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**Vicksburg Warren School District**

Audited Financial Statements  
For the Year Ended June 30, 2018

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Vicksburg Warren School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Vicksburg Warren 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 Vicksburg Warren School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Vicksburg Warren School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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## **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 Vicksburg Warren 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 16 and 53 to 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vicksburg Warren School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the Vicksburg Warren 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 Vicksburg Warren 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 Vicksburg Warren School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
March 20, 2019

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of Vicksburg Warren School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2018 decreased \$4,264,762, including a prior period adjustment of (\$6,485,907), due primarily to the effect of recording the net OPEB liability, which represents a 11% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,316,328, including a prior period adjustment of \$212,848, which represents a 4% decrease from the 2016 fiscal year.
- General revenues amounted to \$70,883,444, and \$69,215,842, or 83% and 84% 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 \$14,364,258, or 17% of total revenues for 2018, and \$13,460,674, or 16% of total revenues for 2017.
- The District had \$83,026,557 and \$84,205,692 in expenses for fiscal years 2018 and 2017; only \$14,364,258 for 2018 and \$13,460,674 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$70,883,444 for 2018 were adequate to provide for these programs. However, \$69,215,842 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$69,985,849 in revenues and \$62,115,912 in expenditures for 2018, and \$67,628,263 in revenues and \$63,050,016 in expenditures in 2017. The General Fund's fund balance increased by \$5,424,819, including a prior period adjustment of \$23,833, from 2017 to 2018 and increased by \$2,363,423, including a prior period adjustment of \$83,984, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$163,401 for 2018 and increased by \$377,798 for 2017. The decrease for 2018 was due to the net effect of a \$1,856,605 addition of assets coupled with the loss on disposal of \$7,556 less the increase in accumulated depreciation of \$2,012,450.
- Long-term debt decreased by \$2,693,765 for 2018 and decreased by \$2,722,023 for 2017. The decrease for 2018 was due primarily to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$22,627 for 2018 and decreased by \$57,690 for the fiscal year 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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 and other costs on long-term liabilities.

### **Fund Financial Statements**

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

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

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

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

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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 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.

**Notes to the Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

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

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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 District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$42,189,304 as of June 30, 2018.

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

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Current assets	\$ 32,499,835	29,094,113	11.71%
Restricted assets	5,414,096	6,024,168	-10.13%
Capital assets, net	44,849,022	45,012,423	-0.36%
<b>Total assets</b>	<b><u>82,762,953</u></b>	<b><u>80,130,704</u></b>	<b><u>3.28%</u></b>
<b>Deferred outflows of resources</b>	<b><u>11,151,965</u></b>	<b><u>29,693,130</u></b>	<b><u>-62.44%</u></b>
Current liabilities	3,549,963	4,826,722	-26.45%
Long-term debt outstanding	12,456,239	15,150,004	-17.78%
Net pension liability	108,052,061	117,892,480	-8.35%
Net OPEB liability	6,512,534	-	N/A
<b>Total liabilities</b>	<b><u>130,570,797</u></b>	<b><u>137,869,206</u></b>	<b><u>-5.29%</u></b>
<b>Deferred inflows of resources</b>	<b><u>5,533,425</u></b>	<b><u>9,879,170</u></b>	<b><u>-43.99%</u></b>
<b>Net position:</b>			
Net investment in capital assets	33,053,794	30,500,803	8.37%
Restricted	7,666,370	9,018,780	-15.00%
Unrestricted	(82,909,468)	(77,444,125)	-7.06%
<b>Total net position (deficit)</b>	<b><u>\$ (42,189,304)</u></b>	<b><u>(37,924,542)</u></b>	<b><u>-11.25%</u></b>

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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)	\$ (82,909,468)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows	<u>108,946,055</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 26,036,587</u>

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

- Decrease in net capital assets in the amount of \$163,401.
- The principal retirement of \$2,697,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$6,512,534.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$85,247,702 and \$82,676,516, respectively. The total cost of all programs and services was \$83,026,557 for 2018 and \$84,205,692 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.

