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CARROLL COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2018

CARROLL COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Carroll 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 Carroll County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Carroll 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 our opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County School District, as of June 30, 2018, 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 4-12 and 43-48 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 Carroll 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 June 5, 2020, on our consideration of the Carroll County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carroll 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 Carroll County School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Brandon, Mississippi  
June 5, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

The following discussion and analysis of Carroll County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 2018 decreased \$2,107,144, including a prior period adjustment of (\$984,865), which represents a 41% decrease from fiscal year 2017. Total net position for 2017 decreased \$696,144, including a prior period adjustment of \$312,608, which represents a 15% decrease from fiscal year 2016.
- General revenues amounted to \$8,071,388 and \$7,857,941, or 79% and 79% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,141,245, or 21% of total revenues for 2018, and \$2,084,652, or 21% of total revenues for 2017.
- The District had \$11,334,912 and \$10,951,345 in expenses for fiscal years 2018 and 2017; only \$2,141,245 for 2018 and \$2,084,652 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,071,388 for 2018 were not adequate to provide for these programs and \$7,857,941 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,862,145 in revenues and \$7,688,258 in expenditures for 2018, and \$7,501,417 in revenues and \$7,724,994 in expenditures in 2017. The General Fund's fund balance decreased by \$141,183, including a prior period adjustment of (\$99,537), from 2017 to 2018, and decreased by \$189,602 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$195,642 for 2018 and increased by \$209,123 for 2017. The increase for 2017 was due primarily to the asset addition and adjustments to prior year balances.
- Long-term debt decreased by \$407,126 for 2018 and decreased by \$408,342 for 2017. The decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$2,874 for 2018 and decreased by \$69,342 for 2017.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's non-fiduciary 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.



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

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

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.

CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
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**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.

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 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.

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## 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 (\$7,335,105) as of June 30, 2018.

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, 2018 and June 30, 2017.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 1,138,415	\$ 1,680,962	(32.28) %
Restricted assets	2,219,421	2,199,481	0.91 %
Capital assets, net	3,615,035	3,810,677	(5.13) %
<b>Total assets</b>	<b>6,972,871</b>	<b>7,691,120</b>	<b>(9.34) %</b>
<b>Deferred outflows of resources</b>	<b>2,400,488</b>	<b>3,795,615</b>	<b>(36.76) %</b>
Current liabilities	238,980	457,692	(47.79) %
Long-term debt outstanding	641,954	1,049,080	(38.81) %
Net OPEB liability	926,566	-	N/A %
Net pension liability	14,365,272	14,883,033	(3.48) %
<b>Total liabilities</b>	<b>16,172,772</b>	<b>16,389,805</b>	<b>(1.32) %</b>
<b>Deferred inflows of resources</b>	<b>535,692</b>	<b>324,891</b>	<b>64.88 %</b>
<b>Net position:</b>			
Net investment in capital assets	3,023,035	2,808,677	7.63 %
Restricted	4,153,929	4,288,424	(3.14) %
Unrestricted	(14,512,069)	(12,325,062)	(17.74) %
<b>Total net position</b>	<b>\$ (7,335,105)</b>	<b>\$ (5,227,961)</b>	<b>(40.31) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (14,512,069)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the deferred outflows and deferred inflows related to pensions	13,427,042
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (1,085,027)</u>

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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 \$195,642.
- The principal retirement of \$410,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$14,365,272.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$926,566.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$10,212,633 and \$9,942,593, respectively. The total cost of all programs and services was \$11,334,912 for 2018 and \$10,951,345 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 208,797	\$ 220,971	(5.51) %
Operating grants and contributions	1,932,448	1,863,681	3.69 %
General revenues:			
Property taxes	2,612,691	2,405,425	8.62 %
Grants and contributions not restricted	4,833,443	4,853,105	(0.41) %
Investment earnings	69,790	24,039	190.32 %
Sixteenth section sources	448,040	483,162	(7.27) %
Other	107,424	92,210	16.50 %
<b>Total revenues</b>	<u><b>10,212,633</b></u>	<u><b>9,942,593</b></u>	<b>2.72 %</b>
<b>Expenses:</b>			
Instruction	4,787,137	4,727,185	1.27 %
Support services	3,528,249	3,213,021	9.81 %
Non-instructional	690,028	774,985	(10.96) %
Sixteenth section	135,758	137,627	(1.36) %
Pension expense	2,042,510	1,977,877	3.27 %
OPEB expense	53,859	-	N/A %
Interest on long-term liabilities	97,371	120,650	(19.29) %
<b>Total expenses</b>	<u><b>11,334,912</b></u>	<u><b>10,951,345</b></u>	<b>3.50 %</b>
<b>Increase (Decrease) in net position</b>	<u><b>(1,122,279)</b></u>	<u><b>(1,008,752)</b></u>	<b>11.25 %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>(5,227,961)</b></u>	<u><b>(4,531,817)</b></u>	(15.36) %
<b>Prior Period Adjustment</b>	<u><b>(984,865)</b></u>	<u><b>312,608</b></u>	(415.05) %
<b>Net Position, July 1, as restated</b>	<u><b>(6,212,826)</b></u>	<u><b>(4,219,209)</b></u>	<b>(47.25) %</b>
<b>Net Position, June 30</b>	<u><u><b>\$ (7,335,105)</b></u></u>	<u><u><b>\$ (5,227,961)</b></u></u>	<b>(40.31) %</b>

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Management's Discussion and Analysis  
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**Governmental activities**

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, 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**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 4,787,137	\$ 4,727,185	1.27 %
Support services	3,528,249	3,213,021	9.81 %
Non-instructional	690,028	774,985	(10.96) %
Sixteenth section	135,758	137,627	(1.36) %
Pension expense	2,042,510	1,977,877	3.27 %
OPEB expense	53,859	-	N/A %
Interest on long-term liabilities	97,371	120,650	(19.29) %
<b>Total expenses</b>	<b>\$ 11,334,912</b>	<b>\$ 10,951,345</b>	<b>3.50 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (4,009,434)	\$ (3,933,380)	(1.93) %
Support services	(2,840,118)	(2,698,581)	(5.24) %
Non-instructional	(33,892)	1,422	(2,483.40) %
Sixteenth section	(116,483)	(137,627)	15.36 %
Pension expense	(2,042,510)	(1,977,877)	(3.27) %
OPEB expense	(53,859)	-	N/A %
Interest on long-term liabilities	(97,371)	(120,650)	19.29 %
<b>Total net (expense) revenue</b>	<b>\$ (9,193,667)</b>	<b>\$ (8,866,693)</b>	<b>(3.69) %</b>

- Net cost of governmental activities (\$9,193,667 for 2018 and \$8,866,693 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$2,612,691 for 2018 and \$2,405,425 for 2017) and state and federal revenues (\$4,833,443 for 2018 and \$4,853,105 for 2017). In addition, there was \$448,040 and \$483,162 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$69,790 for 2018 and \$24,039 for 2017.

CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
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## 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 \$3,124,242, a decrease of \$305,989, which includes a prior period adjustment of (\$119,583) and an increase in inventory of \$6,141. The unassigned fund balance is (\$1,046,811), which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,171,053 is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$141,183, which includes a prior period adjustment of (\$99,537). The fund balance of Other Governmental Funds showed a decrease in the amount of \$156,943, which includes a prior period adjustment of (\$17,499) and an increase in inventory of \$6,141. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Principal Fund	\$ (7,863)

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

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Management's Discussion and Analysis  
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## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$6,549,142, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$7,240 from 2017 due primarily to the correction of the purchase of furniture and equipment. Total accumulated depreciation as of June 30, 2018, was \$2,934,107, and total depreciation expense for the year was \$205,394, resulting in total net capital assets of \$3,615,035.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	June 30, 2018	June 30, 2017	Percentage Change
Land	\$ 36,361	\$ 36,361	0.00 %
Buildings	2,663,826	2,740,306	(2.79) %
Building improvements	65,035	73,165	(11.11) %
Improvements other than buildings	30,560	30,560	0.00 %
Mobile equipment	738,678	829,146	(10.91) %
Furniture and equipment	80,575	101,139	(20.33) %
<b>Total</b>	<b>\$ 3,615,035</b>	<b>\$ 3,810,677</b>	<b>(5.13) %</b>

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

**Debt Administration.** At June 30, 2018, the District had \$641,954 in outstanding long-term debt, of which \$194,498 is due within one year. During the fiscal year, the District made principal payments totaling \$410,000 on outstanding long-term debt. The liability for compensated absences increased \$2,874 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	June 30, 2018	June 30, 2017	Percentage Change
Limited obligation refunding bonds payable	-	225,000	(100.00) %
Three mill notes payable	592,000	777,000	(23.81) %
Compensated absences payable	49,954	47,080	6.10 %
<b>Total</b>	<b>\$ 641,954</b>	<b>\$ 1,049,080</b>	<b>(38.81) %</b>

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

## CURRENT ISSUES

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

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Carroll County School District, P O Box 256, Carrollton, MS 38917.

## FINANCIAL STATEMENTS



**CARROLL COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2018**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 630,819
Due from other governments	342,444
Inventories	13,402
Prepaid items	151,750
Restricted assets	2,219,421
Capital assets, non-depreciable:	
Land	36,361
Capital assets, net of accumulated depreciation:	
Buildings	2,663,826
Building improvements	65,035
Improvements other than buildings	30,560
Mobile equipment	738,678
Furniture and equipment	80,575
Total Assets	<u>6,972,871</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	2,316,134
Deferred outflows - OPEB	84,354
Total Deferred Outflows of Resources	<u>2,400,488</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	233,594
Interest payable on long-term liabilities	5,386
Long-term liabilities, due within one year:	
Capital related liabilities	192,000
Non-capital related liabilities	2,498
Net OPEB liability	37,328
Long-term liabilities, due beyond one year:	
Capital related liabilities	400,000
Non-capital related liabilities	47,456
Net pension liability	14,365,272
Net OPEB liability	889,238
Total Liabilities	<u>16,172,772</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	488,512
Deferred inflows - OPEB	47,180
Total Deferred Inflows of Resources	<u>535,692</u>
<b>Net Position</b>	
Net investment in capital assets	3,023,035
Restricted for:	
Expendable:	
School-based activities	418,107
Debt service	51,081
Forestry improvements	26,283
Unemployment benefits	23,505
Non-expendable:	
Sixteenth section	3,634,953
Unrestricted	(14,512,069)
Total Net Position (deficit)	<u>\$ (7,335,105)</u>

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

**CARROLL COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2018**

					Net (Expense)
					Revenue and
					Changes in
					Net Position
Functions/Programs	Expenses	Program Revenues			Governmental
		Charges for	Operating	Capital	
		Services	Grants and	Grants and	Activities
			Contributions	Contributions	
Governmental Activities:					
Instruction	\$ 4,787,137	\$ 137,384	\$ 640,319	\$ -	\$ (4,009,434)
Support services	3,528,249	4,420	683,711	-	(2,840,118)
Non-instructional	690,028	47,718	608,418	-	(33,892)
Sixteenth section	135,758	19,275	-	-	(116,483)
Pension expense	2,042,510	-	-	-	(2,042,510)
OPEB expense	53,859	-	-	-	(53,859)
Interest on long-term liabilities	97,371	-	-	-	(97,371)
Total Governmental Activities	\$ 11,334,912	\$ 208,797	\$ 1,932,448	\$ -	\$ (9,193,667)
General Revenues:					
Taxes:					
General purpose levies					2,403,781
Debt purpose levies					208,910
Unrestricted grants and contributions:					
State					4,833,443
Unrestricted investment earnings					69,790
Sixteenth section sources					448,040
Other					107,424
Total General Revenues					8,071,388
Change in Net Position					(1,122,279)
Net Position - Beginning, as previously reported					(5,227,961)
Prior Period Adjustments					(984,865)
Net Position - Beginning, as restated					(6,212,826)
Net Position (deficit) - Ending					\$ (7,335,105)

