: | | | |
| Net investment in capital assets | 21,114,280 | 21,007,455 | 1% |
| Restricted | 3,306,046 | 3,315,928 | 0% |
| Unrestricted | (44,147,615) | (43,054,542) | (3)% |
| Total net position (deficit) | \$ (19,727,289) | (18,731,159) | (5)% |

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Additional information on unrestricted net position:

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

| | |
|--|----------------------------|
| Total unrestricted net position (deficit) | \$ (44,147,615) |
| Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows | <u>45,755,355</u> |
| Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect | <u><u>\$ 1,607,740</u></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 \$1,003,270.
- The principal retirement of \$1,110,095 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$30,435,623 and \$31,378,406, respectively. The total cost of all programs and services was \$31,546,714 for 2019 and \$31,695,968 for 2018.

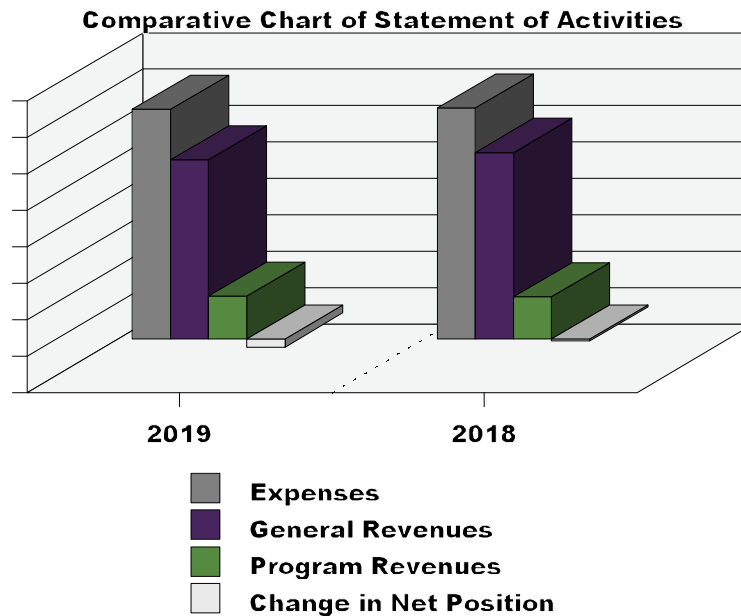
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 2
Changes in Net Position

| | Year Ended June 30, 2019 | Year Ended June 30, 2018 | Percentage Change |
|---|-------------------------------------|-------------------------------------|------------------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 1,034,304 | 1,128,283 | (8)% |
| Operating grants and contributions | 4,696,881 | 4,545,080 | 3% |
| Capital grants and contributions | 117,855 | 117,855 | 0% |
| General Revenues: | | | |
| Property taxes | 6,792,868 | 6,661,134 | 2% |
| Grants and contributions not restricted | 17,669,150 | 18,913,468 | (7)% |
| Unrestricted investment earnings | 24,694 | 23,761 | 4% |
| Increase (decrease) in fair market value | 95,928 | (12,850) | 847% |
| Other | 3,943 | 1,675 | 135% |
| Total revenues | 30,435,623 | 31,378,406 | (3)% |
| Expenses: | | | |
| Instruction | 16,934,744 | 17,261,051 | (2)% |
| Support services | 8,356,121 | 8,125,814 | 3% |
| Non-instructional | 1,949,668 | 1,902,480 | 2% |
| Pension expense | 4,031,063 | 4,068,427 | (1)% |
| OPEB expense | 159,838 | 161,936 | (1)% |
| Interest on long-term liabilities | 115,280 | 176,260 | (35)% |
| Total expenses | 31,546,714 | 31,695,968 | 0% |
| Increase (Decrease) in net position | (1,111,091) | (317,562) | (250)% |
| Net position (Deficit), July 1, as previously reported | (18,731,159) | (15,357,920) | (22)% |
| Prior period adjustment | 114,961 | (3,055,677) | 104% |
| Net position (Deficit), July 1, as restated | (18,616,198) | (18,413,597) | (1)% |
| Net Position (Deficit), June 30 | \$ (19,727,289) | (18,731,159) | (5)% |

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019



Governmental activities

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

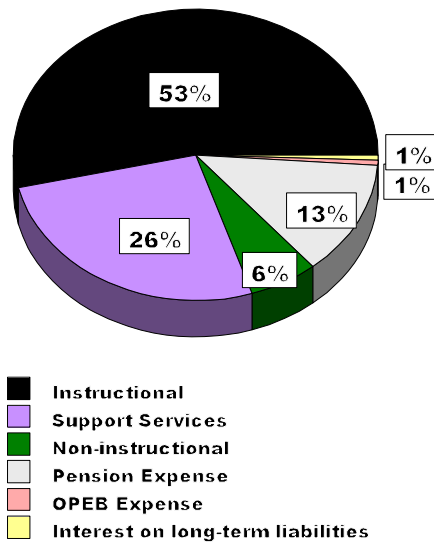
Table 3
Net Cost of Governmental Activities

| | | <u>Total Expenses</u> | | Percentage Change |
|-----------------------------------|----|------------------------------|-------------------|------------------------------|
| | | 2019 | 2018 | |
| Instruction | \$ | 16,934,744 | 17,261,051 | (2)% |
| Support services | | 8,356,121 | 8,125,814 | 3% |
| Non-instructional | | 1,949,668 | 1,902,480 | 2% |
| Pension expense | | 4,031,063 | 4,068,427 | (1)% |
| OPEB expense | | 159,838 | 161,936 | (1)% |
| Interest on long-term liabilities | | 115,280 | 176,260 | (35)% |
| Total expenses | \$ | <u>31,546,714</u> | <u>31,695,968</u> | <u>0%</u> |

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

| | <u>Net (Expense) Revenue</u> | | |
|------------------------------------|-------------------------------------|----------------------------|---------------------------------|
| | <u>2019</u> | <u>2018</u> | <u>Percentage Change</u> |
| Instruction | \$ (14,176,922) | (14,529,808) | 2% |
| Support services | (7,252,367) | (7,077,743) | (2)% |
| Non-instructional | 37,796 | 109,424 | (65)% |
| Pension expense | (4,031,063) | (4,068,427) | 1% |
| OPEB expense | (159,838) | (161,936) | 1% |
| Interest on long-term liabilities | (115,280) | (176,260) | 35% |
| Total net (expense) revenue | <u><u>\$ (25,697,674)</u></u> | <u><u>(25,904,750)</u></u> | <u><u>1%</u></u> |

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$25,697,674 for 2019 and \$25,904,750 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$6,792,868 for 2019 and \$6,661,134 for 2018) and state and federal revenues (\$17,669,150 for 2019 and \$18,913,468 for 2018).
- Investment earnings amounted to \$24,694 for 2019 and \$23,761 for 2018. Increase in fair market value amounted to \$95,928 for 2019 and decrease in fair market value amounted to \$12,850 for 2018.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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 \$5,371,801, an increase of \$32,676, which includes a prior period adjustment of \$114,961 and a decrease in inventory of \$5,250. \$1,611,290 or 30% 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, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,760,511 or 70% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted 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 \$110,750. The fund balance of Other Governmental Funds showed a decrease in the amount of \$264,426, which includes a prior period adjustment of (\$279,228). The increase (decrease) in the fund balances for the other major funds were as follows:

| Major Fund | | Increase (Decrease) |
|--------------------------|----|---------------------|
| School Food Service Fund | \$ | 206 |
| Title I - A Basic Fund | \$ | (109,782) |
| QSCB Sinking Fund | \$ | 295,928 |

BUDGETARY HIGHLIGHTS

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

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

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$47,284,500, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$21,110 from 2018. Total accumulated depreciation as of June 30, 2019, was \$21,275,854, and total depreciation expense for the year was \$1,059,837, resulting in total net capital assets of \$26,008,646.

