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KEMPER COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

KEMPER COUNTY SCHOOL DISTRICT
June 30, 2018

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June 30, 2018

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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Kemper 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 Kemper 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 Kemper County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper 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, and the Schedule of the 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 5 - 14, 42, 43 and 44, respectively, be presented to supplement 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 Kemper County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the *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 February 21, 2019, on our consideration of Kemper County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kemper 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 Kemper County School District's internal control over financial reporting and compliance.

Brown, Emory & Co.

Ridgeland, Mississippi
February 21, 2019

KEMPER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

The following discussion and analysis of Kemper 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 \$709,345, including a prior period adjustment of \$(1,330,958), which represents a 38.27% decrease from fiscal year 2017. Total net position for 2017 increased \$425,134, including a prior period adjustment of \$4,916, which represents a (18.66)% decrease from fiscal year 2016.
- ◆ General revenues amounted to \$13,767,904 and \$13,910,376, or 80.36% and 83.77% 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 \$3,364,362 or 19.64% of total revenues for 2018, and \$2,695,387, or 16.23% of total revenues for 2017.
- ◆ The District had \$16,510,653 and \$16,185,545 in expenses for fiscal years 2018 and 2017; only \$3,364,362 for 2018 and \$2,695,387 for 2017 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,767,904 for 2018 and \$13,910,376 for 2017 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$13,923,694 in revenues and \$12,737,887 in expenditures for 2018, and \$13,679,243 in revenues and \$11,239,032 in expenditures in 2017. The General Fund's fund balance decreased by \$1,029,114 from 2017 to 2018, including a prior period adjustment of \$1,075 and increased by \$1,825,485 from 2016 to 2017, including a prior period adjustment of \$4,916.
- ◆ Capital assets, net of accumulated depreciation, increased by \$736,758 for 2018 and increased by \$72,389 for 2017. The increase for 2018 was due to the addition of various items of mobile equipment and furniture and equipment.
- ◆ Long-term debt decreased by \$210,000 for 2018 and decreased by \$205,000 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,488 for 2018 and decreased by \$1,516 for 2017.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,562,900 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.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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	\$ 7,542,700	\$ 6,975,789	8.13 %
Restricted assets	1,615,506	1,427,843	13.14 %
Capital assets, net	<u>6,300,642</u>	<u>5,563,884</u>	13.24 %
Total assets	<u>15,458,848</u>	<u>13,967,516</u>	10.68 %
Deferred outflows of resources	<u>3,908,477</u>	<u>4,784,939</u>	(18.32)%
Current liabilities	103,500	201,666	(48.68)%
Long-term debt outstanding	116,716	270,491	(56.85)%
Net OPEB liability	1,280,812	-	N/A
Net pension liability	<u>17,489,473</u>	<u>19,857,738</u>	(11.93)%
Total liabilities	<u>18,990,501</u>	<u>20,329,895</u>	(6.59)%
Deferred inflows of resources	<u>2,939,724</u>	<u>276,115</u>	964.67 %
Net position:			
Net investment in capital assets	6,300,642	5,353,884	17.68 %
Restricted	2,747,519	2,491,320	10.28 %
Unrestricted	<u>(11,611,061)</u>	<u>(9,698,759)</u>	(19.72)%
Total net position	<u>\$ (2,562,900)</u>	<u>\$ (1,853,555)</u>	(38.27)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (11,611,061)
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	<u>17,801,532</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 6,190,471</u>

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

♦ Increase in net capital assets in the amount of	\$ 736,758
♦ The principal retirement of long-term debt	\$ 210,000
♦ Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of	\$ 1,280,812

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Changes in net position - The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$17,132,266 and \$16,605,763, respectively. The total cost of all programs and services was \$16,510,653 for 2018 and \$16,185,545 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			
	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,812,570	\$ 238,790	1,077.84 %
Operating grants and contributions	551,792	2,456,597	(77.54)%
Total program revenue	<u>3,364,362</u>	<u>2,695,387</u>	24.82 %
General revenues:			
Property taxes	8,136,654	7,857,399	3.55 %
Grants and contributions not restricted	5,107,596	5,357,361	(4.66)%
Investment earnings	4,225	312	1,254.17 %
Sixteen section sources	420,420	648,649	(35.19)%
Other	99,009	46,655	112.22 %
Total general revenues	<u>13,767,904</u>	<u>13,910,376</u>	(1.02)%
Total revenues	<u>17,132,266</u>	<u>16,605,763</u>	3.17 %
Expenses:			
Instruction	6,663,891	6,581,568	1.25 %
Support services	6,629,958	5,794,537	14.42 %
Non-instructional	678,273	721,279	(5.96)%
Sixteen section	83,022	67,385	23.21 %
Pension expense	2,381,113	3,011,382	(20.93)%
OPEB expense	67,072	-	N/A
Interest on long-term liabilities	7,324	9,394	(22.04)%
Total expenses	<u>16,510,653</u>	<u>16,185,545</u>	2.01 %
Increase (Decrease) in net position	<u>621,613</u>	<u>420,218</u>	47.93 %
Net Position (deficit), July 1, as previously reported	(1,853,555)	(2,278,689)	18.66 %
Prior period adjustment	<u>(1,330,958)</u>	<u>4,916</u>	(27,174.00)%
Net Position, July 1, as restated ,	<u>(3,184,513)</u>	<u>(2,273,773)</u>	(40.05)%
Net Position (deficit), June 30	<u>\$ (2,562,900)</u>	<u>\$ (1,853,555)</u>	(38.27)%