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2018**

**Exhibit C**

	Major Funds			
	General	Sixteenth Section	Other	Total
	Fund	Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 255,081	\$ 6,308	\$ 375,738	\$ 637,127
Cash with fiscal agents			21	21
Investments		2,213,092	-	2,213,092
Due from other governments	98,238	-	239,284	337,522
Due from other funds	208,919	47,856	7,750	264,525
Advance to other funds		1,367,697	-	1,367,697
Inventories			13,402	13,402
Prepaid items	151,750		-	151,750
Total assets	\$ 713,988	\$ 3,634,953	\$ 636,195	\$ 4,985,136
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 181,758	\$	\$ 51,836	\$ 233,594
Due to other funds	47,856	-	211,747	259,603
Advances from other funds	1,367,697		-	1,367,697
Total Liabilities	1,597,311	-	263,583	1,860,894
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			13,402	13,402
Permanent fund principal		2,267,256	-	2,267,256
Advances		1,367,697	-	1,367,697
Prepaid items	151,750		-	151,750
<b>Restricted:</b>				
Debt service			56,467	56,467
Forestry improvement purposes			26,283	26,283
Grant activities			138,537	138,537
Unemployment benefits			23,505	23,505
Food Services			114,418	114,418
<b>Assigned:</b>				
Activity funds	11,738		-	11,738
<b>Unassigned</b>				
	(1,046,811)		-	(1,046,811)
Total Fund Balances	(883,323)	3,634,953	372,612	3,124,242
Total Liabilities and Fund Balances	\$ 713,988	\$ 3,634,953	\$ 636,195	\$ 4,985,136

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2018**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 3,124,242**

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 36,361	
Buildings	4,200,784	
Building improvements	101,619	
Improvements other than buildings	152,800	
Mobile equipment	1,630,324	
Furniture and equipment	427,254	
Accumulated depreciation	<u>(2,934,107)</u>	3,615,035
2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	(14,365,272)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	2,316,134	
Deferred inflows of resources related to pensions	<u>(488,512)</u>	(12,537,650)
3. Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability	(926,566)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	84,354	
Deferred inflows of resources related to OPEB	<u>(47,180)</u>	(889,392)
4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(592,000)	
Compensated absences	(49,954)	
Accrued interest payable	<u>(5,386)</u>	(647,340)
<b>Net Position of governmental activities</b>		<b><u>\$ (7,335,105)</u></b>

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

**Exhibit D**

	Major Funds			
	General	Sixteenth Section	Other	Total
	Fund	Fund	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Local sources	\$ 2,651,823	\$	\$ 259,448	\$ 2,911,271
State sources	4,787,744		317,897	5,105,641
Federal sources	33,703	-	1,626,546	1,660,249
Sixteenth section sources	388,875	122,872	19,305	531,052
Total Revenues	7,862,145	122,872	2,223,196	10,208,213
<b>Expenditures:</b>				
Instruction	4,562,458	-	814,527	5,376,985
Support services	3,008,072	-	646,769	3,654,841
Noninstructional services	-	-	728,131	728,131
Sixteenth section	52,420	73,543	9,795	135,758
Debt service:				
Principal			410,000	410,000
Interest	65,308		33,145	98,453
Other			1,012	1,012
Total Expenditures	7,688,258	73,543	2,643,379	10,405,180
Excess (Deficiency) of Revenues over (under) Expenditures	173,887	49,329	(420,183)	(196,967)
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery	4,420		-	4,420
Operating transfers in	119,420		428,095	547,515
Operating transfers out	(339,373)	(54,645)	(153,497)	(547,515)
Total Other Financing Sources (Uses)	(215,533)	(54,645)	274,598	4,420
Net Change in Fund Balances	(41,646)	(5,316)	(145,585)	(192,547)
<b>Fund Balances:</b>				
July 1, 2017, as previously reported	(742,140)	3,642,816	529,555	3,430,231
Prior period adjustments	(99,537)	(2,547)	(17,499)	(119,583)
July 1, 2017, as restated	(841,677)	3,640,269	512,056	3,310,648
Increase (Decrease) in inventory			6,141	6,141
June 30, 2018	\$ (883,323)	\$ 3,634,953	\$ 372,612	\$ 3,124,242

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2018**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ (192,547)**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ -	
Depreciation expense	(205,394)	(205,394)
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	410,000	
Accrued interest payable	2,094	412,094
3. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

Pension expense	(2,042,510)	
Contributions subsequent to the measurement date	917,169	(1,125,341)
4. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

OPEB expense	(53,859)	
Contributions subsequent to the measurement date	39,501	(14,358)
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(2,874)	
Change in inventory	6,141	3,267

**Change in Net Position of governmental activities** **\$ (1,122,279)**

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

**CARROLL COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**

**Exhibit E**

**June 30, 2018**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 19,703
Total Assets	<u>\$ 19,703</u>
<b>Liabilities</b>	
Due to other funds	\$ 4,922
Due to student clubs	<u>14,781</u>
Total Liabilities	<u>\$ 19,703</u>

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

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

**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, Carroll 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. 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.
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.



CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

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.

Sixteenth Section Principal Fund – This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Principal Fund. Those revenues include but are not limited to, sales of non-renewable resources, easements, interest on investments, loans to the district, and transfers.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

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

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

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

**D. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**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.

**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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

5. Restricted Assets

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

6. Capital Assets

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

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

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions and OPEB. See Note 13 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

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 has incurred a deferred inflow which is presented as a deferred inflow related to pensions 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 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. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. 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 the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be 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 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance. See note 14 for more details of restoration plan.

## **Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents and Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann.

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(1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$637,127 and \$19,703, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$630,819 and a portion of restricted assets in the amount of \$6,308 (see Note 4).

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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, 2018, none of the district's bank balance of \$1,169,810 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 \$21.