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,252,349	1,073,891	16.62%
Operating grants and contributions	13,111,909	12,386,783	5.85%
General revenues:			
Property and gaming taxes	32,039,314	31,668,453	1.17%
Grants and contributions not restricted	38,071,259	36,784,159	3.50%
Investment earnings	259,517	58,744	341.78%
Sixteenth section sources	449,565	487,223	-7.73%
Other	63,789	217,263	-70.64%
<b>Total revenues</b>	<b><u>85,247,702</u></b>	<b><u>82,676,516</u></b>	<b><u>3.11%</u></b>
<b>Expenses:</b>			
Instruction	41,865,110	41,444,478	1.01%
Support services	26,618,297	27,042,006	-1.57%
Non-instructional	3,307,114	3,413,818	-3.13%
Sixteenth section	24,570	27,168	-9.56%
Pension expense	10,830,395	12,168,490	-11.00%
OPEB expense	312,384		N/A
Interest and other costs on long-term liabilities	68,687	109,732	-37.40%
<b>Total expenses</b>	<b><u>83,026,557</u></b>	<b><u>84,205,692</u></b>	<b><u>-1.40%</u></b>
<b>Increase (decrease) in net position</b>	<b><u>2,221,145</u></b>	<b><u>(1,529,176)</u></b>	<b><u>245.25%</u></b>
Net Position (Deficit), July 1, as previously reported	(37,924,542)	(36,608,214)	-3.60%
Prior Period Adjustment	(6,485,907)	212,848	-3147.20%
Net Position (Deficit), July 1, as restated	(44,410,449)	(36,395,366)	-22.02%
<b>Net Position(Deficit), June 30</b>	<b><u>\$ (42,189,304)</u></b>	<b><u>(37,924,542)</u></b>	<b><u>-11.25%</u></b>

**Governmental activities**

The table on the following page presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB expense and interest and other costs 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.

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	
Instruction	\$ 41,865,110	41,444,478	1.01%
Support services	26,618,297	27,042,006	-1.57%
Non-instructional	3,307,114	3,413,818	-3.13%
Sixteenth section	24,570	27,168	-9.56%
Pension expense	10,830,395	12,168,490	-11.00%
OPEB expense	312,384		N/A
Interest and other costs on long-term liabilities	68,687	109,732	-37.40%
<b>Total expenses</b>	<b>\$ 83,026,557</b>	<b>84,205,692</b>	<b>-1.40%</b>
<b>Net (Expense) Revenue</b>			
Instruction	\$ (34,820,559)	(35,207,367)	-1.10%
Support services	(24,486,422)	(24,628,142)	-0.58%
Non-instructional	1,880,718	1,395,881	34.73%
Sixteenth section	(24,570)	(27,168)	-9.56%
Pension expense	(10,830,395)	(12,168,490)	-11.00%
OPEB expense	(312,384)		N/A
Interest and other costs on long-term liabilities	(68,687)	(109,732)	-37.40%
<b>Total net (expense) revenue</b>	<b>\$ (68,662,299)</b>	<b>(70,745,018)</b>	<b>-2.94%</b>

- Net cost of governmental activities (\$68,662,299 for 2018 and \$70,745,018 for 2017) was financed by general revenue, which is primarily made up of taxes (\$32,039,314 for 2018 and \$31,668,453 for 2017) and state and federal revenues (\$38,071,259 for 2018 and \$36,784,159 for 2017). In addition, there was \$449,565 and \$487,223 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$259,517 for 2018 and \$58,744 for 2017.

#### **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 \$34,371,799, an increase of \$4,052,578, which includes a prior period adjustment of \$107,792, and a decrease in inventory of \$5,004. \$26,028,628 or 76% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$8,343,171 or 24% is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.



**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$5,424,819 which includes a prior period adjustment of \$23,833. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,372,239 which includes a prior period adjustment of \$83,959 and a decrease in inventory of \$5,004. The other increase (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Part A Fund	no increase or decrease

**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 District. Beginning fund balance was adjusted to actual between the original and final budgets.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$84,099,296, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,673,572 from 2017. Total accumulated depreciation as of June 30, 2018, was \$39,250,274, and total depreciation expense for the year was \$2,012,450, resulting in total net capital assets of \$44,849,022.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 1,056,845	1,056,845	0.00%
Construction in progress	497,139	8,046,813	-93.82%
Buildings	29,657,633	30,653,552	-3.25%
Building improvements	10,403,532	2,251,393	362.09%
Improvements other than buildings	429,576	415,311	3.43%
Mobile equipment	2,467,145	2,192,413	12.53%
Furniture and equipment	337,152	396,096	-14.88%
Total	<u>\$ 44,849,022</u>	<u>45,012,423</u>	<u>-0.36%</u>

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 \$12,456,239 in outstanding long-term debt, of which \$1,459,302 is due within one year. The liability for compensated absences increased \$22,627 from the prior year.

**VICKSBURG WARREN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The District maintains an AA bond rating.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<b>Percentage Change</b>
General obligation refunding bonds payable	\$ 895,000	1,760,000	-49.15%
Limited obligation refunding bonds payable	-	1,270,000	-100.00%
Premium	-	19,392	-100.00%
Certificates of participation payable	-	226,000	-100.00%
Qualified zone academy bonds payable	7,900,228	8,236,228	-4.08%
Qualified school construction bonds payable	3,000,000	3,000,000	0.00%
Compensated absences payable	661,011	638,384	3.54%
<b>Total</b>	<b>\$ <u>12,456,239</u></b>	<b><u>15,150,004</u></b>	<b><u>-17.78%</u></b>

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

#### **CURRENT ISSUES**

The Vicksburg Warren 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 controls is well regarded.