Table 4
Capital Assets, Net of Accumulated Depreciation

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Percentage Change</u> |
|-----------------------------------|----------------------|----------------------|------------------------------|
| Land | \$ 1,161,634 | 1,161,634 | 0% |
| Buildings | 21,756,441 | 22,450,807 | (3)% |
| Building improvements | 682,380 | 722,982 | (6)% |
| Improvements other than buildings | 809,678 | 852,325 | (5)% |
| Mobile equipment | 1,401,945 | 1,615,464 | (13)% |
| Furniture and equipment | 196,568 | 208,704 | (6)% |
| Total | <u>\$ 26,008,646</u> | <u>27,011,916</u> | <u>(4)%</u> |

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

Debt Administration. At June 30, 2019, the District had \$5,274,212 in outstanding long-term debt, of which \$458,362 is due within one year. The liability for compensated absences increased \$18,885 from the prior year.

Table 5
Outstanding Long-Term Debt

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Percentage Change</u> |
|---|----------------------|----------------------|------------------------------|
| General obligation bonds payable | \$ 0 | 660,000 | (100)% |
| Three mill notes payable | 1,229,000 | 1,559,000 | (21)% |
| Obligations under capital leases | 792,366 | 912,461 | (13)% |
| Qualified school construction bonds payable | 2,873,000 | 2,873,000 | 0% |
| Compensated absences payable | 379,846 | 360,961 | 5% |
| Total | <u>\$ 5,274,212</u> | <u>6,365,422</u> | <u>(17)%</u> |

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

CURRENT ISSUES

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

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

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

Enrollment for the 2018-2019 year decreased 8% to 3,249 students.

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 Itawamba County School District, 605 S. Cummings Street, Fulton, MS 38843.

FINANCIAL STATEMENTS

ITAWAMBA COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 4,284,367 |
| Due from other governments | 842,967 |
| Inventories | 47,754 |
| Restricted assets | 1,707,269 |
| Capital assets, non-depreciable: | |
| Land | 1,161,634 |
| Capital assets, net of accumulated depreciation: | |
| Buildings | 21,756,441 |
| Building improvements | 682,380 |
| Improvements other than buildings | 809,678 |
| Mobile equipment | 1,401,945 |
| Furniture and equipment | 196,568 |
| Total Assets | <u>32,891,003</u> |
| Deferred Outflows of Resources | |
| Deferred outflows - pensions | 7,505,714 |
| Deferred outflows - OPEB | 223,213 |
| Total Deferred Outflows of Resources | <u>7,728,927</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 1,510,556 |
| Interest payable on long-term liabilities | 78,169 |
| Long-term liabilities (due within one year): | |
| Capital related liabilities | 458,362 |
| Net OPEB liability | 123,621 |
| Long-term liabilities (due beyond one year): | |
| Capital related liabilities | 4,436,004 |
| Non-capital related liabilities | 379,846 |
| Net pension liability | 45,799,052 |
| Net OPEB liability | 2,828,590 |
| Total Liabilities | <u>55,614,200</u> |
| Deferred Inflows of Resources | |
| Deferred inflows - pensions | 4,522,668 |
| Deferred inflows - OPEB | 210,351 |
| Total Deferred Inflows of Resources | <u>4,733,019</u> |
| Net Position | |
| Net Investment in Capital Assets | 21,114,280 |
| Restricted For: | |
| Expendable: | |
| School-based activities | 553,792 |
| Debt service | 2,659,973 |
| Unemployment benefits | 92,281 |
| Unrestricted | (44,147,615) |
| Total Net Position (Deficit) | <u>\$ (19,727,289)</u> |

The accompanying notes are an integral part of this statement.

ITAWAMBA COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|---------------------|---------------------|-------------------|------------------------|
| | | Charges for | Operating | Capital | Revenue and |
| | | Services | Grants and | Grants and | Changes in |
| | | | Contributions | Contributions | Net Position |
| Governmental Activities: | | | | | Governmental |
| | | | | | Activities |
| Instruction | 16,934,744 | 650,497 | 2,107,325 | -- | (14,176,922) |
| Support services | 8,356,121 | -- | 1,103,754 | -- | (7,252,367) |
| Noninstructional services | 1,949,668 | 383,807 | 1,485,802 | 117,855 | 37,796 |
| Pension expense | 4,031,063 | -- | -- | -- | (4,031,063) |
| OPEB expense | 159,838 | -- | -- | -- | (159,838) |
| Interest on long-term liabilities | 115,280 | -- | -- | -- | (115,280) |
| Total Governmental Activities | <u>\$ 31,546,714</u> | <u>\$ 1,034,304</u> | <u>\$ 4,696,881</u> | <u>\$ 117,855</u> | <u>(25,697,674)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| General purpose levies | | | | | 5,712,247 |
| Debt purpose levies | | | | | 1,080,621 |
| Unrestricted grants and contributions: | | | | | |
| State | | | | | 17,498,007 |
| Federal | | | | | 171,143 |
| Unrestricted investment earnings | | | | | 24,694 |
| Increase in fair market value | | | | | 95,928 |
| Other | | | | | 3,943 |
| Total General Revenues | | | | | <u>24,586,583</u> |
| Change in Net Position | | | | | <u>(1,111,091)</u> |
| Net Position (Deficit) - Beginning, as previously reported | | | | | (18,731,159) |
| Prior Period Adjustment | | | | | 114,961 |
| Net Position (Deficit) - Beginning, as restated | | | | | <u>(18,616,198)</u> |
| Net Position (Deficit) - Ending | | | | | <u>\$ (19,727,289)</u> |

The accompanying notes are an integral part of this statement.

ITAWAMBA COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

| | General Fund | School Food Service Fund |
|--|---------------------|--------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,448,252 | \$ 217,178 |
| Cash with fiscal agents | -- | -- |
| Investments | -- | -- |
| Due from other governments | 326,725 | 3,228 |
| Due from other funds | 654,585 | 114,615 |
| Inventories | -- | 47,754 |
| Total Assets | <u>\$ 3,429,562</u> | <u>\$ 382,775</u> |
| Liabilities and Fund Balances: | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,279,813 | \$ 69,318 |
| Due to other funds | 114,615 | 313,251 |
| Total Liabilities | <u>1,394,428</u> | <u>382,569</u> |
| Fund Balances: | | |
| Nonspendable: | | |
| Inventory | -- | 47,754 |
| Restricted: | | |
| Unemployment benefits | -- | -- |
| Debt service | -- | -- |
| Food service | -- | -- |
| Grant activities | -- | -- |
| Assigned: | | |
| Activity funds | 376,296 | -- |
| Unassigned | <u>1,658,838</u> | <u>(47,548)</u> |
| Total Fund Balances | <u>2,035,134</u> | <u>206</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,429,562</u> | <u>\$ 382,775</u> |

The accompanying notes are an integral part of this statement.

| Title I - A Basic Fund | QSCB Sinking Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------|-------------------------|--------------------------------|--------------------------------|
| \$ -- | \$ -- | \$ 1,618,937 | \$ 4,284,367 |
| -- | 617 | 1 | 618 |
| -- | 1,706,651 | -- | 1,706,651 |
| 292,160 | -- | 220,854 | 842,967 |
| -- | -- | -- | 769,200 |
| -- | -- | -- | 47,754 |
| <u>\$ 292,160</u> | <u>\$ 1,707,268</u> | <u>\$ 1,839,792</u> | <u>\$ 7,651,557</u> |
| | | | |
| \$ 44,999 | \$ -- | \$ 116,426 | \$ 1,510,556 |
| 247,161 | -- | 94,173 | 769,200 |
| <u>292,160</u> | <u>--</u> | <u>210,599</u> | <u>2,279,756</u> |
| | | | |
| -- | -- | -- | 47,754 |
| -- | -- | 92,281 | 92,281 |
| -- | 1,707,268 | 1,030,874 | 2,738,142 |
| -- | -- | 258 | 258 |
| -- | -- | 505,780 | 505,780 |
| -- | -- | -- | 376,296 |
| -- | -- | -- | 1,611,290 |
| -- | 1,707,268 | 1,629,193 | 5,371,801 |
| <u>\$ 292,160</u> | <u>\$ 1,707,268</u> | <u>\$ 1,839,792</u> | <u>\$ 7,651,557</u> |

ITAWAMBA COUNTY SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2019

| | |
|---|------------------------|
| Total fund balances for governmental funds | \$ 5,371,801 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 26,008,646 |
| Liabilities due in one year are not recognized in the funds. | (581,983) |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (2,873,000) |
| Payables for capital leases which are not due in the current period are not reported in the funds. | (669,004) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (78,169) |
| Payables for notes which are not due in the current period are not reported in the funds. | (894,000) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (379,846) |
| Recognition of the School District's proportionate share of the net pension liability is not reported in the funds. | (45,799,052) |
| Deferred Inflows of Resources related to the pension plan are not reported in the funds. | (4,522,668) |
| Deferred Outflows of Resources related to the pension plan are not reported in the funds. | 7,505,714 |
| Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds. | (2,828,590) |
| Deferred Inflows of Resources related to the OPEB plan are not reported in the funds. | (210,351) |
| Deferred Outflows of Resources related to the OPEB plan are not reported in the funds. | 223,213 |
| Net position of governmental activities | \$ <u>(19,727,289)</u> |

The accompanying notes are an integral part of this statement.