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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
Total Expenses

	2018	2017	Percentage Change
Instruction	\$ 6,663,891	\$ 6,581,568	1.25 %
Support services	6,629,958	5,794,537	14.42 %
Non-instructional	678,273	721,279	(5.96)%
Sixteenth section	83,022	67,385	23.21%
Pension expense	2,381,113	3,011,382	(20.93)%
OPEB expense	67,072	-	N/A
Interest on long-term liabilities	<u>7,324</u>	<u>9,394</u>	(22.04)%
Total expenses	<u>\$ 16,510,653</u>	<u>\$ 16,185,545</u>	2.01 %

Net (Expense) Revenue

	2018	2017	Percentage Change
Instruction	\$ (5,850,264)	\$ (5,944,327)	(1.58)%
Support services	(4,908,591)	(4,623,500)	6.17 %
Non-instructional	151,095	165,830	(8.89)%
Sixteen section	(83,022)	(67,385)	23.21%
Pension expense	(2,381,113)	(3,011,382)	(20.93)%
OPEB expense	(67,072)	-	N/A
Interest on long-term liabilities	<u>(7,324)</u>	<u>(9,394)</u>	(22.04)%
Total net (expense) revenue	<u>\$ (13,146,291)</u>	<u>\$ (13,490,158)</u>	(2.55)%

- ◆ Net cost of governmental activities, (\$13,146,291 for 2018 and \$13,490,158 for 2017), was financed by general revenue, which is primarily made up of property taxes (\$8,136,654 for 2018 and \$7,857,399 for 2017) and state and federal revenues (\$5,107,596 for 2018 and \$5,357,361 for 2017). In addition, there was \$420,420 and \$648,649 in Sixteenth Section sources for 2018 and 2017, respectively.
- ◆ Investment earnings amounted to \$4,225 for 2018 and \$312 for 2017.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$9,054,706, an increase of \$852,093 which includes a prior period adjustment of \$1,075 and an increase in inventory of \$1,701. \$6,280,159 or 69.36% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,774,547 or 30.64% is either nonexpendable, 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 \$1,029,114 which includes a prior period adjustment of \$1,075. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,693,709, which included an increase in reserve for inventory of \$1,701. The increase (decrease) in fund balances for other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 187,498

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 year were routine in nature and were not significant when compared to 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.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of June 30, 2018, the District's total capital assets were \$10,885,368, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment and any intangible assets. This amount represents an increase of \$653,808 from 2017. Total accumulated depreciation as of June 30, 2018 was \$4,584,726, and total depreciation expense for the year was \$411,490, resulting in total net capital assets of \$6,300,642.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2018	June 30, 2017	Percentage Change
Land	\$ 25,410	\$ 25,410	- %
Buildings	3,427,685	3,516,386	(2.52)%
Building improvements	530,354	553,413	(4.17)%
Improvements other than buildings	168,651	175,968	(4.16)%
Mobile equipment	1,922,486	1,159,689	65.78 %
Furniture and equipment	226,056	133,018	69.94 %
Total	<u>\$ 6,300,642</u>	<u>\$ 5,563,884</u>	13.24 %

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 \$61,979 in outstanding long-term debt, of which \$3,100 is due within one year. The liability for compensated absences increased by \$1,488 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2018	June 30, 2017	Percentage Change
Limited obligation refunding bonds payable	\$ -	\$ 210,000	(100.00)%
Compensated absences payable	61,979	60,491	2.46 %
Total	<u>\$ 61,979</u>	<u>\$ 270,491</u>	(77.09)%

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

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

CURRENT ISSUES

The Kemper 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 are 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 questions about this report or need additional financial information, contact the Superintendent's Office of the Kemper County School District, P.O. Box 219, DeKalb, MS 39328.

KEMPER COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

Kemper County School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,772,730
Cash with fiscal agents	124,765
Due from other governments	613,146
Other receivables, net	21,083
Inventories	10,976
Restricted assets	1,615,506
Capital assets, nondepreciable:	
Land	25,410
Capital assets, net of accumulated depreciation:	
Buildings	3,427,685
Building improvements	530,354
Improvements other than buildings	168,651
Mobile equipment	1,922,486
Furniture and equipment	226,056
Total Assets	<u>15,458,848</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	3,847,091
Deferred outflows - OPEB	61,386
Total deferred outflows of resources	<u>3,908,477</u>
Liabilities	
Accounts payable and accrued liabilities	102,985
Unearned revenue	515
Long-term liabilities, due within one year:	
Non-capital related liability	3,100
Net OPEB liability	54,737
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	58,879
Net pension liabilities	17,489,473
Net OPEB liabilities	1,280,812
Total Liabilities	<u>18,990,501</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,871,718
Deferred inflows - OPEB	68,006
Total deferred inflows of resources	<u>2,939,724</u>
Net Position	
Net investment in capital assets	6,300,642
Restricted for:	
Expendable:	
School-based activities	696,746
Debt service	128,219
Capital improvements	49
Forestry improvements	259,956
Unemployment benefits	47,840
Nonexpendable:	
Sixteenth section	1,614,709
Unrestricted	(11,611,061)
Total Net Position	<u>\$ (2,562,900)</u>