The District plans to continue its sound fiscal management to meet the challenges of the future.

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

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

## FINANCIAL STATEMENTS

**Vicksburg Warren School District**

<b>Statement of Net Position</b>	<b>Exhibit A</b>
<b>June 30, 2018</b>	
<b>Assets</b>	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 29,541,455
Investments	11,136
Due from other governments	2,499,084
Inventories	118,639
Prepaid items	204,033
Other receivables	125,488
Restricted assets	5,414,096
Capital assets, non-depreciable:	
Land	1,056,845
Construction in progress	497,139
Capital assets, net of accumulated depreciation:	
Buildings	29,657,633
Building improvements	10,403,532
Improvements other than buildings	429,576
Mobile equipment	2,467,145
Furniture and equipment	337,152
<b>Total Assets</b>	<b>82,762,953</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows- pensions	10,874,326
Deferred outflows- OPEB	277,639
<b>Total deferred outflows of resources</b>	<b>11,151,965</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,326,267
Unearned revenue	215,865
Interest payable on long-term liabilities	7,831
Long-term liabilities, due within one year:	
Capital related liabilities	1,459,302
Net OPEB liability	268,208
Long-term liabilities, due beyond one year:	
Capital related liabilities	10,335,926
Non-capital related liabilities	661,011
Net pension liability	108,052,061
Net OPEB liability	6,244,326
<b>Total Liabilities</b>	<b>130,570,797</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	5,139,876
Deferred inflows - OPEB	393,549
<b>Total deferred inflows of resources</b>	<b>5,533,425</b>
<b>Net Position</b>	
Net investment in capital assets	33,053,794
Restricted for:	
Expendable:	
School-based activities	1,090,920
Capital improvements	289,513
Debt service	1,780,909
Forestry improvements	311,827
Unemployment benefits	276,544
Non-expendable:	
Sixteenth section	3,916,657
Unrestricted	(82,909,468)
<b>Total Net Position (Deficit)</b>	<b>\$ (42,189,304)</b>

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

**Vicksburg Warren School District**

**Statement of Activities**

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

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 41,865,110	911,919	6,132,632	(34,820,559)
Support services	26,618,297	116,457	2,015,418	(24,486,422)
Non-instructional	3,307,114	223,973	4,963,859	1,880,718
Sixteenth section	24,570			(24,570)
Pension expense	10,830,395			(10,830,395)
OPEB expense	312,384			(312,384)
Interest and other costs on long term liabilities	68,687			(68,687)
Total Governmental Activities	\$ 83,026,557	1,252,349	13,111,909	(68,662,299)
General Revenues:				
Taxes:				
General purpose levies				\$ 31,257,534
Debt purpose levies				187,500
Gaming				594,280
Unrestricted grants and contributions:				
State				36,886,330
Federal				1,184,929
Unrestricted investment earnings				259,517
Sixteenth section sources				449,565
Other				63,789
Total General Revenues				70,883,444
Change in Net Position				2,221,145
Net Position (Deficit) - Beginning, as previously stated				(37,924,542)
Prior period adjustment				(6,485,907)
Net Position (Deficit) - Beginning, as restated				(44,410,449)
Net Position (Deficit) - Ending				\$ (42,189,304)

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

Vicksburg Warren School District

**Governmental Funds**

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

**Exhibit C**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Title I Part A Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 27,343,850		7,611,237	34,955,087
Cash with fiscal agents			444	444
Investments	11,136			11,136
Due from other governments	1,099,974	801,114	598,016	2,499,104
Other receivables	87,086	336	38,066	125,488
Due from other funds	1,132,472			1,132,472
Inventories			118,639	118,639
Prepaid items	204,033			204,033
Total Assets	<u>29,878,551</u>	<u>801,450</u>	<u>8,366,402</u>	<u>39,046,403</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	2,966,320	111,133	248,814	3,326,267
Due to other funds		690,317	442,155	1,132,472
Unavailable revenue	214,633		1,232	215,865
Total Liabilities	<u>3,180,953</u>	<u>801,450</u>	<u>692,201</u>	<u>4,674,604</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			118,639	118,639
Permanent fund principal			3,916,657	3,916,657
Prepaid items	204,033			204,033
<b>Restricted:</b>				
Capital Improvements			289,513	289,513
Debt service			1,788,740	1,788,740
Food service			775,639	775,639
Forestry improvements			311,827	311,827
Grant activities			196,642	196,642
Unemployment benefits			276,544	276,544
<b>Assigned:</b>				
Activity funds	464,937			464,937
<b>Unassigned</b>	<u>26,028,628</u>			<u>26,028,628</u>
Total Fund Balances	<u>26,697,598</u>	<u>-</u>	<u>7,674,201</u>	<u>34,371,799</u>
Total Liabilities and Fund Balances	\$ <u>29,878,551</u>	<u>801,450</u>	<u>8,366,402</u>	<u>39,046,403</u>