#### Investments

As of June 30, 2018, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	N/A	1 to 5	\$ 2,213,092
Total			<u>\$ 2,213,092</u>

*Interest Rate Risk.* The district does not have a formal investment policy that limits investments 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),

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Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2018, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure 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	Other Governmental Funds	\$ 203,997
	Fiduciary Funds	4,922
Sixteenth Section Principal Fund	General Fund	47,856
Other Governmental Funds	Other Governmental Funds	7,750
Total		<u>\$ 264,525</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 1,367,697
Total		<u>\$ 1,367,697</u>

**Sixteenth section principal loans payable**

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

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



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Year Ending June 30	Principal	Interest	Total
2019	\$ 184,056	\$ 54,508	\$ 238,564
2020	184,056	47,346	231,402
2021	169,876	39,983	209,859
2022	169,876	33,188	203,064
2023-2027	607,833	74,173	682,006
2028-2032	30,000	8,000	38,000
2033-2036	22,000	2,120	24,120
Total	<u>\$ 1,367,697</u>	<u>\$ 259,318</u>	<u>\$ 1,627,015</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 339,373
16th Section Principal Fund	General Fund	54,645
Other governmental funds	General Fund	64,775
Other governmental funds	Other governmental funds	88,722
Total		<u>\$ 547,515</u>

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, unemployment compensation transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance totaling \$6,308 and \$2,213,092 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$21 of the MAEP Limited Obligation Bond/Note Fund.

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**Note 5 – Capital Assets**

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

	Balance 7/1/2017	Increases	Decreases	Adjustments	Balance 6/30/2018
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 36,361	\$ -	\$ -	\$ -	36,361
Total non-depreciable capital assets	36,361	-	-	-	36,361
<u>Depreciable capital assets:</u>					
Buildings	4,200,784	-	-	-	4,200,784
Building improvements	101,619	-	-	-	101,619
Improvements other than buildings	152,800	-	-	-	152,800
Mobile equipment	1,630,324	-	-	-	1,630,324
Furniture and equipment	420,014	-	-	7,240	427,254
Total depreciable capital assets	6,505,541	-	-	7,240	6,512,781
<u>Less accumulated depreciation for:</u>					
Buildings	1,460,478	76,480	-	-	1,536,958
Building improvements	28,454	4,065	-	4,065	36,584
Improvements other than buildings	122,240	-	-	-	122,240
Mobile equipment	801,178	98,967	-	(8,499)	891,646
Furniture and equipment	318,875	25,882	-	1,922	346,679
Total accumulated depreciation	2,731,225	205,394	-	(2,512)	2,934,107
Total depreciable capital assets, net	3,774,316	(205,394)	-	9,752	3,578,674
Governmental activities capital assets, net	\$ 3,810,677	\$ (205,394)	\$ -	\$ 9,752	3,615,035

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 77,810
Support services	111,857
Non-instructional	15,727
Total depreciation expense - Governmental activities	<u>\$ 205,394</u>

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**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. Limited obligation refunding bonds payable	225,000	-	(225,000)	-	-
B. Three mill notes payable	777,000	-	(185,000)	592,000	192,000
C. Compensated absences payable	47,080	2,874		49,954	2,498
Total	<u>\$ 1,049,080</u>	<u>\$ 2,874</u>	<u>\$ (410,000)</u>	<u>641,954</u>	<u>\$ 194,498</u>

**A. Limited obligation refunding bonds payable**

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds were retired during the 2018 fiscal year.

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

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes payable, Series 2005	3.79%	4/15/2005	4/15/2018	\$ 1,450,000	\$ -
Limited tax notes payable, Series 2008	3.69%	5/7/2008	4/1/2021	1,200,000	592,000
Total				<u>\$ 2,650,000</u>	<u>\$ 592,000</u>

Three mill notes issued of April 15, 2005 were retired during the 2018 fiscal year.

1. Three mill notes issue May 7, 2008:

Year Ending June 30	Principal	Interest	Total
2019	192,000	21,845	213,845
2020	200,000	14,760	214,760
2021	200,000	7,380	207,380
Total	<u>\$ 592,000</u>	<u>\$ 43,985</u>	<u>\$ 635,985</u>

This debt will be retired from the Three Mill Note Fund (Debt Service Fund) which will be financed by local millage and the EEF Buildings and Buses Fund. These EEF funds are pledged exclusively to the limited tax notes payable, series 2008 through April 1, 2021.

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**C. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 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, 2018, 2017 and 2016 were \$917,169, \$873,123 and \$839,508, respectively, which equaled the required contributions for each year.

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

At June 30, 2018, the school district reported a liability of \$14,365,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 0.086416 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.003096 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,042,510. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 577,370	\$ 104,819
Net difference between projected and actual earnings on pension plan investments		240,646
Changes of assumptions	279,020	23,602
Changes in proportion and differences between District contributions and proportionate share of contributions	542,575	119,445
District contributions subsequent to the measurement date	917,169	
Total	\$ <u>2,316,134</u>	\$ <u>488,512</u>

\$917,169 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 599,814
2020	525,768
2021	62,351
2022	(277,480)
Total	<u>910,453</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2017 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.

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The actuarial assumptions used in the June 30, 2017 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-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	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 and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 18,841,013	\$ 14,365,272	\$ 10,649,434

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

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**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. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

*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 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 \$39,501 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$926,566 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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

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any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was .11809270 percent. This was an increase of .00645711 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$53,859. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Changes of assumptions		47,180
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	44,853	
District contributions subsequent to the measurement date	39,501	
Total	\$ <u>84,354</u>	\$ <u>47,180</u>

\$39,501 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. 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:

2019	\$ (408)
2020	(408)
2021	(408)
2022	(408)
2023	(408)
Thereafter	(287)



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*Actuarial assumptions.* The total OPEB liability in the June 30, 2017 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	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

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, 2017 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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the 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 the Bond Buyer.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

*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 (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 951,036	\$ 926,566	\$ 908,343

*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	\$ 855,746	\$ 926,566	\$ 1,007,415

*OPEB plan fiduciary net position.* The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

## Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2019	234,947
2020	230,754
2021	226,006
2022	221,958
2023	191,530
2024-2028	381,316
2029-2033	231,238
2034-2038	182,886
2039-2043	49,902
Thereafter	78,843
Total	<u>\$ 2,029,380</u>

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

**Note 10 – Prior Period Adjustments**

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct fund balances at the governmental fund level	(119,583)
2. To restate fund balance for the effect of recording the net OPEB liability, deferred outflows and inflows related to OPEB, and OPEB expense	(875,034)
3. To correct capital asset balances	9,752
Total	<u>\$ (984,865)</u>

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

Fund	Explanation	Amount
General Fund	To correct fund balances	(99,537)
16th Section Principal Fund	To correct fund balances	(2,547)
Other Governmental Funds	To correct fund balances	(17,499)
Total		<u>\$ (119,583)</u>