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

Kemper County School District
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,663,891	\$ 813,627	\$ -	\$ -	\$ (5,850,264)
Support services	6,629,958	1,169,575	551,792	-	(4,908,591)
Non-instructional	678,273	829,368	-	-	151,095
Sixteen section	83,022	-	-	-	(83,022)
Pension expense	2,381,113	-	-	-	(2,381,113)
OPEB expense	67,072	-	-	-	(67,072)
Interest on long-term liabilities	7,324	-	-	-	(7,324)
Total Governmental Activities	<u>\$ 16,510,653</u>	<u>\$ 2,812,570</u>	<u>\$ 551,792</u>	<u>\$ -</u>	<u>(13,146,291)</u>
General Revenues:					
Taxes:					
General purpose levies					7,915,004
Debt purpose levies					221,650
Unrestricted grants and contributions:					
State					5,010,306
Federal					97,290
Unrestricted investment earnings					4,225
Sixteenth section sources					420,420
Other					99,009
Total General Revenues					<u>13,767,904</u>
Change in Net Position					<u>621,613</u>
Net Position - Beginning, as previously reported					(1,853,555)
Prior period adjustments					<u>(1,330,958)</u>
Net Assets - Beginning - as restated					<u>(3,184,513)</u>
Net Position - Ending					<u>\$ (2,562,900)</u>

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

Kemper County School District
Governmental Funds
Balance Sheet
June 30, 2018

	Major Fund	
	General Fund	Sixteenth Section Principal Fund
ASSETS		
Cash and cash equivalents	\$ 5,707,142	\$ 1,615,506
Cash with fiscal agents	-	-
Due from other governments	76,154	-
Due from other funds	144,021	-
Inventories	-	-
Total Assets	<u>\$ 5,927,317</u>	<u>\$ 1,615,506</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 95,238	\$ -
Due to other funds	1,125,949	797
Unavailable revenue	-	-
Total Liabilities	<u>1,221,187</u>	<u>797</u>
FUND BALANCES:		
Nonspendable:		
Inventory	-	-
Permanent fund principal	-	1,614,709
Restricted:		
Debt service	-	-
Capital projects	-	-
Forestry improvements	-	-
Grant activities	-	-
Unemployment benefits	-	-
Child Nutrition	-	-
Assigned:		
Activity funds	27,031	-
Unassigned:	<u>4,679,099</u>	-
Total Fund Balances	<u>4,706,130</u>	<u>1,614,709</u>
Total Liabilities and Fund Balances	<u>\$ 5,927,317</u>	<u>\$ 1,615,506</u>

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

EXHIBIT C

Other Governmental Funds	Total Governmental Funds
\$ 1,065,587	\$ 8,388,235
124,765	124,765
536,992	613,146
1,125,949	1,269,970
<u>10,976</u>	<u>10,976</u>
\$ <u>2,864,269</u>	\$ <u>10,407,092</u>
\$ 7,745	\$ 102,983
122,142	1,248,888
<u>515</u>	<u>515</u>
<u>130,402</u>	<u>1,352,386</u>
10,976	10,976
-	1,614,709
128,219	128,219
49	49
259,956	259,956
263,983	263,983
47,840	47,840
421,784	421,784
-	27,031
<u>1,601,060</u>	<u>6,280,159</u>
<u>2,733,867</u>	<u>9,054,706</u>
\$ <u>2,864,269</u>	\$ <u>10,407,092</u>

Kemper County School District
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018

Total Fund Balances for Governmental Funds \$ 9,054,706

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	25,410	
	Buildings	6,427,498	
	Building improvements	576,472	
	Improvements other than buildings	221,341	
	Mobile equipment	2,988,686	
	Furniture and equipment	645,961	
	Accumulated depreciation	<u>(4,584,726)</u>	6,300,642
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	(17,489,473)	
	Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
	Deferred outflows of resources related to pensions	3,847,091	
	Deferred inflows of resources related to pensions	<u>(2,871,718)</u>	(16,514,100)
3.	Some liabilities, including OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
	Net OPEB liability	(1,335,549)	
	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	61,386	
	Deferred inflows of resources related to OPEB	<u>(68,006)</u>	(1,342,169)
3.	Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
	Compensated absences	<u>(61,979)</u>	<u>(61,979)</u>
	Net position of governmental activities		<u>\$ (2,562,900)</u>

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

Kemper County School District
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018

	Major Fund	
	General Fund	Sixteenth Section Principal Fund
Revenues:		
Local sources	\$ 8,095,437	\$ -
State sources	4,982,495	-
Federal sources	159,346	-
Sixteenth section sources	<u>686,416</u>	<u>188,295</u>
Total Revenues	<u>13,923,694</u>	<u>188,295</u>
Expenditures:		
Instruction	6,260,292	-
Support services	6,368,128	-
Noninstructional services	83,610	-
Sixteen section	25,857	-
Debt service:		
Principal	-	-
Interest	-	-
Other	-	-
Total Expenditures	<u>12,737,887</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,185,807</u>	<u>188,295</u>
Other Financing Sources (Uses):		
Sale of transportation equipment	24,164	-
Insurance recovery	14,178	-
Operating transfers in	45,839	-
Operating transfers out	<u>(2,300,177)</u>	<u>(797)</u>
Total Other Financing Sources (Uses)	<u>(2,215,996)</u>	<u>(797)</u>
Net Change in Fund Balances	<u>(1,030,189)</u>	<u>187,498</u>
Fund Balances:		
July 1, 2017, as previously reported	5,735,244	1,427,211
Prior period adjustments	<u>1,075</u>	<u>-</u>
July 1, 2017, as restated	<u>5,736,319</u>	<u>1,427,211</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>
June 30, 2018	<u>\$ 4,706,130</u>	<u>\$ 1,614,709</u>