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

Vicksburg Warren School District

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 34,371,799

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	\$ 1,056,845	
Construction in progress	497,139	
Buildings	58,286,644	
Building improvements	11,709,067	
Improvements other than buildings	1,189,804	
Mobile equipment	9,365,697	
Furniture and equipment	1,994,100	
Accumulated depreciation	(39,250,274)	44,849,022

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	(108,052,061)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	10,874,326	
Deferred inflows of resources related to pensions	(5,139,876)	(102,317,611)

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

Net OPEB liability	(6,512,534)	
--------------------	-------------	--

Deferred outflows and inflows related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	277,639	
Deferred inflows of resources related to OPEB	(393,549)	(6,628,444)

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

General obligation bonds	(895,000)	
Qualified zone academy bonds payable	(7,900,228)	
Qualified school construction bonds payable	(3,000,000)	
Compensated absences payable	(661,011)	
Accrued interest payable	(7,831)	(12,464,070)

Net position of governmental activities \$ (42,189,304)

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

**Vicksburg Warren School District**

**Governmental Funds**

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

**Exhibit D**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Title I Part A Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Local sources	\$ 32,982,636		552,040	33,534,676
State sources	35,277,252		3,185,922	38,463,174
Federal sources	1,333,396	3,299,648	8,086,950	12,719,994
Sixteenth section sources	392,565		57,000	449,565
Total Revenues	69,985,849	3,299,648	11,881,912	85,167,409
<b>Expenditures:</b>				
Instruction	37,967,046	2,871,560	3,657,821	44,496,427
Support services	24,065,648	265,611	4,790,586	29,121,845
Noninstructional services	74,858	26,981	3,651,841	3,753,680
Sixteenth section	8,360		16,210	24,570
Facilities acquisitions and construction			1,104,036	1,104,036
Debt service:				
Principal			2,697,000	2,697,000
Interest			88,518	88,518
Total Expenditures	62,115,912	3,164,152	16,006,012	81,286,076
Excess (Deficiency) of Revenues over (under) Expenditures	7,869,937	135,496	(4,124,100)	3,881,333
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	68,457			68,457
Operating transfers in	610,482		3,851,736	4,462,218
Operating transfers out	(3,147,890)	(135,496)	(1,178,832)	(4,462,218)
Total Other Financing Sources (Uses)	(2,468,951)	(135,496)	2,672,904	68,457
Net Change in Fund Balances	5,400,986	-	(1,451,196)	3,949,790
<b>Fund Balances:</b>				
July 1, 2017, as previously reported	21,272,779	-	9,046,442	30,319,221
Prior period adjustments	23,833		83,959	107,792
July 1, 2017, as restated	21,296,612	-	9,130,401	30,427,013
Decrease in inventory	-	-	(5,004)	(5,004)
June 30, 2018	\$ 26,697,598	-	7,674,201	34,371,799

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



**Vicksburg Warren School District**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 3,949,790

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	\$ 1,856,605	
Depreciation expense	<u>(2,012,450)</u>	(155,845)
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.		
		(7,556)
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	2,697,000	
Accrued interest payable	<u>19,831</u>	2,716,831
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 include:		
Pension expense	(10,830,395)	
Contributions subsequent to the measurement date	<u>6,591,304</u>	(4,239,091)
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 include:		
OPEB expense	(312,384)	
Contributions subsequent to the measurement date	<u>277,639</u>	(34,745)
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	(22,627)	
Change in inventory	(5,004)	
Amortization of bond premiums	<u>19,392</u>	<u>(8,239)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 2,221,145</u></b>

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

Vicksburg Warren School District

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2018**

**Exhibit E**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,225,328
Other receivables	190
Total Assets	<u>\$ 1,225,518</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,132,334
Due to student clubs	93,184
Total Liabilities	<u>\$ 1,225,518</u>

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

**Vicksburg Warren School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

**VICKSBURG WARREN 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 Vicksburg Warren 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 District is governed by a five-member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Vicksburg Warren 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.

**Blended Component Unit**

The Vicksburg-Warren School District Leasing Authority, Incorporated, ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the District's reporting entity.

The Authority is governed by a five-member board which is appointed by the District's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (See Note 14).

**B. Government-wide and Fund Financial Statement**

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.

**VICKSBURG WARREN SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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 District reports the following major governmental funds:

General Fund - This is the 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.

Title I Part A Fund - This fund accounts for the resources and expenditures of federal revenues for specific purposes.

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

The District also reports fiduciary funds include the following:

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

Accounts Payable Clearing Fund – This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the District reports the following fund types:

**VICKSBURG WARREN SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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 expenditures 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.

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.