**Note 11 – Contingencies**

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

**Litigation** – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at 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.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

**Note 12 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 13 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$14,512,069) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$917,169 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$1,398,965 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$488,512 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as revenue and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position amount of (\$14,512,069) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$39,501 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The \$44,853 balance of the deferred outflow of resources related to OPEB at June 30, 2018 will be recognized as OPEB expense and will decrease the unrestricted net position amount over the next 6 years. The \$47,180 balance of the deferred inflow of resources related to OPEB at June 30, 2018 will be recognized as revenue and will increase the unrestricted net position amount over the next 6 years.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2018

**Note 14 – Deficit Fund Balance of Individual Funds**

The District Maintenance Fund, included in the General Fund for financial reporting purpose, has a deficit fund balance in the amount of \$883,323 due to the sixteenth section principal loan balance in the amount of \$1,371,697. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances. The deficit fund balance is caused by the outstanding balance of Sixteenth Section Principal loans. The principal loan balance is \$1,371,697.

The district's restoration plan is to minimize the use of sixteenth section principal loans going forward, while paying off the current loans as soon as possible. They will utilize other debt options for larger expenditures in future years.

**Note 15 - Insurance loss recoveries**

The Carroll County School District received \$4,420 in insurance loss recoveries related to property damage during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the support services expense function.

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Carroll County School District evaluated the activity of the district through June 5, 2020, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CARROLL COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,669,665	\$ 2,651,823	\$ 2,651,823	\$ (17,842)	\$ -
Intermediate sources	42,000	-		(42,000)	-
State sources	4,952,432	4,784,744	4,787,744	(167,688)	3,000
Federal sources	108,510	33,703	33,703	(74,807)	-
Sixteenth section sources	524,350	388,875	388,875	(135,475)	-
Total Revenues	8,296,957	7,859,145	7,862,145	(437,812)	3,000
<b>Expenditures:</b>					
Instruction	4,775,995	4,562,458	4,562,458	213,537	-
Support services	3,399,139	3,008,072	3,008,072	391,067	-
Sixteenth section	102,500	52,420	52,420	50,080	-
Debt service:					
Principal	436,686	54,483		382,203	54,483
Interest			65,308	-	(65,308)
Total Expenditures	8,714,320	7,677,433	7,688,258	1,036,887	(10,825)
Excess (Deficiency) of Revenues over (under) Expenditures	(417,363)	181,712	173,887	599,075	(7,825)
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		4,420	4,420	4,420	-
Operating transfers in	1,697,186	1,480,772	119,420	(216,414)	(1,361,352)
Operating transfers out	(1,250,000)	(1,757,645)	(339,373)	(507,645)	1,418,272
Other financing sources	(250)			250	-
Total Other Financing Sources (Uses)	446,936	(272,453)	(215,533)	(719,389)	56,920
Net Change in Fund Balances	29,573	(90,741)	(41,646)	(120,314)	49,095
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	(742,140)	(742,140)	(742,140)	-	-
Prior period adjustments			(99,537)	-	(99,537)
July 1, 2017, as restated	(742,140)	(742,140)	(841,677)	-	(99,537)
June 30, 2018	\$ (712,567)	\$ (832,881)	\$ (883,323)	\$ (120,314)	\$ (50,442)

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**

**PERS**  
**Last 10 Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.086416%	0.083320%	0.074993%	0.080000%
District's proportionate share of the net pension liability (asset)	\$ 14,365,272	\$ 14,883,033	\$ 11,592,439	\$ 9,710,536
District's covered payroll	\$ 5,543,638	\$ 5,330,210	\$ 4,685,162	\$ 4,927,041
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.1308%	279.2204%	247.4288%	197.0866%
Plan fiduciary net position as a percentage of the total pension liability	61.490050%	57.467727%	61.703983%	67.207687%

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.



**CARROLL COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Schedule of District Contributions**

**PERS**

**Last 10 Fiscal Years**

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 917,169	\$ 873,123	\$ 839,508	737,913
Contributions in relation to the contractually required contribution	917,169	873,123	839,508	737,913
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
District's covered payroll	5,823,295	5,543,638	5,330,210	4,685,162
Contributions as a percentage of covered payroll	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.

**CARROLL COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OPEB**  
**Last 10 Fiscal Years\***

	<u>2018</u>
District's proportion of the net OPEB liability	0.11809270%
District's proportionate share of the net OPEB liability	\$ 926,566
District's covered-employee payroll	\$ 5,305,580
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0%

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.

**CARROLL COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years**

	<b>2018</b>
Contractually required contribution	\$ 39,501
Contributions in relation to the contractually required contribution	39,501
Contribution deficiency (excess)	\$ <u>0</u>
District's covered-employee payroll	\$ 5,823,295
Contributions as a percentage of covered-employee payroll	0.68%

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 Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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.

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.

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

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, 2015 valuation for the June 30, 2017 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	33.9 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.

(2) *Changes in benefit provisions*

2017: None

CARROLL COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

- (3) *Methods and assumptions used in calculations 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, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

## SUPPLEMENTARY INFORMATION

**CARROLL COUNTY SCHOOL DISTRICT**  
**Supplementary Information**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 183,208
National school lunch program	10.555	185MS326N1099	558,488
Summer Food Service Program for Children	10.559	185MS326N1099	8,358
Total child nutrition cluster			750,054
Total passed-through Mississippi Department of Education			750,054
<b>Total U.S. Department of Agriculture</b>			<b>750,054</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024	344,104
Career and technical educational agencies	84.048	V048A170024	15,647
Twenty-First Century Community Learning Centers	84.287	ES287C170024	152,518
Rural Education	84.358	ES358B170024	10,897
Supporting Effective Instruction state grants	84.367	ES367A170023	87,735
Consolidated Grant to the Outlying Areas	84.403	ES424A170025	15,484
Subtotal			626,385
Special education cluster:			
Special education - grants to states	84.027	H027A170108	320,611
Special education - preschool grants	84.173	H173A170113	16,740
Total special education cluster			337,351
Total passed-through Mississippi Department of Education			963,736
<b>Total U.S. Department of Education</b>			<b>963,736</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	33,675
Total passed-through Mississippi Department of Education			33,675
<b>Total U.S. Department of Health and Human Services</b>			<b>33,675</b>
<b><u>Social Security Administration</u></b>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	96.001	04-19-04MSDI00	266
Total passed-through Mississippi Department of Rehabilitation Services			266
<b>Total Social Security Administration</b>			<b>266</b>
Total for All Federal Awards			\$ 1,747,731

The notes to the Supplementary Information are an integral part of this schedule.