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

EXHIBIT D

Other Governmental Funds	Total Governmental Funds
\$ 51,908	\$ 8,147,345
596,946	5,579,441
2,235,584	2,394,930
97,501	972,212
<u>2,981,939</u>	<u>17,093,928</u>
1,050,811	7,311,103
1,469,361	7,837,489
749,757	833,367
57,165	83,022
210,000	210,000
5,250	5,250
2,722	2,722
<u>3,545,066</u>	<u>16,282,953</u>
<u>(563,127)</u>	<u>810,975</u>
-	24,164
-	14,178
2,300,177	2,346,016
(45,042)	(2,346,016)
<u>2,255,135</u>	<u>38,342</u>
<u>1,692,008</u>	<u>849,317</u>
1,040,158	8,202,613
-	1,075
<u>1,040,158</u>	<u>8,203,688</u>
1,701	1,701
<u>\$ 2,733,867</u>	<u>\$ 9,054,706</u>

Kemper 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

Net Change in Fund Balances - Total Governmental Funds		\$ 849,317
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	\$ 1,223,325	
Depreciation expense	<u>(411,490)</u>	811,835
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(75,077)
3. 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	210,000	
Accrued interest payable	<u>647</u>	210,647
4. 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. These activities includes:		
Pension expense	(2,381,113)	
Contributions subsequent to the measurement date	<u>1,215,927</u>	(1,165,186)
5. 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. These activities includes:		
OPEB expense	(67,072)	
Contributions subsequent to measurement date	<u>56,936</u>	(10,136)
6. 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	(1,488)	
Change in inventory reserve	<u>1,701</u>	213
Change in net position of Governmental Activities		<u>\$ 621,613</u>

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

Kemper County School District
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2018

	Agency Funds
Assets	
Cash and cash equivalents	\$ <u>579,208</u>
Total Assets	\$ <u><u>579,208</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 532,230
Due to other funds	21,082
Due to student clubs	<u>25,896</u>
Total Liabilities	\$ <u><u>579,208</u></u>

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

Kemper 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 board member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Principal Fund - This is a permanent fund consisting of funds derived from certain uses which shall be invested and only the interest and income derived from such funds shall be expendable by the school district.

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 which focus on net position and changes in net position.

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, fund raisers, and club related expenditures approved by the individual clubs.

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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.

D. Encumbrances

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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.

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

The following schedule details the capitalization thresholds:

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

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

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 pension reporting and OPEB reporting.

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

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).

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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. Fund Balances

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

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

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

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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. 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 policy adopted by the school district.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of 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.

NOTE 2 - CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS

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

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

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS (Continued)

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 \$8,388,235 and \$579,208, respectively. The bank balance was \$9,017,509.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$124,765.

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	Sixteenth Section Principal Fund	\$ 797
	Other governmental funds	122,142
	Fiduciary funds	21,082
Other governmental funds	General Fund	1,125,949
Total		<u>\$ 1,269,970</u>

The purpose of the most significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other governmental funds	\$ 2,300,177
Sixteenth Section Principal Fund	General Fund	797
Other Governmental fund	General Fund	45,042
Total		<u>\$ 2,346,016</u>

Inter-fund transfers were made to provide funds for daily operations. All inter-fund transfers were routine and consistent with the fund making the transfer.

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 4 – RESTRICTED ASSETS

The restricted assets represent the cash balance totaling \$1,615,506 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.

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities:	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<u>Non-depreciable Capital assets:</u>				
Land	\$ 25,410	\$ -	\$ -	\$ 25,410
Total non-depreciable capital assets	25,410	-	-	25,410
<u>Depreciable capital assets:</u>				
Buildings	6,427,498	-	-	6,427,498
Building improvements	576,472	-	-	576,472
Improvements other than buildings	221,341	-	-	221,341
Mobile equipment	2,455,261	1,087,334	553,909	2,988,686
Furniture and equipment	525,578	135,991	15,608	645,961
Total depreciable capital assets	10,206,150	1,223,325	569,517	10,859,958
<u>Less accumulated depreciation for:</u>				
Buildings	2,911,112	88,701	-	2,999,813
Building improvements	23,059	23,059	-	46,118
Improvements other than buildings	45,373	7,317	-	52,690
Mobile equipment	1,295,572	249,616	478,988	1,066,200
Furniture and equipment	392,560	42,797	15,452	419,905
Total accumulated depreciation	4,667,676	411,490	494,440	4,584,726
Total depreciable capital assets, net	5,538,474	811,835	75,077	6,275,232
Governmental activities capital assets, net	\$ 5,563,884	\$ 811,835	\$ 75,077	\$ 6,300,642

Kemper County School District
Notes to the Financial Statements
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Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental Activities:	
Instruction	\$ 117,628
Support services	268,940
Non-instructional	<u>24,922</u>
Total depreciation expense-Governmental Activities	<u>\$ 411,490</u>

The capital assets above include significant amounts of land, buildings, mobile equipment, and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
A. Limited obligation refunding bonds payable	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ -
B. Compensated absences payable	<u>60,491</u>	<u>1,488</u>	<u>-</u>	<u>61,979</u>	<u>3,100</u>
Total	<u>\$ 270,491</u>	<u>\$ 1,488</u>	<u>\$ 210,000</u>	<u>\$ 61,979</u>	<u>\$ 3,100</u>

A. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement refunding bonds Series 2010	2.0 - 2.5%	12/17/2010	4/1/2018	<u>\$ 1,345,000</u>	<u>\$ -</u>

This debt was retired during the year.

Kemper County School District
Notes to the Financial Statements
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B. 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.