This page was left blank intentionally.

ITAWAMBA COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | General Fund | School Food Service Fund |
|---|---------------------|--------------------------------|
| Revenues: | | |
| Local sources | \$ 6,360,333 | \$ 387,543 |
| Increase in fair market value | -- | -- |
| State sources | 17,730,039 | 19,918 |
| Federal sources | 179,419 | 1,516,680 |
| Total Revenues | <u>24,269,791</u> | <u>1,924,141</u> |
| Expenditures: | | |
| Instruction | 16,472,876 | -- |
| Support services | 7,813,538 | 120,863 |
| Noninstructional services | -- | 1,909,044 |
| Debt service: | | |
| Principal | 120,095 | -- |
| Interest | 24,819 | -- |
| Total Expenditures | <u>24,431,328</u> | <u>2,029,907</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (161,537) | (105,766) |
| Other Financing Sources (Uses): | | |
| Payment into QSCB escrow agent | -- | -- |
| Payment to QSCB debt escrow agent | -- | -- |
| Operating transfers in | 175,537 | 111,480 |
| Operating transfers out | (407,479) | -- |
| Total Other Financing Sources (Uses) | <u>(231,942)</u> | <u>111,480</u> |
| Net Change in Fund Balances | <u>(393,479)</u> | <u>5,714</u> |
| Fund Balances: | | |
| July 1, 2018, as previously reported | 1,924,384 | -- |
| Prior period adjustments | 504,229 | (258) |
| July 1, 2018, as restated | <u>2,428,613</u> | <u>(258)</u> |
| Increase (decrease) in inventory | -- | (5,250) |
| June 30, 2019 | <u>\$ 2,035,134</u> | <u>\$ 206</u> |

The accompanying notes are an integral part of this statement.

| Title I - A Basic Fund | QSCB Sinking Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------|-------------------------|--------------------------------|--------------------------------|
| \$ -- | \$ -- | \$ 1,094,422 | \$ 7,842,298 |
| -- | 95,928 | -- | 95,928 |
| -- | -- | 792,042 | 18,541,999 |
| 1,156,196 | -- | 1,099,287 | 3,951,582 |
| <u>1,156,196</u> | <u>95,928</u> | <u>2,985,751</u> | <u>30,431,807</u> |
| 727,466 | -- | 1,226,056 | 18,426,398 |
| 389,217 | 1,950 | 562,300 | 8,887,868 |
| 39,513 | -- | -- | 1,948,557 |
| -- | -- | 990,000 | 1,110,095 |
| -- | 24,133 | 86,972 | 135,924 |
| <u>1,156,196</u> | <u>26,083</u> | <u>2,865,328</u> | <u>30,508,842</u> |
| -- | 69,845 | 120,423 | (77,035) |
| -- | 200,000 | -- | 200,000 |
| -- | (200,000) | -- | (200,000) |
| -- | 226,083 | 69,916 | 583,016 |
| -- | -- | (175,537) | (583,016) |
| <u>--</u> | <u>226,083</u> | <u>(105,621)</u> | <u>--</u> |
| -- | 295,928 | 14,802 | (77,035) |
| 109,782 | 1,411,340 | 1,893,619 | 5,339,125 |
| (109,782) | -- | (279,228) | 114,961 |
| -- | 1,411,340 | 1,614,391 | 5,454,086 |
| -- | -- | -- | (5,250) |
| <u>\$ --</u> | <u>\$ 1,707,268</u> | <u>\$ 1,629,193</u> | <u>\$ 5,371,801</u> |

ITAWAMBA COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019*

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ (77,035) |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 61,258 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (1,059,837) |
| Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds. | (4,691) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 660,000 |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. | 120,095 |
| Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA. | 330,000 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | 20,644 |
| Change in inventory affects fund balance in the funds but expense in the SOA. | (5,250) |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | (18,885) |
| Entity's porportion of the contribution to the Plan. | 3,816 |
| Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL. | 2,922,240 |
| Pension expense relating to GASB 68 is recorded in the SOA but not in the funds. | (4,031,063) |
| Implicit rate subsidy fluctuation. | 1,076 |
| Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period. | 126,379 |
| OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds. | (159,838) |
| Change in net position of governmental activities | \$ <u>(1,111,091)</u> |

The accompanying notes are an integral part of this statement.

ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

| | Agency Funds |
|---------------------------|-------------------|
| Assets | |
| Cash and cash equivalents | \$ 102,118 |
| Total Assets | <u>\$ 102,118</u> |
| Liabilities | |
| Due to student clubs | \$ 102,118 |
| Total Liabilities | <u>\$ 102,118</u> |

The accompanying notes are an integral part of this statement.

Itawamba County School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

Itawamba County School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

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, Itawamba 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, deferred outflows, liabilities, and deferred inflows 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.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for the revenues and related expenditures of the Child Nutrition Cluster.

Title I - A Basic Fund - This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local education agencies programs for the 2019 fiscal year.

QSCB Sinking Fund - This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's Qualified School Construction Bond issue.

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

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

The District's fiduciary funds include the following:

Student Club Funds - 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.

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.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are 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.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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*, 2014, 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. Encumbrances outstanding at year-end are reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bonds 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.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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 governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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. The school district have deferred outflows which are presented as deferred outflows for pension and OPEB.

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

See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

method that approximates the effective interest method.

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

10. Pensions

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

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. 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

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the school board. Currently there is no committed fund balance for this school district.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 7% of district maintenance revenues.

Itawamba County School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits 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 \$4,284,367 and \$102,118, 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

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

have a deposit policy for custodial credit risk. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$5,712,935 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$618.

Investments

As of June 30, 2019, the district had the following investments.

| Investment Type | Rating | Maturities (in years) | Fair Value |
|--|--------|-----------------------|---------------------|
| QSCB Construction Bonds Common Trust Fund 2012- A | AAA | More than 5 years | \$ <u>1,706,651</u> |

The district categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2019:

Level 1 type of investments of \$1,706,651 are valued using quoted market prices (Level 1 inputs)

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.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

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

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

| Receivable Fund | Payable Fund | | Amount |
|--------------------------|--------------------------|----|----------------|
| General Fund | School Food Service Fund | \$ | 313,251 |
| | Title I - A Basic Fund | | 247,161 |
| | Other Governmental Funds | | 94,173 |
| School Food Service Fund | General Fund | | 114,615 |
| Total | | \$ | <u>769,200</u> |

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

B. Inter-fund Transfers

| Transfers In | Transfers Out | | Amount |
|--------------------------|--------------------------|----|----------------|
| General Fund | Other Governmental Funds | \$ | 175,537 |
| School Food Service Fund | General Fund | | 111,480 |
| QSCB Sinking Fund | General Fund | | 226,083 |
| Other Governmental Funds | General Fund | | 69,916 |
| Total | | \$ | <u>583,016</u> |

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

Itawamba County School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 4 - Restricted Assets

The restricted assets represent the cash with fiscal agent balance, totaling \$1 of the MAEP Bonds Capitalized Interest Fund. In addition, the restricted assets represent the cash with fiscal agents and investment balance totaling \$617 and \$1,706,651, respectively, of the QSCB Sinking Fund.