**VICKSBURG WARREN SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

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

##### **1. Cash and 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.

**VICKSBURG WARREN SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

## Investments

The 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

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

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



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**6. Capital Assets**

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 to 10 years
Furniture and equipment	5,000	3 to 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 future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The school district have deferred outflows which are presented as deferred outflows for pension and OPEB.

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

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See Note 12 for further details.

**8. Compensated Absences**

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

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

**9. Long-term Liabilities and Bond Discounts/Premiums**

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

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

**10. Pensions**

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

**11. Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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**12. Fund Balances**

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

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the school 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 receivables, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for the District.

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

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

When an expenditure 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 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 5% of the district maintenance 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.

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**F. Changes in Accounting Standards**

The District has implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this standard have been incorporated into the financial statements and notes.

**NOTE 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$34,955,087 and \$1,225,328, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In

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the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the District's bank balance of \$38,752,282 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of the District's cash with fiscal agents held by financial institutions was \$444.

**Investments**

As of June 30, 2018, the District had the following investments with fiscal agents:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
Trustmark Bank - Certificate of deposit	N/A	12/15/18	\$ <u>11,136</u>

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

The district has the following recurring fair value measurements as of June 30, 2018:

Level 1 type of investments of \$11,136 are valued using quoted market prices (Level 1 inputs)

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

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

*Custodial Credit Risk – Investments:* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodial credit risk. Of the District's investments, none of the underlying securities are held by the investment's counterparty, not in the name of the District.

*Concentration of Credit Risk:* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2018, the district had the following investments:

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Issuer	Fair Value	Percent of Total Investments
Trustmark Bank - Certificate of deposit	\$ 11,136	100%

**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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Part A Fund	\$ 690,317
General Fund	Other Governmental Funds	442,155
Total		<u>\$ 1,132,472</u>

The purpose of the most significant inter-fund loans was to close out federal programs at year end. All inter-fund receivables and payables are expected to be repaid within one year.

**B. Inter-fund Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Title I Part A Fund	\$ 135,496
General Fund	Other Governmental Funds	474,986
Other Governmental Funds	Other Governmental Funds	703,846
Other Governmental Funds	General Fund	3,147,890
Total		<u>\$ 4,462,218</u>

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

**NOTE 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$3,917,889 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. Cash with fiscal agents in the amount of \$444 is restricted for retirement of 2008 Limited Obligation Bonds. In addition, the restricted assets represent the cash balance, totaling \$1,495,763, of the QSCB Bond Retirement Fund.

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**NOTE 5 – Capital Assets**

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,056,845				1,056,845
Construction in progress	8,046,813	1,022,494		(8,572,168)	497,139
Total non-depreciable capital assets	<u>9,103,658</u>	<u>1,022,494</u>	<u>-</u>	<u>(8,572,168)</u>	<u>1,553,984</u>
<u>Depreciable capital assets:</u>					
Buildings	58,286,644				58,286,644
Building improvements	3,083,863	53,036		8,572,168	11,709,067
Improvement other than buildings	1,161,298	28,506			1,189,804
Mobile equipment	8,734,403	672,497	41,203		9,365,697
Furniture and equipment	2,055,858	80,072	141,830		1,994,100
Total depreciable capital assets	<u>73,322,066</u>	<u>834,111</u>	<u>183,033</u>	<u>8,572,168</u>	<u>82,545,312</u>
<u>Less accumulated depreciation for:</u>					
Buildings	27,633,092	995,919			28,629,011
Building improvements	832,470	473,065			1,305,535
Improvement other than buildings	745,987	14,241			760,228
Mobile equipment	6,541,990	393,645	37,083		6,898,552
Furniture and equipment	1,659,762	135,580	138,394		1,656,948
Total accumulated depreciation	<u>37,413,301</u>	<u>2,012,450</u>	<u>175,477</u>	<u>-</u>	<u>39,250,274</u>
Total depreciable capital assets, net	<u>35,908,765</u>	<u>(1,178,339)</u>	<u>7,556</u>	<u>8,572,168</u>	<u>43,295,038</u>
Governmental activities capital assets, net	<u>\$ 45,012,423</u>	<u>(155,845)</u>	<u>7,556</u>	<u>-</u>	<u>44,849,022</u>

Depreciation expense was charged to the following governmental functions:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	\$ 1,066,598
Support services	684,233
Non-instructional	261,619
Total depreciation expense	<u>\$ 2,012,450</u>

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The details of construction-in-progress are as follows:

Governmental Activities:	Spent to June 30, 2018	Remaining Commitment
Beechwood Elementary	\$ 522	1,622,699
Beechwood Re-roof	50,471	1,436,437
Bovina Elementary	9,265	1,309,594
Bovina Re-roof	95	293,722
Bowmar Elementary	10,358	4,706,213
Bowmar Re-roof	286	887,389
Dana Road Elementary	102	316,487
Dana Road Re-roof	283	879,717
Redwood Elementary	397	1,234,998
Redwood Re-roof	250	778,346
Sherman Avenue Elementary	58	178,805
Sherman Avenue Re-roof	283	879,717
South Park Elementary	285	887,123
Warrenton Elementary	245	760,305
Warrenton Re-roof	340	1,055,986
Vicksburg Intermediate	123	382,084
Vicksburg Intermediate Re-roof	481	1,496,277
Warren Central Intermediate	104	324,717
Warren Central Intermediate Re-roof	481	1,496,277
Grove Street	932	2,896,659
Vicksburg Junior High	3,018	9,378,999
Vicksburg Junior High Re-roof	50,609	1,866,197
Warren Central Junior High	1,949	6,056,981
New Academy Innovation	5,876	18,259,541
Vicksburg High (includes Re-roof)	185,880	41,229,088
Vicksburg Athletic Improvements	2,071	6,435,060
Warren Central High (includes Re-roof)	170,304	30,952,801
Warren Central Athletics	2,071	6,435,060
Total	\$ 497,139	144,437,279

Construction projects included in governmental activities are funded by the Capital Project Bond Issue (3024) fund.

**NOTE 6 – Long-term Liabilities**

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



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	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts due within one year
A. General Obligation Refunding Bonds Payable	\$ 1,760,000		865,000	895,000	895,000
B. Limited Obligation Refunding Bonds Payable	1,270,000		1,270,000	-	
Premium	19,392		19,392	-	
C. Certificates of Participation Payable	226,000		226,000	-	
D. Qualified Zone Academy Bonds Payable	8,236,228		336,000	7,900,228	564,302
E. Qualified School Construction Bonds Payable	3,000,000			3,000,000	
F. Compensated Absences Payable	638,384	22,627		661,011	
Total	<u>\$ 15,150,004</u>	<u>22,627</u>	<u>2,716,392</u>	<u>12,456,239</u>	<u>1,459,302</u>

**A. General Obligation Bonds Payable** – General obligation bonds are direct obligations and pledge the full faith and credit of the school District. General obligation bonds payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bond	2.0 -3.5%	6/29/2010	4/1/2019	\$ <u>7,205,000</u>	<u>895,000</u>

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

Year Ending June 30:	Principal	Interest	Total
2019	\$ <u>895,000</u>	<u>31,325</u>	<u>926,325</u>

This debt will be retired from the General Obligation Bond refunding Series Fund (4031).

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 0.15% of property assessments as of October 1, 2017.

**B. Limited Obligation Bonds Payable** – This debt was paid off and retired from the MAEP Retirement Fund (4042).

**C. Certificates of Participation Payable** – This debt was paid off and retired from the Debt Service \$8.5 QZAB 2015A Trust Fund (4093).

**D. Qualified Zone Academy Bonds Payable** – As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bond, Series 2015 A	0.00%	9/25/2015	9/25/2031	\$ <u>8,572,169</u>	<u>7,900,228</u>

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

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 564,302
2020	564,302
2021	564,302
2022	564,302
2023	564,302
2024-2028	2,821,510
2029-2032	2,257,208
Total	<u>\$ 7,900,228</u>

This debt will be retired from the Debt Service \$8.5 QZAB 2015A Trust Fund (4093).

**E. Qualified School Construction Bonds Payable** – As more fully explained in Note 16, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is 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>
Limited Tax Note, Series 2009 QSCB	0.00%	10/2/2009	10/6/2025	\$ <u>3,000,000</u>	<u>3,000,000</u>

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

**NOTE 7 – Other Commitments**

Operating leases – The District has several operating leases for 41 Canon copiers. Lease expenditures for the year ended June 30, 2018 amounted to \$217,944. Future lease payments for these leases are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>
2019	\$ <u>217,944</u>

**NOTE 8 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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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.

*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 \$6,591,304, \$6,584,681, and \$6,603,658, 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 District reported a liability of \$108,052,061 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 0.65 percent, which was based on a measurement date of June 30, 2017. This is a decrease of 0.01 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.

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For the year ended June 30, 2018, the District recognized pension expense of \$10,830,395. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,617,152	788,425
Net difference between projected and actual earnings on pension plan investments		1,277,726
Changes of assumptions	2,665,870	186,955
Changes in proportion and differences between District contributions and proportionate share of contributions		2,886,770
District contributions subsequent to the measurement date	6,591,304	
<b>Total</b>	<b><u>\$ 10,874,326</u></b>	<b><u>5,139,876</u></b>

\$6,591,304 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	
2019	\$ 811,106
2020	659,966
2021	(240,752)
2022	(2,087,174)
<b>Total</b>	<b><u>\$ (856,854)</u></b>

*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

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adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ <u>141,717,492</u>	<u>108,052,061</u>	<u>80,102,438</u>

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

**NOTE 9 – 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

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Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