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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 \$1,215,927, \$1,028,231, and \$1,120,115, respectively, which equaled the required contributions for each year.

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

At June 30, 2018, The school district reported a liability of \$17,489,473 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 0.105210 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.005960 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 \$2,381,113. 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	\$ 789,655	\$ 127,616
Net Difference between projected and actual earnings on pension plan investments	1,352,148	1,901,915
Changes of assumptions	1,523,952	52,768
Changes in proportion and differences between District contributions and proportionate share of contributions	(1,034,591)	789,419
District contributions subsequent to the measurement date	1,215,927	-
Total	<u>\$ 3,847,091</u>	<u>\$ 2,871,718</u>

\$1,215,927 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 ending 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 Ending June 30	
2019	\$ 236,764
2020	(55,100)
2021	(84,383)
2022	(337,835)
Total	<u>\$ (240,554)</u>

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S Broad	27%	4.60%
International Equity	18	4.50
Emerging Markets Equity	4	4.75
Global	12	4.75
Fixed Income	18	0.75
Real Assets	10	3.50
Private Equity	8	5.10
Emerging Debt	2	2.25
Cash	1	(000)
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75%. 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.

Kemper 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 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 current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ 22,938,611	\$ 17,489,473	\$ 12,965,504

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Kemper County School District
Notes to the Financial Statements
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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 \$67,072 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 \$1,280,812 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 any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.17021841 percent. This was an increase of 0.00064072 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 \$67,072. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	68,006
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,450	-
District contributions subsequent to the measurement date	<u>56,936</u>	<u>-</u>
Total	<u>\$ 61,386</u>	<u>\$ 68,006</u>

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

\$56,936 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	\$	(11,150)
2020		(11,150)
2021		(11,150)
2022		(11,150)
2023		(11,150)
Thereafter		(7,806)

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 Pre-Medicare	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

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Notes to the Financial Statements
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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.

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	\$ 1,370,820	\$ 1,335,549	\$ 1,309,283

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	1,233,469	1,335,549	1,452,084

Kemper County School District
Notes to the Financial Statements
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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 the school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 114,972
2020	103,480
2021	92,577
2022	82,056
2023	51,764
2024 - 2028	190,378
2029 - 2033	88,580
2034 - 2038	72,470
2039 - 2043	90,361
	<u>\$ 886,638</u>

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

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

Exhibit B - Statement of Activities

Explanation

1. Implementation of GASB 75 Net OPEB Liability (06/30/18) \$ (1,330,958)

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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

<u>Fund</u>	<u>Explanation</u>	
General fund	Write- off of prior year liabilities	\$ <u>1,075</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 recourses are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

NOTE 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 insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Worker's 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 member's employees. The Mississippi Worker's Compensation Commission requires that an indemnity agreement be executed by each member in a worker's 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.

Kemper County School District
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 13 - INSURANCE LOSS RECOVERIES

The Kemper County School District received \$14,178 in insurance loss recoveries related to damage to property and equipment during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

NOTE 14 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(11,611,061) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions and OPEB. The \$3,847,091 balance of deferred outflow of resources from pensions at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3-4 years. The \$61,386 balance in deferred outflow of resources from OPEB at June 30, 2018 will be recognized as expenses and will decrease the unrestricted net position over the next 5-6 years.

The unrestricted net position amount of \$(11,611,061) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions and OPEB. The \$2,871,718 balance of deferred inflow of resources from pensions at June 30, 2018 will be recognized as revenue and will increase the unrestricted net position over the next 3-4 years. The \$68,006 balance of deferred inflow of resources from OPEB at June 30, 2018 will be recognized as revenue and will increase the unrestricted net position over the next 5-6 years.

NOTE 15 - 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 Kemper County School District evaluated the activity of the district through February 21, 2019, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

KEMPER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Kemper 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
Revenues:					
Local sources	\$ 7,773,489	\$ 8,111,601	\$ 8,095,437	\$ 338,112	\$ (16,164)
State sources	4,994,563	4,990,508	4,982,495	(4,055)	(8,013)
Federal sources	178,723	159,346	159,346	(19,377)	-
Sixteenth section sources	575,806	686,416	686,416	110,610	-
Total Revenues	<u>13,522,581</u>	<u>13,947,871</u>	<u>13,923,694</u>	<u>425,290</u>	<u>(24,177)</u>
Expenditures:					
Instruction	6,792,844	6,260,292	6,260,292	532,552	-
Support services	5,511,289	6,368,127	6,368,128	(856,838)	(1)
Noninstructional services	82,873	83,610	83,610	(737)	-
Sixteenth section	50,000	25,857	25,857	24,143	-
Total Expenditures	<u>12,437,006</u>	<u>12,737,886</u>	<u>12,737,887</u>	<u>(300,880)</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,085,575</u>	<u>1,209,985</u>	<u>1,185,807</u>	<u>124,410</u>	<u>(24,178)</u>
Other Financing Sources (Uses):					
Insurance recovery	-	14,178	14,178	14,178	-
Sale of transportation equipment	-	-	24,164	-	24,164
Operating transfers in	1,025,065	1,644,949	45,839	619,884	(1,599,110)
Operating transfers out	<u>(1,584,835)</u>	<u>(2,298,226)</u>	<u>(2,300,177)</u>	<u>(713,391)</u>	<u>(1,951)</u>
Total Other Financing Sources (Uses)	<u>(559,770)</u>	<u>(639,099)</u>	<u>(2,215,996)</u>	<u>(79,329)</u>	<u>(1,576,897)</u>
Net Change in Fund Balances	<u>525,805</u>	<u>570,886</u>	<u>(1,030,189)</u>	<u>45,081</u>	<u>(1,601,075)</u>
Fund Balances:					
July 1, 2017, as previously reported	3,929,912	5,723,146	5,735,244	1,793,234	12,098
Prior period adjustments	-	-	1,075	-	1,075
July 1, 2017, as restated	<u>3,929,912</u>	<u>5,723,146</u>	<u>5,736,319</u>	<u>1,793,234</u>	<u>13,173</u>
June 30, 2018	<u>\$ 4,455,717</u>	<u>\$ 6,294,032</u>	<u>\$ 4,706,130</u>	<u>\$ 1,838,315</u>	<u>\$ (1,587,902)</u>