Note 5 - Capital Assets

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

| | Balance 7-1-2018 | Additions | Retirements | Balance 6-30-2019 |
|---|---------------------|-----------|-------------|----------------------|
| <u>Non-depreciable capital assets:</u> | | | | |
| Land | \$ 1,161,634 | | | 1,161,634 |
| Total non-depreciable capital assets | 1,161,634 | 0 | 0 | 1,161,634 |
| <u>Depreciable capital assets:</u> | | | | |
| Buildings | 37,080,665 | | | 37,080,665 |
| Building improvements | 1,015,042 | | | 1,015,042 |
| Improvements other than buildings | 1,849,373 | | | 1,849,373 |
| Mobile equipment | 5,072,710 | | | 5,072,710 |
| Furniture and equipment | 1,126,186 | 61,258 | 82,368 | 1,105,076 |
| Total depreciable capital assets | 46,143,976 | 61,258 | 82,368 | 46,122,866 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings | 14,629,858 | 694,366 | | 15,324,224 |
| Building improvements | 292,060 | 40,602 | | 332,662 |
| Improvements other than buildings | 997,048 | 42,647 | | 1,039,695 |
| Mobile equipment | 3,457,246 | 213,519 | | 3,670,765 |
| Furniture and equipment | 917,482 | 68,703 | 77,677 | 908,508 |
| Total accumulated depreciation | 20,293,694 | 1,059,837 | 77,677 | 21,275,854 |
| Total depreciable capital assets, net | 25,850,282 | (998,579) | 4,691 | 24,847,012 |
| Governmental activities capital assets, net | \$ 27,011,916 | (998,579) | 4,691 | 26,008,646 |

Depreciation expense was charged to the following governmental functions:

| | Amount |
|----------------------------|--------------|
| Instruction | \$ 741,886 |
| Support services | 211,967 |
| Non-instructional | 105,984 |
| Total depreciation expense | \$ 1,059,837 |

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 6 - Long-term liabilities

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

| | Balance 7-1-2018 | Additions | Reductions | Balance 6-30-2019 | Amounts due within one year |
|--|---------------------|-----------|------------|----------------------|-----------------------------------|
| A. General obligation bonds payable | \$ 660,000 | | 660,000 | 0 | |
| B. Three mill notes payable | 1,559,000 | | 330,000 | 1,229,000 | 335,000 |
| C. Obligations under capital leases | 912,461 | | 120,095 | 792,366 | 123,362 |
| D. Qualified school construction bonds | 2,873,000 | | | 2,873,000 | |
| E. Compensated absences payable | 360,961 | 18,885 | | 379,846 | |
| Total | \$ 6,365,422 | 18,885 | 1,110,095 | 5,274,212 | 458,362 |

A. General obligation bonds payable

This debt was paid off and retired from the Bond Issue Retirement Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------------|------------------|---------------|------------------|------------------|-----------------------|
| Limited tax note, Series 2009 | 3.97% | 07-15-08 | 07-15-23 | \$ 3,500,000 | 1,229,000 |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|--------------|----------|-----------|
| 2020 | \$ 335,000 | 48,791 | 383,791 |
| 2021 | 229,000 | 35,492 | 264,492 |
| 2022 | 225,000 | 26,400 | 251,400 |
| 2023 | 222,000 | 17,468 | 239,468 |
| 2024 | 218,000 | 8,655 | 226,655 |
| Total | \$ 1,229,000 | 136,806 | 1,365,806 |

This debt will be retired from the Three Mill Notes Debt Retirement Fund.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

C. Obligations under capital leases payable

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$1,254,000. This lease qualifies as a capital lease for accounting purposes.

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------|---------------|------------|---------------|---------------------|--------------------|
| Buses | 2.72% | 12-15-14 | 12-15-24 | \$ <u>1,254,000</u> | <u>792,366</u> |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|---------------|----------------|
| 2020 | \$ 123,362 | 21,552 | 144,914 |
| 2021 | 126,717 | 18,197 | 144,914 |
| 2022 | 130,164 | 14,750 | 144,914 |
| 2023 | 133,704 | 11,210 | 144,914 |
| 2024 | 137,341 | 7,573 | 144,914 |
| 2025 | <u>141,078</u> | <u>3,837</u> | <u>144,915</u> |
| Total | \$ <u>792,366</u> | <u>77,119</u> | <u>869,485</u> |

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund.

D. Qualified school constructions bonds payable

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

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--|---------------|------------|---------------|---------------------|--------------------|
| Qualified school construction bonds, Series 2010 | 0.84% | 01-15-10 | 09-15-24 | \$ <u>3,000,000</u> | <u>2,873,000</u> |

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

| Year Ending June 30 | | Principal | Interest | Total |
|------------------------|----|-----------|----------|-----------|
| 2020 | \$ | | 9,163 | 9,163 |
| 2021 | | | 10,209 | 10,209 |
| 2022 | | | 11,260 | 11,260 |
| 2023 | | | 12,317 | 12,317 |
| 2024 | | | 13,378 | 13,378 |
| 2025 | | 2,873,000 | 0 | 2,873,000 |
| Total | \$ | 2,873,000 | 56,327 | 2,929,327 |

E. Compensated absences payable

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

Note 7 - 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 is available at www.pers.ms.gov.

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 district. 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 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

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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.

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, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018, and 2017, were \$2,922,240, \$2,769,444, and \$2,584,501, 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, 2019, the school district reported a liability of \$45,799,052 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.275351 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.019554 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$4,031,063. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 43,736 | \$ |
| Change of assumptions | 25,104 | 24,792 |
| Net difference between projected and actual earnings on pension plan investments | | 823,848 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 4,514,634 | 3,674,028 |
| District contributions subsequent to the measurement date | 2,922,240 | |
| Total | <u>\$ 7,505,714</u> | <u>\$ 4,522,668</u> |

\$2,922,240 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, 2020. 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 Ending June 30: | |
| 2020 | \$ 93,483 |
| 2021 | 444,788 |
| 2022 | (271,501) |
| 2023 | (205,964) |
| Total | <u>\$ 60,806</u> |

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.25 – 18.50 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimates ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|---|
| U.S. Broad | 27.00% | 4.60% |
| International Equity | 18.00% | 4.50% |
| Emerging Markets Equity | 4.00% | 4.75% |
| Global | 12.00% | 4.75% |
| Fixed Income | 18.00% | 0.75% |
| Real Estate | 10.00% | 3.50% |
| Private Equity | 8.00% | 5.10% |
| Emerging Debt | 2.00% | 2.25% |
| Cash | 1.00% | 0.00% |
| Total | 100% | |

Discount rate. The discount rate used to measure the total pension liability was 7.75 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 (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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 members. 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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 60,304,209 | \$ 45,799,052 | \$ 33,743,351 |

Itawamba County School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

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 8 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$126,379 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the District reported a liability of \$2,952,211 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.38164454 percent. This was an increase of 0.00321781 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$159,838. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|----|---|--|
| Differences between expected and actual experience | \$ | 6,011 | \$ |
| Change of assumptions | | | 210,351 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | | 90,823 | |
| District contributions subsequent to the measurement date | | 126,379 | |
| Total | \$ | <u>223,213</u> | <u>210,351</u> |

\$126,379 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30: | | |
|----------------------|----|------------------|
| 2020 | \$ | (22,602) |
| 2021 | | (22,602) |
| 2022 | | (22,602) |
| 2023 | | (22,602) |
| 2024 | | (18,945) |
| Thereafter | | (4,164) |
| Total | \$ | <u>(113,517)</u> |

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|--|
| Inflation | 3.00 percent |
| Salary increases | 3.25 - 18.50 percent, including wage inflation |
| Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation | 4.50% |
| Municipal Bond Index Rate | |
| Measurement Date | 3.89% |
| Prior Measurement Date | 3.56% |
| Year FNP is projected to be depleted | |
| Measurement Date | 2018 |
| Prior Measurement Date | 2017 |
| Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation | |
| Measurement Date | 3.89% |
| Prior Measurement Date | 3.56% |

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Health Care Cost Trends

| | |
|----------------------------|--|
| Medicare Supplement Claims | 7.25 percent for 2018 decreasing to an |
| Pre-Medicare | ultimate rate of 4.75% by 2028 |

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage point higher (4.89 percent) than the current discount rate:

| | | 1% Decrease (2.89%) | | Discount Rate (3.89%) | | 1% Increase (4.89%) |
|--------------------|----|------------------------|----|--------------------------|----|------------------------|
| Net OPEB liability | \$ | 3,272,453 | \$ | 2,952,211 | \$ | 2,676,794 |

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | | 1% Decrease | Healthcare Cost Trend Rates Current | | 1% Increase |
|--------------------|----|-------------|---|-----------|--------------|
| Net OPEB liability | \$ | 2,734,724 | \$ | 2,952,211 | \$ 3,199,216 |

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 9 - 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 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.