# CARROLL COUNTY SCHOOL DISTRICT

## Notes to the Supplementary Information

For the Year Ended June 30, 2018

### 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 Carroll County School District under programs of the federal government for the year ended June 30, 2018. 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 Carroll County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Carroll County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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 Carroll County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

### Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

**CARROLL COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2018**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,863,891	5,746,605	472,126	455,850	1,189,310
Other	2,541,289	635,686	155,362	36,975	1,713,266
Total	<u>\$ 10,405,180</u>	<u>6,382,291</u>	<u>627,488</u>	<u>492,825</u>	<u>2,902,576</u>
Total number of students *	<u>935</u>				
Cost per student	<u>\$ 11,128</u>	<u>6,826</u>	<u>671</u>	<u>527</u>	<u>3,104</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 function: Support Services - School Administration.

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

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

## OTHER INFORMATION

**CARROLL COUNTY SCHOOL DISTRICT**  
**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 2,651,823	\$ 2,400,119	\$ 2,318,399	\$ 2,149,310
State sources	4,787,744	4,786,528	4,606,758	4,586,211
Federal sources	33,703	38,125	47,931	45,820
Sixteenth Section sources	388,875	276,645	351,111	355,030
Total Revenues	7,862,145	7,501,417	7,324,199	7,136,371
<b>Expenditures:</b>				
Instruction	4,562,458	4,357,247	4,103,696	3,518,376
Support services	3,008,072	3,206,799	2,990,569	2,639,145
Sixteenth Section	52,420	83,197	148,246	80,997
Debt Service:				
Interest	65,308	77,751	46,963	53,271
Total Expenditures	7,688,258	7,724,994	7,289,474	6,291,789
Excess (Deficiency) of Revenues over (under) Expenditures	173,887	(223,577)	34,725	844,582
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery	4,420			
Other financing uses		(2,468)	-	(1,297)
Operating transfers in	119,420	212,568	85,516	117,723
Operating transfers out	(339,373)	(304,445)	(327,864)	(249,705)
Total Other Financing Sources (Uses)	(215,533)	(94,345)	(242,348)	(133,279)
Net Change in Fund Balances	(41,646)	(317,922)	(207,623)	711,303
Fund Balances:				
July 1 , as previously reported	(742,140)	(552,538)	(466,987)	(1,178,290)
Prior period adjustments	(99,537)	128,320	122,072	-
July 1 , as restated	(841,677)	(424,218)	(344,915)	(1,178,290)
End of Period	\$ (883,323)	\$ (742,140)	\$ (552,538)	\$ (466,987)

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CARROLL COUNTY SCHOOL DISTRICT**  
**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 2,911,271	\$ 2,660,057	\$ 2,582,214	\$ 2,406,032
State sources	5,105,641	5,059,295	4,896,260	4,972,947
Federal sources	1,660,249	1,657,494	1,898,261	1,552,487
Sixteenth section sources	531,052	505,906	580,570	656,416
Total Revenues	10,208,213	9,882,752	9,957,305	9,587,882
<b>Expenditures:</b>				
Instruction	5,376,985	5,256,686	5,183,353	4,323,362
Support services	3,654,841	3,659,341	3,535,858	3,108,728
Noninstructional services	728,131	798,367	695,174	673,128
Sixteenth section	135,758	137,627	186,198	177,205
Facilities acquisition and construction	-	-	-	7,623
Debt service:				
Principal	410,000	339,000	327,000	353,000
Interest	98,453	122,667	102,782	121,767
Other	1,012			
Total Expenditures	10,405,180	10,313,688	10,030,365	8,764,813
Excess (Deficiency) of Revenues over (under) Expenditures	(196,967)	(430,936)	(73,060)	823,069
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	4,420			
Other financing sources		59,841	50,923	-
Operating transfers in	547,515	590,365	822,979	367,428
Operating transfers out	(547,515)	(590,365)	(822,979)	(367,428)
Other financing uses		(2,468)	-	(4,812)
Total Other Financing Sources (Uses)	4,420	57,373	50,923	(4,812)
Net Change in Fund Balances	(192,547)	(373,563)	(22,137)	818,257
<b>Fund Balances:</b>				
July 1, as previously reported	3,430,231	3,641,103	3,398,756	2,588,940
Prior period adjustment	(119,583)	166,402	271,590	-
July 1, as restated	3,310,648	3,807,505	3,670,346	2,588,940
Increase (Decrease) in reserve for inventory	6,141	(3,711)	(7,106)	(8,441)
End of Period	\$ 3,124,242	\$ 3,430,231	\$ 3,641,103	\$ 3,398,756

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



## McKENZIE CPA, PLLC

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Brandon, MS 39042

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

Superintendent and School Board  
Carroll 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 Carroll County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Carroll County School District's basic financial statements, and have issued our report thereon dated June 5, 2020 .

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as **Finding 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005** to be a material weakness. Finding **2018-006 and 2018-007** are considered to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Carroll County School District's Responses to Findings**

Carroll County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Carroll 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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
June 5, 2020







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**Independent Auditor's Report  
on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

Superintendent and School Board  
Carroll County School District

**Report on Compliance for Each Major Federal Program**

We have audited Carroll 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 Carroll County School District's major federal programs for the year ended June 30, 2018. Carroll County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with 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 Carroll 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 Principals, 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 Carroll County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Carroll County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Carroll County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll 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 Carroll County School District's internal control over compliance.

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
June 5, 2020

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC".

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



## McKENZIE CPA, PLLC

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Brandon, MS 39042  
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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Carroll County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2018, which collectively comprise Carroll County School District's basic financial statements and have issued our report thereon dated June 5, 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.

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. The district reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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.