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

Kemper County School District
Required Supplementary Information
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)	0.105210%	0.111170%	0.113099%	0.101934%
District proportionate share of the net pension liability (asset)	\$ 17,489,473	\$ 19,857,738	\$ 17,482,875	\$ 12,372,921
District's covered-employee payroll	\$ 6,528,451	7,111,841	7,065,803	6,225,835
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	267.90 %	279.22 %	247.43 %	198.74 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.47 %	61.70 %	67.21 %

*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 Statement 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.

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

Kemper County School District
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contribution	\$ 1,215,927	\$ 1,028,231	\$ 1,120,115	\$ 1,112,864
Contributions in relation to the contractually required contribution	<u>1,215,927</u>	<u>1,028,231</u>	<u>1,120,115</u>	<u>1,112,864</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 7,720,169	\$ 6,528,451	\$ 7,111,841	7,065,803
Contributions as a percentage of covered-employee payroll	15.75 %	15.75 %	15.75 %	15.75 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 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.

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

Kemper County School District
Required Supplementary Information
Schedule of District Proportionate Share of the
Net OPEB Liability
OPEB
Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	0.01702184 %
District's proportionate share of the net OPEB liability	\$ 1,335,549
District's covered employee payroll	\$ 7,647,445
District's proportionate share of the net OPEB liability as a percent of its covered employee payroll	17.46 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.00 %

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

Kemper County School District
Required Supplementary Information
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	<u>2018</u>
Contractually required contribution	\$ 56,936
Contribution in relation to the contractually required contribution	<u>56,936</u>
Contribution deficiency (excess)	\$ <u><u>0.00</u></u>
District's covered employee payroll	\$ 7,351,153
Contribution as a percentage of covered employee payroll	0.77 %

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.

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

Kemper County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Budgetary Comparison Schedules

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 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 disable lives.

Kemper County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

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

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

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

2. Change 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 calculation 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

Kemper County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

3. *Method and assumptions used in calculation of Actuarially Determined Contributions.*

The Actuarially Determined Contribution rates as a percentage 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 increase, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare	
Supplement Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

KEMPER COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

Kemper County School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 279,760
National School Lunch Program	185MS326N1099	10.555	583,493
Summer Food Service Program for Children	185MS326N1099	10.559	21,499
Total Child Nutrition Cluster			<u>884,752</u>
Total Passed-through the Mississippi Department of Education			<u>884,752</u>
Total U.S. Department of Agriculture			<u>884,752</u>
<u>U. S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	N/A	12.xxx	<u>50,727</u>
Total U.S. Department of Defense			<u>50,727</u>
<u>Federal Communications Commission</u>			
Administered through the Universal Service Administrative Company:			
The School and Libraries Program of the Universal Service Fund	N/A	32.xxx	<u>61,268</u>
Total Federal Communications Commission			<u>61,268</u>
<u>U. S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - Grants to Local Educational Agencies	ES010A170024	84.010	185,733
Career and Technical Education - Basic Grants to State	V048A170024	84.048	100,013
Twenty-First Century Community Learning Centers	ES287C170024	84.287	87,340
Rural Education	ES010A170024	84.358	661,294
Supporting Effective Instruction State Grants	ES010A170023	84.367	<u>96,174</u>
Subtotal U.S. Department of Education			<u>1,130,554</u>

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

Kemper County School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education</u>			
Special education cluster:			
Special education - grants to states	H027A170108	84.027	\$ 13,151
Special education - preschool grants	H173A170113	84.173	<u>204,915</u>
 Total Special Education Cluster			<u>218,066</u>
Total Passed-through Mississippi Department of Education			<u>1,348,620</u>
 Total U.S. Department of Education			<u>1,348,620</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medicaid Cluster			
Medical Assistance Program	1805MS5ADM	93.778	<u>11,735</u>
Total passed-through Mississippi Department of Education			<u>11,735</u>
Total U.S. Department of Health and Human Services			<u>11,735</u>
 Total for All Federal Awards			<u>\$ 2,357,102</u>

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

Kemper 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 Kemper 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 Kemper County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Kemper County School District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Kemper 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	\$ 4,597,405	2,926,161	447,749	328,348	895,147
Other	11,685,548	1,054,238	204,908	61,064	10,365,338
Total	<u>\$ 16,282,953</u>	<u>3,980,399</u>	<u>652,657</u>	<u>389,412</u>	<u>11,260,485</u>
 Total number of students*	 1,027				
 Cost per student	 <u>\$ 15,855</u>	 <u>3,876</u>	 <u>635</u>	 <u>379</u>	 <u>10,964</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.