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

Note 11 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2019 was \$1,707,268. The amount accumulated in the sinking fund at the end of the fourteen-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 |
|------------------------|----|------------------|
| 2020 | \$ | 200,000 |
| 2021 | | 200,000 |
| 2022 | | 200,000 |
| 2023 | | 200,000 |
| 2024 | | 200,000 |
| 2025 | | 310,976 |
| Total | \$ | <u>1,310,976</u> |

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 12 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

| <u>Explanation(s)</u> | <u>Amount</u> |
|-----------------------|--------------------------|
| See explanation below | \$ <u><u>114,961</u></u> |

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

| <u>Fund</u> | <u>Explanation</u> | <u>Amount</u> |
|--------------------------|---|--------------------------|
| General Fund | To correct fets | \$ (32,707) |
| General Fund | Title I adjustments | 313,410 |
| General Fund | Prior adjustment | 43,783 |
| General Fund | Loan payback prior period | 235,582 |
| General Fund | Title I adjustments | (55,839) |
| School Food Service Fund | Erroneously recorded in wrong fund in prior year. | (258) |
| Title I - A Basic Fund | Prior adjustment | (109,782) |
| Other Governmental Funds | Loan not paid back in general ledger but was in bank statement. | (279,228) |
| Total | | \$ <u><u>114,961</u></u> |

Note 13 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$44,147,615) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,922,240 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$4,583,474 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$44,147,615) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,522,668 balance of deferred inflow of resources, at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Itawamba County School District

Notes to the Financial Statements For the Year Ended June 30, 2019

The unrestricted net position amount of (\$44,147,615) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$126,379 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. The \$96,834 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$44,147,615) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$210,351 balance of deferred inflow of resources at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Itawamba County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2019

Exhibit 1

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|-------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local sources | \$ 6,482,761 | 6,360,334 | 6,360,333 | (122,427) | (1) |
| State sources | 17,696,454 | 17,730,038 | 17,730,039 | 33,584 | 1 |
| Federal sources | 142,560 | 179,419 | 179,419 | 36,859 | - |
| Total Revenues | 24,321,775 | 24,269,791 | 24,269,791 | (51,984) | - |
| Expenditures: | | | | | |
| Instruction | 16,887,562 | 16,472,874 | 16,472,876 | 414,688 | (2) |
| Support services | 7,644,744 | 7,803,201 | 7,813,538 | (158,457) | (10,337) |
| Facilities acquisition and construction | | 10,339 | | (10,339) | 10,339 |
| Debt service: | | | | | |
| Principal | 120,096 | 120,095 | 120,095 | 1 | - |
| Interest | 24,819 | 24,819 | 24,819 | - | - |
| Other | 3,200 | - | - | 3,200 | - |
| Total Expenditures | 24,680,421 | 24,431,328 | 24,431,328 | 249,093 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (358,646) | (161,537) | (161,537) | 197,109 | - |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers in | 3,371,883 | 3,453,541 | 175,537 | 81,658 | (3,278,004) |
| Operating transfers out | (3,480,161) | (3,718,191) | (407,479) | (238,030) | 3,310,712 |
| Total Other Financing Sources (Uses) | (108,278) | (264,650) | (231,942) | (156,372) | 32,708 |
| Net Change in Fund Balances | (466,924) | (426,187) | (393,479) | 40,737 | 32,708 |
| Fund Balances: | | | | | |
| July 1, 2018, as previously reported | 3,035,328 | 2,117,491 | 1,924,384 | (917,837) | (193,107) |
| Prior period adjustments | - | 536,937 | 504,229 | 536,937 | (32,708) |
| July 1, 2018, as restated | 3,035,328 | 2,654,428 | 2,428,613 | (380,900) | (225,815) |
| June 30, 2019 | \$ 2,568,404 | 2,228,241 | 2,035,134 | (340,163) | (193,107) |

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

ITAWAMBA COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

School Food Service Fund

For the Year Ended June 30, 2019

Exhibit 2

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|------------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues: | | | | | |
| Local sources | \$ 386,527 | 387,542 | 387,543 | 1,015 | 1 |
| State sources | | 19,918 | 19,918 | 19,918 | - |
| Federal sources | 1,430,554 | 1,516,675 | 1,516,680 | 86,121 | 5 |
| Total Revenues | <u>1,817,081</u> | <u>1,924,135</u> | <u>1,924,141</u> | <u>107,054</u> | <u>6</u> |
| Expenditures: | | | | | |
| Support services | 118,752 | 120,862 | 120,863 | (2,110) | (1) |
| Noninstructional services | 1,698,329 | 1,914,295 | 1,909,044 | (215,966) | 5,251 |
| Total Expenditures | <u>1,817,081</u> | <u>2,035,157</u> | <u>2,029,907</u> | <u>(218,076)</u> | <u>5,250</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>(111,022)</u> | <u>(105,766)</u> | <u>(111,022)</u> | <u>5,256</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers in | | 111,480 | 111,480 | 111,480 | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>111,480</u> | <u>111,480</u> | <u>111,480</u> | <u>-</u> |
| Net Change in Fund Balances | <u>-</u> | <u>458</u> | <u>5,714</u> | <u>458</u> | <u>5,256</u> |
| Fund Balances: | | | | | |
| July 1, 2018, as previously reported | - | (258) | - | (258) | 258 |
| Prior period adjustments | | - | (258) | - | (258) |
| July 1, 2018, as restated | <u>-</u> | <u>(258)</u> | <u>(258)</u> | <u>(258)</u> | <u>-</u> |
| Increase (decrease in inventory) | <u>-</u> | <u>-</u> | <u>(5,250)</u> | <u>-</u> | <u>(5,250)</u> |
| June 30, 2019 | <u>\$ -</u> | <u>200</u> | <u>206</u> | <u>200</u> | <u>6</u> |

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

ITAWAMBA COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I - A Basic Fund

For the Year Ended June 30, 2019

Exhibit 3

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|-----------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues: | | | | | |
| Federal sources | \$ 1,078,429 | 1,102,344 | 1,156,196 | 23,915 | 53,852 |
| Total Revenues | 1,078,429 | 1,102,344 | 1,156,196 | 23,915 | 53,852 |
| Expenditures: | | | | | |
| Instruction | 541,250 | 782,942 | 727,466 | (241,692) | 55,476 |
| Support services | 506,537 | 288,244 | 389,217 | 218,293 | (100,973) |
| Noninstructional services | 30,642 | 31,158 | 39,513 | (516) | (8,355) |
| Total Expenditures | 1,078,429 | 1,102,344 | 1,156,196 | (23,915) | (53,852) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - | - |
| Net Change in Fund Balances | - | - | - | - | - |
| Fund Balances: | | | | | |
| July 1, 2018, as previously reported | - | - | 109,782 | - | 109,782 |
| Prior period adjustments | | | (109,782) | - | (109,782) |
| July 1, 2018, as restated | - | - | - | - | - |
| June 30, 2019 | \$ - | - | - | - | - |

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

Itawamba County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|------------|------------|------------|------------|
| District's proportionate share of the net pension liability | \$ 45,799,052 | 42,522,143 | 48,204,448 | 41,736,676 | 31,559,240 |
| District's proportion of the net pension liability | 0.275351% | 0.255797% | 0.269864% | 0.266604% | 0.258078% |
| District's covered payroll | 17,583,771 | 16,409,530 | 17,263,879 | 16,655,905 | 15,769,911 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 260.46% | 259.13% | 279.22% | 250.58% | 200.12% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

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.