*Benefits provided.*

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

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$277,639 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 \$6,512,534 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

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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 0.83 percent. This was a decrease of 0.01 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 \$312,384. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Changes of assumptions	\$	331,616
Changes in proportion and differences between District contributions and proportionate share of contributions		61,933
District contributions subsequent to the measurement date	277,639	
Total	<u>\$ 277,639</u>	<u>393,549</u>

\$277,639 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:

<u>Year Ending June 30:</u>	
2019	\$ (69,044)
2020	(69,044)
2021	(69,044)
2022	(69,044)
2023	(69,044)
Thereafter	(48,329)
Total	<u>\$ (393,549)</u>

*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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

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

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

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

*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	\$ 6,684,526	6,512,534	6,384,451



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*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:

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ <u>6,014,762</u>	<u>6,512,534</u>	<u>7,080,793</u>

*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 10 – Sixteenth Section Lands**

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

<b>Year Ending June 30:</b>	<b>Amount</b>
2019	\$ 296,010
2020	235,793
2021	196,539
2022	189,580
2023	21,753
2024-2028	50,075
2029-2033	40,115
2034-2038	37,140
2039-2043	<u>6,644</u>
Total	\$ <u>1,073,649</u>

**NOTE 11 – Contingencies**

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

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Litigation: The 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 – Effect of Deferred Amounts of Net Position**

The unrestricted net position amount of (\$82,909,468) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$6,591,304 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$4,283,022 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$82,909,468) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,139,876 balance of deferred inflow of resources, at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$82,909,468) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. \$277,639 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 ending June 30, 2019.

The unrestricted net position amount of (\$82,909,468) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$393,549 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

**NOTE 13 – Risk Management**

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

**NOTE 14 – Trust Certificates**

A trust agreement dated September 25, 2015, was executed by and between the school district and the Vicksburg-Warren School District Leasing Authority, Incorporated, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$450,000. Approximately \$450,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

The project is leased to the District in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete

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retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

**NOTE 15 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with the Vicksburg-Warren School District Leasing Authority, Incorporated, has entered into such an arrangement dated September 25, 2015.

This agreement establishes a method of repayment for a qualified interest-free debt instrument.

The following schedule reports the annual principal payments to be made by the school district.

Year ending June 30:	Amount
2019	\$ 564,302
2020	564,302
2021	564,302
2022	564,302
2023	564,302
2024 - 2028	2,821,510
2029 - 2032	2,257,208
Total	<u>\$ 7,900,228</u>

**NOTE 16 – Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$1,495,763. The amount in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the District.

Year Ending June 30:	Principal
2019	\$ 187,500
2020	187,500
2021	187,500
2022	187,500
2023	187,500
2024 - 2026	562,500
Total	<u>\$ 1,500,000</u>

**NOTE 17 – Insurance Loss Recoveries**

The Vicksburg Warren School District received \$68,457 in insurance loss recoveries related to building damage in the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income.

**NOTE 18 – Prior Period Adjustments**

A summary of significant equity adjustments is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1 Implementation of GASB 75:	\$
Net OPEB liability (06-30-17)	(6,849,949)
Deferred outflows - contributions made during fiscal year 2017	<u>256,250</u>
Total prior period adjustment related to GASB 75	(6,593,699)
2 To correct prior year errors.	<u>107,792</u>
Total	<u>\$ (6,485,907)</u>

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

Explanation	Amount
General Fund To correct prior year errors.	\$ 23,833
Other Governmental Funds To correct prior year errors.	83,959
Total	<u>\$ 107,792</u>

**NOTE 19 – Prior Year Defeasance of Debt**

In prior years, the Vicksburg Warren School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2018, \$0 of bonds outstanding are defeased.

**NOTE 20 – 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 Vicksburg Warren School District evaluated the activity of the District through the date the financial statements were available to be issued, and determined that the following events have occurred requiring disclosure in the notes to the financial statements:

Issue Date	Interest Rate	Amount	Type of Financing
10/22/2018	4.48%	\$12,310,000	Taxable General Obligation Bonds, Series 2018
10/23/2018	5.04%	\$22,580,000	MDB Special Obligation Bonds, Series 2018