KEMPER COUNTY SCHOOL DISTRICT
OTHER INFORMATION

Kemper County School District
Other Information
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 8,095,437	\$ 7,790,083	\$ 5,841,809	\$ 6,339,840
State sources	4,982,495	5,266,117	5,251,095	5,054,659
Federal sources	159,346	130,289	131,137	131,667
Sixteenth section sources	686,416	492,754	324,333	493,728
Total Revenues	<u>13,923,694</u>	<u>13,679,243</u>	<u>11,548,374</u>	<u>12,019,894</u>
Expenditures:				
Instruction	6,260,292	5,987,701	5,975,963	5,860,133
Support services	6,368,128	5,138,186	4,574,943	4,213,248
Noninstructional services	83,610	85,965	78,849	75,759
Sixteenth section	25,857	27,180	34,265	10,968
Debt services:				
Interest	-	-	-	3,623
Total Expenditures	<u>12,737,887</u>	<u>11,239,032</u>	<u>10,664,020</u>	<u>10,163,731</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,185,807</u>	<u>2,440,211</u>	<u>884,354</u>	<u>1,856,163</u>
Other Financing Sources (Uses):				
Insurance recovery	14,178	3,239	-	-
Sale of transportation equipment	24,164	7,201	-	-
Operating transfers in	45,839	45,742	54,063	86,794
Other financing sources	-	16,550	20,000	-
Operating transfers out	<u>(2,300,177)</u>	<u>(692,374)</u>	<u>(1,311,629)</u>	<u>(672,110)</u>
Total Other Financing Sources (Uses)	<u>(2,215,996)</u>	<u>(619,642)</u>	<u>(1,237,566)</u>	<u>(585,316)</u>
Net Change in Fund Balances	<u>(1,030,189)</u>	<u>1,820,569</u>	<u>(353,212)</u>	<u>1,270,847</u>
Fund Balances:				
Beginning of period, as previously reported	5,735,244	3,909,759	4,270,806	2,999,959
Prior period adjustments,	<u>1,075</u>	<u>4,916</u>	<u>(7,835)</u>	<u>-</u>
Beginning of period, as restated	<u>5,736,319</u>	<u>3,914,675</u>	<u>4,262,971</u>	<u>2,999,959</u>
End of Period	<u>\$ 4,706,130</u>	<u>\$ 5,735,244</u>	<u>\$ 3,909,759</u>	<u>\$ 4,270,806</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Kemper 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*
Revenues:				
Local sources	\$ 8,147,345	\$ 7,837,920	\$ 5,911,084	\$ 6,417,360
State sources	5,579,441	5,832,186	5,814,787	5,669,979
Federal sources	2,394,930	2,203,421	2,318,239	2,621,539
Sixteenth section sources	<u>972,212</u>	<u>705,253</u>	<u>460,676</u>	<u>1,094,883</u>
Total Revenues	<u>17,093,928</u>	<u>16,578,780</u>	<u>14,504,786</u>	<u>15,803,761</u>
Expenditures:				
Instruction	7,311,103	7,051,012	7,259,578	7,237,191
Support services	7,837,489	6,305,132	5,772,900	5,301,800
Noninstructional services	833,367	815,854	878,303	858,868
Sixteenth section	83,022	67,384	91,216	97,945
Facilities acquisition and construction	-	17,693	560,365	181,330
Debt services:				
Principal	210,000	205,000	200,000	200,000
Interest	5,250	9,863	13,863	21,486
Other	<u>2,722</u>	<u>1,350</u>	<u>1,350</u>	<u>1,250</u>
Total Expenditures	<u>16,282,953</u>	<u>14,473,288</u>	<u>14,777,575</u>	<u>13,899,870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>810,975</u>	<u>2,105,492</u>	<u>(272,789)</u>	<u>1,903,891</u>
Other Financing Sources (Uses):				
Insurance recovery	14,178	3,239	-	-
Sale of transportation equipment	24,164	7,201	-	-
Sale of other property	-	-	1,952	-
Operating transfers in	2,346,016	738,116	1,393,846	927,889
Other financing sources	-	16,550	20,000	-
Operating transfers out	<u>(2,346,016)</u>	<u>(738,116)</u>	<u>(1,393,846)</u>	<u>(927,889)</u>
Total Other Financing Sources (Uses)	<u>38,342</u>	<u>26,990</u>	<u>21,952</u>	<u>-</u>
Net Change in Fund Balances	<u>849,317</u>	<u>2,132,482</u>	<u>(250,837)</u>	<u>1,903,891</u>
Fund Balances:				
Beginning of period, as previously reported	8,202,613	6,075,052	6,335,095	4,434,279
Prior period adjustments	<u>1,075</u>	<u>4,916</u>	<u>(18,074)</u>	<u>(34)</u>
Beginning of period, as restated	<u>8,203,688</u>	<u>6,079,968</u>	<u>6,317,021</u>	<u>4,434,245</u>
Increase (Decrease) in reserve for inventory	<u>1,701</u>	<u>(9,837)</u>	<u>8,868</u>	<u>(3,041)</u>
End of Period	<u>\$ 9,054,706</u>	<u>\$ 8,202,613</u>	<u>\$ 6,075,052</u>	<u>\$ 6,335,095</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

KEMPER COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Kemper 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 the Kemper 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 Kemper County School District's basic financial statements and have issued our report thereon dated February 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kemper 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 the Kemper County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kemper 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.

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 or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kemper 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*.

Kemper County School District's Response to Findings

Kemper County School District's response to the findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Kemper County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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.

Brown, Emory & Co.

Ridgeland, Mississippi
February 21, 2019



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

To the Board of Directors of
Kemper County School District
DeKalb, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Kemper County School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have direct and material effect on each of Kemper County School District's major federal programs for the year ended June 30, 2018. Kemper 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 Kemper County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the 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 Kemper 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Kemper County School District's compliance.