Itawamba County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 2,922,240 | 2,769,444 | 2,584,501 | 2,719,061 | 2,623,305 |
| Contributions in relation to the contractually required contribution | 2,922,240 | 2,769,444 | 2,584,501 | 2,719,061 | 2,623,305 |
| Contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered payroll | 18,553,905 | 17,583,771 | 16,409,530 | 17,263,879 | 16,655,905 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

Itawamba County School District

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

| | 2019 | 2018 |
|---|--------------|---------------|
| District's proportionate share of the net OPEB liability | \$ 2,952,211 | 2,969,170 |
| District's proportion of the net OPEB liability | 0.38164454% | 0.37842673% |
| District's covered-employee payroll | 17,261,523 | 17,001,672 ** |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 17.10% | 17.46% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.13% | 0.00% |

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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

Itawamba County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

| | 2019 | 2018 | |
|---|------------|------------|----|
| Actuarially determined contribution | \$ 126,379 | 126,580 | ** |
| Contributions in relation to the actuarially determined contribution | 126,379 | 126,580 | ** |
| Contribution deficiency (excess) | \$ - | - | |
| District's covered-employee payroll | 15,916,655 | 16,248,746 | |
| Contributions as a percentage of covered-employee payroll | 0.79% | 0.78% | |

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Itawamba County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

Itawamba County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 36.6 years |
| Asset valuation method | 5-year smoothed market |
| Price Inflation | 3.00 percent |
| Salary increase | 3.75 percent to 19.00 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

OPEB Schedules

(1) *Changes of assumptions*

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None

Itawamba County School District

Notes to the Required Supplementary Information (Continued)
For the Year Ended June 30, 2019

2018:

None

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

| | |
|--|-------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Amortization period | 30 years, open |
| Asset valuation method | Market Value of Assets |
| Price Inflation | 3% |
| Salary increases, including wage inflation | 3.25% percent to 18.50% |
| Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare | 7.75% |
| Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare | 5.00% |
| Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare | 2023 |
| Long-term investment rate of return, net of pension plan investment expense, including price inflation | 3.56% |

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

| Federal Grantor/ Pass-through Grantor/ Program Title/ | Pass-through Entity Identifying Numbers | Catalog of Federal Domestic Assistance No. | Federal Expenditures |
|--|--|--|-------------------------|
| <u>U. S. Department of Agriculture</u> | | | |
| Passed-through the Mississippi Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 185MS326N1099 | 10.553 | \$ 382,759 |
| National School Lunch Program | 185MS326N1099 | 10.555 | 1,133,921 |
| Total Child Nutrition Cluster | | | 1,516,680 |
| Total passed-through the Mississippi Department of Education | | | 1,516,680 |
| Total U.S. Department of Agriculture | | | 1,516,680 |
| <u>U. S. Department of Education</u> | | | |
| Passed-through the Mississippi Department of Education: | | | |
| Title I Grants to Local Educational Agencies | ES010A170024 | 84.010 | 1,156,196 |
| Career and Technical Education - Basic Grants to States | V048A170024 | 84.048 | 30,300 |
| Rural Education | ES358B170024 | 84.358 | 106,915 |
| English Language Acquisition State Grants | ES365A180024 | 84.365 | 742 |
| Supporting Effective Instruction State Grants | ES367A180023 | 84.367 | 57,682 |
| Student Support and Academic Enrichment Program | ES424A170025 | 84.424 | 24,663 |
| Subtotal | | | 1,376,498 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | H027A170108 | 84.027 | 850,376 |
| Positive Behavior Specialists | H027A170108 | 84.027A | 8,277 |
| Special Education - Preschool Grants | H173A170113 | 84.173 | 51,713 |
| Total Special Education Cluster | | | 910,366 |
| Total passed-through the Mississippi Department of Education | | | 2,286,864 |
| Total U.S. Department of Education | | | 2,286,864 |
| <u>U. S. Department of Health and Human Services</u> | | | |
| Passed-through the Mississippi Department of Education: | | | |
| Medical Assistance Program | 1805MS5ADM | 93.778 | 41,683 |
| Total passed-through the Mississippi Department of Education | | | 41,683 |
| Total U.S. Department of Health and Human Services | | | 41,683 |
| Total for All Federal Awards | | | \$ 3,845,227 |

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

Itawamba County School District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$102,333 are included in the National School Lunch Program.

ITAWAMBA COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2019

| Expenditures | Total | Instruction and Other Student Instructional Expenditures | General Administration | School Administration | Other |
|---------------------------------|-------------------|---|-----------------------------------|----------------------------------|------------------|
| Salaries and fringe benefits \$ | 23,802,486 | 19,210,788 | 793,593 | 1,690,513 | 2,107,592 |
| Other | 6,706,356 | 1,622,531 | 380,761 | 135,540 | 4,567,524 |
| Total \$ | <u>30,508,842</u> | <u>20,833,319</u> | <u>1,174,354</u> | <u>1,826,053</u> | <u>6,675,116</u> |
| | | | | | |
| Total number of students * | <u>3,249</u> | | | | |
| | | | | | |
| Cost per student \$ | <u>9,390</u> | <u>6,412</u> | <u>361</u> | <u>562</u> | <u>2,055</u> |

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

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

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

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

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

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

OTHER INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

| | 2019 | 2018* | 2017* | 2016* |
|--|---------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Local sources | \$ 6,360,333 | 6,323,597 | 6,061,408 | 6,235,039 |
| State sources | 17,730,039 | 18,396,467 | 18,702,983 | 18,144,227 |
| Federal sources | 179,419 | 210,604 | 274,414 | 468,741 |
| Total Revenues | <u>24,269,791</u> | <u>24,930,668</u> | <u>25,038,805</u> | <u>24,848,007</u> |
| Expenditures: | | | | |
| Instruction | 16,472,876 | 16,648,066 | 16,905,792 | 16,413,825 |
| Support services | 7,813,538 | 7,860,254 | 7,850,327 | 7,976,265 |
| Facilities acquisition and construction | - | - | - | 83,414 |
| Debt service: | | | | |
| Principal | 120,095 | 216,915 | 403,819 | 385,805 |
| Interest | 24,819 | 32,899 | 45,330 | 85,915 |
| Other | - | 3,350 | 3,140 | 3,140 |
| Total Expenditures | <u>24,431,328</u> | <u>24,761,484</u> | <u>25,208,408</u> | <u>24,948,364</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>(161,537)</u> | <u>169,184</u> | <u>(169,603)</u> | <u>(100,357)</u> |
| Other Financing Sources (Uses): | | | | |
| Insurance recovery | - | 2,988 | 9,796 | 4,537 |
| Sale of other property | - | - | 12,090 | - |
| Operating transfers in | 175,537 | - | - | 5,617 |
| Operating transfers out | (407,479) | (434,489) | (577,351) | (678,055) |
| Total Other Financing Sources (Uses) | <u>(231,942)</u> | <u>(431,501)</u> | <u>(555,465)</u> | <u>(667,901)</u> |
| Net Change in Fund Balances | <u>(393,479)</u> | <u>(262,317)</u> | <u>(725,068)</u> | <u>(768,258)</u> |
| Fund Balances: | | | | |
| Beginning of period, as previously reported | 1,924,384 | 2,308,808 | 3,033,876 | 3,802,134 |
| Prior period adjustments | 504,229 | (122,107) | - | - |
| Beginning of period, as restated | <u>2,428,613</u> | <u>2,186,701</u> | <u>3,033,876</u> | <u>3,802,134</u> |
| Ending of period | <u>\$ 2,035,134</u> | <u>1,924,384</u> | <u>2,308,808</u> | <u>3,033,876</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