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

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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
June 5, 2020

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

- |    |                                                       |            |
|----|-------------------------------------------------------|------------|
| 1. | Type of auditor's report issued:                      | Unmodified |
| 2. | Internal control over financial reporting:            |            |
|    | a. Material weaknesses identified?                    | Yes        |
|    | b. Significant deficiencies identified?               | Yes        |
| 3. | Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |    |                                       |               |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: |               |
|    | a. Material weakness identified?      | No            |
|    | b. Significant deficiency identified? | None reported |

- |    |                                                                                                    |            |
|----|----------------------------------------------------------------------------------------------------|------------|
| 5. | Type of auditor's report issued on compliance for major programs:                                  | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
10.553; 10.555; 10.559	Child Nutrition Cluster

- |     |                                                                                                                                                                                                              |           |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 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 2CFR 200.511(b). | Yes       |

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Section II: Financial Statement Findings**

**Material Weaknesses**

**2018-001 Finding**

District does not have proper segregation of duties.

Repeat Finding 2017-01

Criteria:

Management is responsible for ensuring that the proper resources are available to meet the requirements of the district. Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. When duties cannot be sufficiently segregated due to the small size of the district, it is important that mitigating controls, such as a detailed supervisory review of the activities, be put in place to reduce risk.

Condition:

The district did not have the proper detailed supervisory review in place to reduce the risk of errors or misstatements. One employee had the ability to prepare receipts, bank deposit slips, general ledger entry, and reconcile the bank statements.

Cause:

The district did not have the proper segregation of duties control in place

Effect:

One employee had the ability to prepare receipts, bank deposit slips, general ledger entry, and reconcile the bank statements. These activities did not get the proper review which could lead to a greater risk of errors or fraud

Recommendation:

We recommend the district implement procedures and controls to have more than one person in the routine process of receipting funds, preparing deposit slips, general ledger entry, and bank reconciliations. We also recommend a supervisory review be done of the monthly activities.

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**2018-002 Finding**

District does not have a positive fund balance in the general fund.

Repeat Finding 2017-02

Criteria:

Management is responsible for ensuring that the proper resources are available to meet the requirements of the district. According to Section 37-61-19, Miss. Code Ann. (1972), it states that "it shall be unlawful for any district to budget expenditures from a fund in excess of the resources available within that fund. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year."

Condition:

The general fund has had a negative beginning fund balance that has been brought forward for several years. Although revenues did exceed expenditures in the current year the deficit increased due to transfers out of the general fund.

Cause:

The main cause of the negative fund balance in the general fund is the balance owed to the 16<sup>th</sup> section principal fund. The district is aware of the cause and a plan in place to limit the use of 16<sup>th</sup> section loans going forward and will plan to pay the current loans off as soon as possible.

Effect:

The excessive use of 16<sup>th</sup> section loans over multiple years has caused the district show a negative fund balance in the general fund.

Recommendation:

We recommend the district implement procedures and budgetary controls to ensure a positive general fund balance from year to year and follow through with the current plan to bring the current negative general fund balance to a positive balance as soon as possible.



CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**2018-003 Finding**

Bank reconciliations and investment statements were not properly reconciled.

Repeat Finding 2017-03

Criteria:

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling monthly bank statements to the general ledger and reconciling investment statements to ensure the values are booked at the fair value. In addition, strong internal controls dictate the district prepare accurate reconciliations to ensure account balances are accurate.

Condition:

1. The district maintenance bank reconciliation had unsupported amounts included in order to reconcile to the general ledger balance. The unsupported amounts were rolled forward from previous periods and were unable to be reconciled by the district.
2. Investment statements were not reconciled to identify the fair value amounts and to make the proper adjustments to the financials.

Cause:

The proper procedures were not utilized to complete the district maintenance bank reconciliation and to track down all discrepancies or unsupported amounts. The district did not complete the proper year end adjustments to ensure the investments were reconciled and stated the year end balance shown on the investment statements.

Effect:

This caused the district to misstate the year end investment balances and show unsupported amounts on the district maintenance bank reconciliation. Auditor proposed adjustments that were approved by the district to correct the misstatements and the differences on the bank reconciliations.

Recommendation:

The district should ensure that procedures are established and followed so that bank statements are accurately reconciled to the general ledger and any differences are investigated and recorded on the general ledger to properly reflect transactions. The district should also implement procedures which would enable them to accurately and timely evaluate the balances of each investment account.

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**2018-004 Finding**

Capital assets should be properly documented and reported in the district's financial statements.

Repeat Finding 2017-04

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. This includes reviewing and updating the capital assets and depreciation reports to reflect the physical inventory. Proper documentation should also be filed for asset transfers, disposals, and tagging.

Condition:

1. Assets were not properly recorded on the books. Assets were not categorized by threshold properly. Therefore, Asset balances did not agree with the support given by the district. Adjustments were made that were approved by the district to tie the ending asset balances to the support provided.
2. During our test of disposals, we noted that the disposal forms were not completed although disposals were approved by the board. Also, disposals were approved in the prior year but were not removed from the books until the current year causing disposals to be overstated.
3. Out of a sample of 16 assets pulled, four did not have asset tags, one could not be identified and one asset could not be found at the time of inspection. Also, the proper transfer paperwork was not completed for an asset moved to another location.

Cause:

The district lacks appropriate controls to ensure all asset procedures are implemented and properly recorded.

Effect:

This caused the district to misstate the capital asset balances at year end. Auditor proposed adjustments that were accepted by the district to properly present the capital asset balances.

Recommendation:

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling them monthly to current month additions and board approved disposals of equipment. The district should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**2018-005 Finding**

**District did not make principal and interest payments on Sixteenth Section Principal Trust Loans**

**Criteria:**

Section 29-3-113, Miss. Code Ann. (1972), as it relates to borrowing of Sixteenth Section Principal Trust funds states, "No school land trust funds may be expended after the annual payment date until the payment is made on such loan. The annual payment can be made from any funds available to the school district except minimum foundation program funds. It shall be unlawful for the board of education to borrow any sixteenth section school funds in any other manner than that prescribed herein, and if any such funds shall be borrowed or invested in any other manner, any officer concerned in making such loan and investment or suffering the same to be made in violation of the provisions of this section, shall be liable personally and on his official bond for the safety of the funds so loaned." Section 29-3-57, Miss. Code Ann. (1972), as it relates to borrowing of Sixteenth Section Principal Trust funds also states, "It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds."