Basis for Qualified Opinion on - Title I Grants to Local Education Agencies

As described in the accompanying schedule of findings and questioned costs, the Kemper County School District's did not comply with requirements regarding CFDA Number 84.010, Title I Grants to Local Educational Agencies, as described in finding 2018-2 for suspension and debarment. Compliance with such requirements is necessary, in our opinion, for Kemper County School District to comply with the requirements applicable to that program

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Kemper County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Kemper 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 other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items CFDA Number 84.010, Title I Grants to Local Educational Agencies, as described in finding 2018-2 for suspension and debarment. Our opinion on each major federal program is not modified with respect to these matters.

Kemper County School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kemper County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Kemper 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 Kemper 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 Kemper County School District's internal control over compliance.

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

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items CFDA Number 84.010, Title I Grants to Local Educational Agencies, as described in finding 2018-2 for suspension and debarment to be significant deficiencies.

Kemper County School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kemper County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brown, Enry & Co.

Ridgeland, Mississippi
February 21, 2019

KEMPER COUNTY SCHOOL DISTRICT

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



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

Superintendent and School Board
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2018, which collectively comprise the Kemper County School District's basic financial statements and have issued our report thereon dated February 21, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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.

Brown, Emily & Co.

Ridgeland, Mississippi
February 21, 2019

KEMPER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kemper County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | Yes |
| 3. | Noncompliance material to the financial statements noted: | No |

Federal Awards:

- | | | |
|----|--|-----------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | Yes |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. | Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Cluster: Child Nutrition
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.010	Title I Grants to Local Educational Agencies

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Kemper County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section 2: Financial Statement Findings

Finding 2018-1 (Repeat Finding 2017-1)

Significant Deficiency

BANK RECONCILIATIONS

Condition

During the audit, we noted that several of the cash accounts were not reconciled to the general ledger on a monthly basis.

Cause

Cash accounts were not reconciled during the year.

Effect

Weaknesses in the system of internal control over cash.

Criteria

Part 200 - Uniform Administrative Requirement states that "...grantee financial management systems shall provide reasonable assurance regarding effective and efficiency of operations, reliability of reporting and internal control and compliance with applicable laws and regulations.

Recommendation

We recommend that all cash accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

Kemper County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section 3: Federal Award Findings and Questioned Costs

Finding No. 2018-2

U. S. DEPARTMENT OF EDUCATION

CFDA No.84.010 - Title I Grants to Local Education Agencies

SUSPENSION AND DEBARMENT

Condition

During the suspension and debarment testing, we noted that the Organization entered into two contracts in excess of \$25,000 in which no documentation was maintained to support the fact that the contractor had not been suspended or debarred or otherwise excluded from receiving the contract prior to approving the contract.

Cause

Failure to document that a search was performed to ascertain that the contractor was not suspended or debarred prior to approving the contract.

Effect

Non-compliance with grant requirements

Criteria

The Uniform Guidance Compliance Supplement states that "entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$25,000 and all non-procurement transactions (e.g., sub-awards to sub recipients). When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300)."

Auditors Recommendation

We recommend that the organization take the appropriate steps to ensure that they perform these procedures prior to approving these contracts and retain the appropriate documentation on file to verify that contractors awarded federal contracts in excess of \$25,000 are not suspended or debarred.



KEMPER COUNTY SCHOOLS

Post Office Box 219
DeKalb, Mississippi 39328

"Together We Can Make A Difference"

Jackie Pollock
Superintendent

March 4, 2019

Phone (601) 743-2657
Fax (601) 743-9297

BROWN, EWING & CO, P.A.
Certified Public Accountants

308 Highland Park Cove
Ridgeland, MS 39157
(601) 353-5423

RE: Audit Finding Response

Dear Mr. Brown,

Please find below the district response to the finding(s):

2018- 1

Finding

Cash accounts were not reconciled during the year

Recommendation

The District reconcile monthly all cash accounts to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

Response

The Kemper County School District will make the necessary adjustment(s) to correct this matter and will, in the future, comply with the recommendation as written.

2018-2

Finding

Failure to document that a search was performed to ascertain that the contractor was not suspended or debarred prior to approving the contract.

Recommendation

The Organization must ensure that documentation is maintained to support the fact that the contractor has not been suspended or debarred or otherwise excluded from receiving the contract prior to approving the contract

The Kemper County School District
has as its mission to provide a quality education for the children of Kemper County Schools.



Jackie Pollock
Superintendent

KEMPER COUNTY SCHOOLS

Post Office Box 219
DeKalb, Mississippi 39328

"Together We Can Make A Difference"

Phone (601) 743-2657
Fax (601) 743-9297

Response:

The Kemper County School District did subsequently perform a search regarding our vendor – Hickmon Enterprise, LLC and found that his company is neither suspended nor debarred from receiving federally funded contracts. See Attached. However, in the future, the district will ensure that documentation is maintained to support the fact that the contractor has not been suspended or debarred or otherwise excluded from receiving the contract prior to approving any contractual obligation.

If you have questions or need additional information, please feel free to contact our office.

Sincerely,

Terry L Stennis, MBA
Business Manager
Kemper County School District
tstennis@kemper.k12.ms.us



The Kemper County School District
has as its mission to provide a quality education for the children of Kemper County Schools.

Kemper County School District
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), the Kemper County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2018:

<u>Finding</u>	<u>Status</u>
2017-1	Corrective action not taken