ITAWAMBA COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

| | 2019 | 2018* | 2017* | 2016* |
|--|---------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Local sources | \$ 7,842,298 | 7,801,978 | 7,608,903 | 7,751,823 |
| Increase (decrease) in fair market value | 95,928 | (12,850) | - | - |
| State sources | 18,541,999 | 19,668,493 | 19,937,892 | 19,304,722 |
| Federal sources | 3,951,582 | 3,920,785 | 3,769,753 | 3,855,361 |
| Total Revenues | <u>30,431,807</u> | <u>31,378,406</u> | <u>31,316,548</u> | <u>30,911,906</u> |
| Expenditures: | | | | |
| Instruction | 18,426,398 | 18,612,482 | 18,784,657 | 18,264,201 |
| Support services | 8,887,868 | 8,831,834 | 8,628,907 | 8,745,767 |
| Noninstructional services | 1,948,557 | 1,929,981 | 2,098,608 | 1,969,276 |
| Facilities acquisition and construction | - | - | - | 83,414 |
| Debt service: | | | | |
| Principal | 1,110,095 | 1,911,657 | 1,786,027 | 1,981,664 |
| Interest | 135,924 | 132,472 | 257,055 | 410,672 |
| Other | - | 6,843 | 4,490 | 6,340 |
| Total Expenditures | <u>30,508,842</u> | <u>31,425,269</u> | <u>31,559,744</u> | <u>31,461,334</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>(77,035)</u> | <u>(46,863)</u> | <u>(243,196)</u> | <u>(549,428)</u> |
| Other Financing Sources (Uses): | | | | |
| Insurance recovery | - | 2,988 | 9,796 | 4,537 |
| Payment into QSCB escrow agent | 200,000 | 200,000 | 200,000 | - |
| Payment to QSCB debt escrow agent | (200,000) | (200,000) | (200,000) | - |
| Sale of other property | - | - | 12,090 | - |
| Operating transfers in | 583,016 | 434,489 | 577,351 | 937,438 |
| Operating transfers out | <u>(583,016)</u> | <u>(434,489)</u> | <u>(577,351)</u> | <u>(937,438)</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>2,988</u> | <u>21,886</u> | <u>4,537</u> |
| Net Change in Fund Balances | <u>(77,035)</u> | <u>(43,875)</u> | <u>(221,310)</u> | <u>(544,891)</u> |
| Fund Balances: | | | | |
| Beginning of period, as previously reported | 5,339,125 | 5,515,782 | 5,754,486 | 6,341,249 |
| Prior period adjustment | 114,961 | (161,263) | - | - |
| Beginning of period, as restated | <u>5,454,086</u> | <u>5,354,519</u> | <u>5,754,486</u> | <u>6,341,249</u> |
| Increase (decrease) in inventory | <u>(5,250)</u> | <u>28,481</u> | <u>(17,394)</u> | <u>(41,872)</u> |
| Ending of period | <u>\$ 5,371,801</u> | <u>5,339,125</u> | <u>5,515,782</u> | <u>5,754,486</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Itawamba County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Itawamba County School District's basic financial statements, and have issued our report thereon dated January 19, 2020. Our report includes a qualified opinion on the General Fund and Title I - A Basic Fund due to transferred funds from Title I - A Basic Fund to District Maintenance Fund as a prior period adjustment that increased fund balance without supporting documentation.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-001 and 2019-002 to be material weaknesses.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Itawamba County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2019-001 and 2019-002.

Itawamba County School District's Responses to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 19, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Itawamba County School District

Report on Compliance for Each Major Federal Program

We have audited Itawamba County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Itawamba County School District's major federal programs for the year ended June 30, 2019. The Itawamba County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Itawamba County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination on the school district's compliance.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying schedule of findings and questioned costs, the Itawamba County School District did not comply with requirements regarding Title I Grants to Local Educational Agencies CFDA# 84.010 as described in finding number 2019-004 for Activities Allowed/Unallowed. Compliance with such requirements is necessary, in our opinion, for the Itawamba County School District to comply with the requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Itawamba 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 Title I Grants to Local Educational Agencies for the year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Itawamba 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 the Child Nutrition Cluster identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Itawamba County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Itawamba 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2019-004 to be a material weakness.

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.

The Itawamba County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Itawamba County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 19, 2020

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2019, which collectively comprise Itawamba County School District's basic financial statements and have issued our report thereon dated January 19, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report differed from the standard report because of a scope limitation due to a qualified opinion on the General Fund and Title I - A Basic Fund due to transferred funds from Title I - A Basic Fund to District Maintenance Fund as a prior period adjustment that increased fund balance without supporting documentation.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1:

Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the official name of the public depositor, federal tax identification number, and provide a list of all bank accounts that are held by that depositor, including the deposit balance in those accounts no later than 30 days following its fiscal year end.

Condition:

The school district failed to file the Public Depositor's Annual Report with the State Treasurer by the required date.

Cause:

The school district did not have a system in place to ensure compliance with Section 27-105-5, Miss. Code Ann. (1972).

Effect:

It could result in the school district not being protected through a collateral pool administered by the State Treasurer.

Recommendation:

We recommend that the district comply with Section 27-105-5, Miss. Code Ann. (1972), by reporting all depository institutions and depository accounts on the State Treasurer's Collateral Sufficiency Report no later than 30 days following its fiscal year end.

Response:

I have included in my June listing of items to complete is to do this as soon as receive the statement from the bank which is usually within the first 2 weeks of the following month which will insure that it will be completed within the 30 days.

Finding 2:

Criteria:

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

Condition:

During our testing of retired personnel, we noted seven out of ten Form 4Bs were not filed with the PERS office within five (5) days of re-employment.

Cause:

The school district failed to comply with Section 25-11-127, Miss. Code Ann. (1972).

Effect:

The retirees' retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment and within five days of termination of the service retiree.

Recommendation:

PERS Form 4B must be properly completed and submitted to the PERS office within five (5) days from the date of re-employment and employees must not be paid in excess of the maximum amount allowed.

Response:

The law states that PERS shall be given notice of reemployment of retired persons within five (5) days of their date of employment. The Itawamba County School District uses some retired teachers as substitute teachers and employs two retired teachers in part-time positions. Each year, the payroll clerk diligently inquires from all of these people whether they are returning to teach part-time or substitute, as the case may be, in the fall. For the ones who are, she collects the requisite PERS Form 4B and submits them to PERS prior to the beginning of school starting but after the school year has started.

The Effect listed in Finding 2 on page 87 states that "the retirees' retirement income could be affected by the district not filing PERS Form 4B upon reemployment of PERS service retirees each year" (emphasis added). This is not what is happening, and is not possible under the facts at hand. It is not that these Forms are not being filed. The payroll clerk is being proactive and filing them early. If the payroll clerk waits until the retired teacher works his/her first day in the school year as a substitute teacher before filing the PERS Form 4B, there is a good chance that she might then inadvertently not get it filed "within (5) days of the date of employment" since she might not even know that the substitute has been called to work until after that five days. The payroll clerk has simply been trying to be diligent and file these Forms early and not run the risk of filing them late.

Additionally, an argument can be made that these forms are being filed "within five (5) day of reemployment" since they are not being filed after this five day period but are in fact being filed before.

Finding 3:

Criteria:

Section 37-9-17, Miss. Code Ann. (1972) states on or before April 1 of each year, the principal of each school shall recommend to the superintendent of the school district the licensed employees or noninstructional employees to be employed for the school involved with the exception of those licensed employees or noninstructional employees who have been previously employed and who have a contract valid for the ensuring scholastic year. If the superintendent approve of the recommendation, the superintendent shall recommend the employment of such licensed employees

or noninstructional employees to the school board, and, unless good reason to the contrary exists, the board shall elect the employees recommended.

Condition:

During the test work of payroll, it was noted that staff was not recommended for fiscal year 2019 and approved by the board.

Cause:

Auditee was unaware of regulation.

Effect:

The district was not in compliance with the Section 37-9-17, Miss. Code Ann. (1972).

Recommendation:

We recommend that the school district comply with Section 37-9-17, Miss. Code Ann. (1972), and ensure all licensed and noninstructional employees are hired after the approval from the school board.

Response:

The District is aware of Section 37-9-17, Miss. Code Ann. (1972) and read it in conjunction with Section 37-9-105, Miss Code Ann. (1972) which is interpreted by case law and the Attorney General that if a licensed teacher is not given written notice of nonrenewal by April 15 or before the expiration of 10 days after the Governor signs the budget, then they are automatically renewed without any further action of the Board.