**Condition:**

Upon the review of Sixteenth Section Principal Trust loans, it was determined the district was in default on principal and interest loan payments for the 2018 fiscal year.

**Cause:**

The district did not make the proper entries to record the payment. District's management missed making the entries to make the annual payments on the Sixteenth Section loans.

**Effect:**

The district was able to meet the debt obligations after approving the auditor to make adjusting entries to correct balances.

**Recommendation:**

The district should comply with Section 29-3-113 and 29-3-57, Miss. Code Ann. (1972), which requires the district to make annual payments on the Sixteenth Section Principal Trust obligations and for the superintendent of education to collect promptly all principal and interest due to the Sixteenth Section Principal Trust fund.

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Significant Deficiencies**

**2018-006 Finding**

Accounts Receivables, accounts payable, and accrued liabilities were not properly reported on the district's financial statements.

Repeat Finding 2017-05

Criteria:

Management is responsible for ensuring that all items are reported correctly on the school district's financial statements. Accounts payables and accruals should be reconciled and adjusted at year end to accurately reflect the proper balances.

Condition:

1. The district did not properly record all receivables for the current year. Prior year balances were carried over and not properly cleared. Also, the district was showing a negative fund balance in fund 2090 at year end.
2. The district did not properly record accrued payroll at year end to reflect the final payroll transaction. Adjustments were made to correct the liability and approved by the district.

Cause:

The district did not implement the proper controls to reconcile and record accruals at year end.

Effect:

Receivables and payables were misstated and did not reflect the correct balances at year end. Proposed adjustments were made during the conversion process and accepted by the district properly adjust accruals to the correct balances.

Recommendation:

The district should strengthen controls over reconciliations of liability accounts and other accruals within the financial statements to ensure that the financial statements are properly stated.

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**2018-07 Finding**

Transfers and loan balances were not properly reconciled and presented on financials.

Repeat Finding 2017-06

Criteria:

Management is responsible for insuring all items are reported correctly on the school district's financial statements. Transfers and loans between funds should be reconciled and adjusted at year end to accurately reflect the proper balances.

Condition:

1. Transfers balances were overstated and adjustments were not made to accurately show how money was being transferred between funds.
2. Loan balances between funds were also overstated and adjustments were not made to accurately state the loan balances.

Cause:

District did not have the proper controls in place to ensure transfers and loans between funds are properly reconciled at year end.

Effect:

This caused the transfers and loans between funds to be misstated. Proposed adjustments were made during the conversion process that were accepted by the district to correct the balances and to present them fairly in the year-end financial statements.

Recommendation:

The district should strengthen controls over reconciliations of transfer and loan transactions within the financial statements to ensure that the financial statements are properly stated.

Section III: Federal Award Findings and Questioned Costs

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

**Carroll County School District  
P. O. Box 256  
Office of the Superintendent  
Carrollton, Mississippi 38917  
James Ray, Superintendent  
Bret Reynolds, Business Manager**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by the Uniform Guidance, The Carroll County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2018:

Finding	Corrective Action Plan Details
<b>2018-001</b>	<p>Segregation of Duties</p> <p>A. Name of contact person responsible for corrective action: Name: Billy Joe Ferguson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will improve internal controls to mitigate the segregation of duties by including or adding an additional person within the receipting, deposits, general ledger entry, and bank reconciliations. A review of the monthly activities will also be implemented.</p> <p>C. Anticipated completion date: June 30, 2019.</p>
<b>2018-002</b>	<p>District does not have a positive fund balance in the general fund.</p> <p>A. Name of contact person responsible for corrective action: Name: Billy Joe Ferguson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will implement a financial plan and implement better budgeting procedures to ensure the negative fund balance will be reduced in a timely fashion and will work towards building a long term positive fund balance to make sure all needs of the district can be properly funded.</p> <p>C. Anticipated completion date: June 30, 2019.</p>

**Carroll County School District  
P. O. Box 256  
Office of the Superintendent  
Carrollton, Mississippi 38917  
James Ray, Superintendent  
Bret Reynolds, Business Manager**

**2018-003** Bank reconciliations and investment statements were not properly reconciled.

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

The district will implement better controls and procedures so that bank statements and investments statements are properly reconciled to the general ledger. Any differences will be investigated and recorded on the general ledger to properly reflect the transactions.

C. Anticipated completion date:

June 30, 2019.

**2018-004** Capital assets should be properly documented and reported in the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

The district will implement better internal controls for assets purchases, disposals and transfers. The business manager will ensure that all transfer and disposal forms will be completed and submitted to the board for approval.

C. Anticipated completion date:

June 30, 2019.

**2018-005** District did not make principal and interest payments on Sixteenth Section Principal Trust Loans

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over year end closing procedures to ensure that all Sixteenth Section Loan payments are properly recorded each year and are properly stated on the financials.

C. Anticipated completion date:

June 30, 2019.

**Carroll County School District  
P. O. Box 256  
Office of the Superintendent  
Carrollton, Mississippi 38917  
James Ray, Superintendent  
Bret Reynolds, Business Manager**

**2018-006**

Accounts payable and other accruals were not properly reported on the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over reporting and make sure accruals are reconciled and are properly stated on the financials.

C. Anticipated completion date:

June 30, 2019.

**2018-007**

Transfers and Loan balances were not properly reconciled and presented on financial statements.

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds and Billy Joe Ferguson

Title: Business Manager and Superintendent

B. Corrective action planned:

The business manager will strengthen controls over reconciliations of transfers and loan transactions within the financial statements to ensure that the financial statements are fairly stated.

C. Anticipated completion date:

June 30, 2019.



**Carroll County School District  
P. O. Box 256  
Office of the Superintendent  
Carrollton, Mississippi 38917  
James Ray, Superintendent  
Bret Reynolds, Business Manager**

**AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

As required by Uniformed Guidance, the Carroll County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2018:

<u>Findings</u>	<u>Status</u>
2017-01	See 2018-001
2017-02	See 2018-002
2017-03	See 2018-003
2017-04	See 2018-004
2017-05	See 2018-006
2017-06	See 2018-007
2017-07	Corrected
2017-08	Corrected