The Superintendent normally does officially recommend all employees to the Board, but in fiscal year 2019 took the position that it was not necessary in light of Section 37-9-105, Miss Code Ann. (1972), due to the automatic renewal. In light of the questionable reading of these statutes together, the District will ensure that in the future it will always formally make the recommendations to the Board under of Section 37-9-17, Miss. Code Ann. (1972), for each fiscal year.

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

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

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

other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 19, 2020

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Itawamba County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

| | |
|--------------------------------------|------------|
| Governmental Activities | Unmodified |
| General Fund | Qualified |
| School Food Service Fund | Unmodified |
| Title I - A Basic Fund | Qualified |
| QSCB Sinking Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

2. Internal control over financial reporting:

- a. Material weakness(es) identified? Yes.
- b. Significant deficiency(ies) identified? Yes.

3. Noncompliance material to financial statements noted? Yes.

Federal Awards:

4. Internal control over major programs:

- a. Material weakness(es) identified? Yes.
- b. Significant deficiency(ies) identified? None reported.

5. Type of auditor's report issued on compliance for major programs:

| | |
|--|------------|
| Title I Grants to Local Educational Agencies | Qualified |
| Child Nutrition Cluster | Unmodified |

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes.

7. Identification of major programs:

| CFDA Numbers: | Name of Federal Program or Cluster |
|-----------------|--|
| 10.553 & 10.555 | Child Nutrition Cluster |
| 84.010 | Title I Grants to Local Educational Agencies |

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). Yes.

Section II: Financial Statements Findings

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

Material Weakness and Material Noncompliance

Finding 2019-001

Criteria:

A sound system of internal controls ensures strong financial accountability and accurate records.

Condition:

Title I grant revenue in the amount of \$147,788 was not properly stated in the general ledger.

Cause:

The school failed to properly present Title I grant revenue in the amount of \$147,788 in the general ledger. Controls were not in place to ensure revenues were properly recorded.

Effect:

As a result, records were not accurate and revenues were not properly recorded. As a result, the opinion on this fund has been qualified.

Recommendation:

Management should implement policies and procedures to ensure the accurate accounting records.

Response:

properly recorded, match to MCAP and MDE revenue reports.

Finding 2019-002

Criteria:

A sound system of internal controls ensures strong financial accountability and safeguarding of assets.

Condition:

The school district transferred \$313,410 from the Title I - A Basic Fund to District Maintenance Fund.

Cause:

Part of the funds were transferred as a prior period adjustment that increased fund balance without supporting documentation.

Effect:

The positive fund balance in the Title I Fund was eliminated but due to the possibility of the district being held accountable for these funds, there could be a potential liability. The district might have to pay these funds back. This deficiency resulted in a qualified opinion of the General Fund and Title I - A Basic Fund.

Recommendation:

We recommend the district only request federal funds after the applicable program costs have been paid for the district.

Response:

This was due to a clean up of prior years errors. Auditors did not want to assist and understanding of these entries. Working with new auditors to get this all cleaned up.

Significant Deficiency

Finding 2019-003

Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition:

Client was unable to accurately account for amount of cash collected daily at cafeterias.

Cause:

Internal control procedures were not in place to ensure that proceeds from cafeteria sales were accurately documented.

Effect:

Without strong internal controls in place to ensure cash received from cafeteria sales are accounted and accurately documented, the district increases the risk that unauthorized or inappropriate use of the funds from cafeteria sales would not be detected in a timely manner. This could also result in cash being understated.

Recommendation:

We recommend the district implement policies and procedures to ensure all proceeds received are properly maintained, documented and recorded.

Response:

Cafeterias daily run a day end report generated by Nutrikids POS software. These reports indicate the amount of sales for each day and the amount of money collected. Like in all cash sales, there is often a shortage or overage. These amounts are always negligible, usually less than \$1.00. The day end report is signed by the individual who runs the register and by the manager. Both these people also count the money. The manager makes the deposit which always correlates with the amount of the amount of cash in drawer. This reflect strong internal controls and financial accountability. This district has not been given any examples to corroborate this finding.

Section III: Federal Awards Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal awards.

Material Weakness and Noncompliance

Finding 2019-004

Program: Title I Grants to Local Educational Agencies
Passed-Through Mississippi Department of Education
CFDA Number: 84.010
Compliance Requirement: Activities Allowed or Unallowed

Criteria:

Management is responsible for compliance with the activities allowed or unallowed requirements of the Uniform Guidance. Federal funds should be used in a manner that is consistent with federal program regulations.

Condition:

During the course of the audit, we noted that the school district Title I funds were moved to the District Maintenance Fund.

Context:

The district had moved \$313,410 at June 30, 2019 from Title I Fund to General Fund for which adequate support was not provided.

Questioned Costs:

\$313,410.

Whether Sampling was Statistically Valid:

No.

Identification of a repeat finding:

No.

Cause:

The school district moved funds to the District Maintenance Fund from the Title I Fund in order to eliminate a positive fund balance in the Title I Fund.

Effect:

Due to the possibility of the district being held accountable for these funds, there could be a potential liability.

Recommendation:

We recommend the district only request federal funds after the applicable program costs have been paid for by the district.

Views of responsible official:

We do not do request of funds until expenses have been paid for. Business Manager and Federal Programs director work very closely to ensure no funds are drawn down before expenses. We as a district disagree with the finding.

**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR AUDIT FINDINGS**

ITAWAMBA COUNTY SCHOOL DISTRICT

605 South Cummings Street

Fulton, MS 38843

Trae Wiygul

Phone 662-862-2159

Superintendent of Education

Fax 662-862-4713

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Itawmaba School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2019:

Finding

Corrective Action Plan Details

2019-001

a. Name of Contact Person Responsible for Corrective Action

Name: Jennifer Gray

Phone Number: 662-862-2159 ext 104

b. Corrective Action Planned: properly recorded, match to MCAP and MDE revenue reports.

c. Anticipated Completion Date: Done

2019-002

a. Name of Contact Person Responsible for Corrective Action

Name: Jennifer Gray

Phone Number: 662-862-2159 ext 104

b. Corrective Action Planned: This was due to a clean up of prior years errors. Auditors did not want to assist and understanding of these entries. Working with new auditors to get this all cleaned up.

c. Anticipated Completion Date: IN PROGRESS

ITAWAMBA COUNTY SCHOOL DISTRICT

605 South Cummings Street

Fulton, MS 38843

Trae Wiygul

Phone 662-862-2159

Superintendent of Education

Fax 662-862-4713

AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Itawamba School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2019:

2019-003

a. Name of Contact Person Responsible for Corrective Action

Name: Jennifer Gray / Kenny Coker
Phone Number: 662-862-2159 ext 104

b. Corrective Action Planned: Cafeterias daily run a day end report generated by Nutrikids POS software. These reports indicate the amount of sales for each day and the amount of money collected. Like in all cash sales, there is often a shortage or overage. These amounts are always negligible , usually less than \$1.00. The day end report is signed by the individual who runs the register and by the manager. Both these people also count the money. The manager makes the deposit which always correlates with the amount of the amount of cash in drawer. This reflect strong internal controls and financial accountability. This district has not been given any examples to corroborate this finding.

c. Anticipated Completion Date: Done

ITAWAMBA COUNTY SCHOOL DISTRICT

605 South Cummings Street

Fulton, MS 38843

Trae Wiygul

Phone 662-862-2159

Superintendent of Education

Fax 662-862-4713

2019-004

a. Name of Contact Person Responsible for Corrective Action

Name: Jennifer Gray

Phone Number: 662-862-2159 ext 104

b. Corrective Action Planned: We do not do request of funds until expenses have been paid for. Business Manager and Federal Programs director work very closely to ensure no funds are drawn down before expenses. We as a district disagree with the finding.

c. Anticipated Completion Date: Done

ITAWAMBA COUNTY SCHOOL DISTRICT

605 South Cummings Street

Fulton, MS 38843

Trae Wiygul

Phone 662-862-2159

Superintendent of Education

Fax 662-862-4713

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Itawmaba School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2019:

| <u>Finding</u> | <u>Status</u> |
|----------------|--------------------------------------|
| 2018-001 | Corrected |
| 2018-002 | Corrected |
| 2018-003 | Not Corrected (See Finding 2019-004) |