## REQUIRED SUPPLEMENTARY INFORMATION

**VICKSBURG-WARREN SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 31,412,864	32,632,283	32,982,636	1,219,419	350,353
State sources	34,424,969	33,957,793	35,277,252	(467,176)	1,319,459
Federal sources	359,000	1,328,932	1,333,396	969,932	4,464
Sixteenth section sources	504,205	392,203	392,565	(112,002)	362
Total Revenues	<u>66,701,038</u>	<u>68,311,211</u>	<u>69,985,849</u>	<u>1,610,173</u>	<u>1,674,638</u>
<b>Expenditures:</b>					
Instruction	37,618,129	38,728,103	37,967,046	(1,109,974)	761,057
Support services	26,056,300	26,163,667	24,065,648	(107,367)	2,098,019
Noninstructional services	74,068	63,123	74,858	10,945	(11,735)
Sixteenth section	16,992	8,363	8,360	8,629	3
Total Expenditures	<u>63,765,489</u>	<u>64,963,256</u>	<u>62,115,912</u>	<u>(1,197,767)</u>	<u>2,847,344</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,935,549</u>	<u>3,347,955</u>	<u>7,869,937</u>	<u>412,406</u>	<u>4,521,982</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	0	0	68,457	0	68,457
Transfers in	0	0	610,482	0	610,482
Other financing sources	2,367,905	2,680,150		312,245	(2,680,150)
Transfers out	0	0	(3,147,890)	0	(3,147,890)
Other financing uses	(4,417,819)	(5,372,598)		(954,779)	5,372,598
Total Other Financing Sources (Uses)	<u>(2,049,914)</u>	<u>(2,692,448)</u>	<u>(2,468,951)</u>	<u>(642,534)</u>	<u>223,497</u>
Net Change in Fund Balances	<u>885,635</u>	<u>655,507</u>	<u>5,400,986</u>	<u>(230,128)</u>	<u>4,745,479</u>
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	15,770,319	(16,402,287)	21,272,779	(32,172,606)	37,675,066
Prior period adjustment	0	0	23,833	0	23,833
July 1, 2017, as restated	<u>15,770,319</u>	<u>(16,402,287)</u>	<u>21,296,612</u>	<u>(32,172,606)</u>	<u>37,698,899</u>
June 30, 2018	<u>\$ 16,655,954</u>	<u>(15,746,780)</u>	<u>26,697,598</u>	<u>(32,402,734)</u>	<u>42,444,378</u>

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

**VICKSBURG-WARREN SCHOOL DISTRICT**

Budgetary Comparison Schedule

Title I Part A Fund

For the Year Ended June 30, 2018

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 3,808,989	4,124,472	3,299,648	315,483	(824,824)
Total Revenues	<u>3,808,989</u>	<u>4,124,472</u>	<u>3,299,648</u>	<u>315,483</u>	<u>(824,824)</u>
<b>Expenditures:</b>					
Instruction	2,720,405	3,582,737	2,871,560	(862,332)	711,177
Support services	676,108	423,098	265,611	253,010	157,487
Noninstructional services	53,671	58,489	26,981	(4,818)	31,508
Total Expenditures	<u>3,450,184</u>	<u>4,064,324</u>	<u>3,164,152</u>	<u>(614,140)</u>	<u>900,172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>358,805</u>	<u>60,148</u>	<u>135,496</u>	<u>(298,657)</u>	<u>75,348</u>
<b>Other Financing Sources (Uses):</b>					
Other financing sources	0	80,790	0	80,790	(80,790)
Operating transfers out	0	0	(135,496)	0	(135,496)
Other financing uses	<u>(364,805)</u>	<u>(140,938)</u>	<u>0</u>	<u>223,867</u>	<u>140,938</u>
Total Other Financing Sources (Uses)	<u>(364,805)</u>	<u>(60,148)</u>	<u>(135,496)</u>	<u>304,657</u>	<u>(75,348)</u>
Net Change in Fund Balances	<u>(6,000)</u>	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>0</u>
Fund Balances:					
July 1, 2017	0	0	0	0	0
June 30, 2018	\$ <u>(6,000)</u>	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>0</u>

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



**VICKSBURG WARREN 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	0.65%	0.66%	0.68%	0.68%
District's proportionate share of the net pension liability	\$ 108,052,061	117,892,480	105,114,590	82,539,548
District's covered payroll	\$ 41,805,780	41,928,959	42,286,152	41,526,051
District's proportionate share of the net pension liability as a percentage of its covered payroll	258.46%	281.17%	248.58%	198.77%
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 No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is complied, 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.

**VICKSBURG WARREN SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 6,591,304	6,584,681	6,603,658	6,660,069
Contributions in relation to the contractually required contribution	6,591,304	6,584,681	6,603,658	6,660,069
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 41,849,529	41,805,780	41,928,959	42,286,152
Contributions as a percentage of covered 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 No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is complied, 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.

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years\*

	2018
District's proportion of the net OPEB liability	0.83%
District's proportionate share of the net OPEB liability	\$ 6,512,534
District's covered-employee payroll	\$ 41,805,780 **
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	15.58%
Plan fiduciary net position as a percentage of the total	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.

\*\* The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, 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.

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years\*

	<u>2018</u>
Contractually required contribution	\$ 277,639 **
Contributions in relation to the contractually required contribution	277,639 **
Contribution deficiency (excess)	\$ <u>-</u>
District's covered-employee payroll	\$ 41,805,780
Contributions as a percentage of covered-employee payroll	0.66%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

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

**VICKSBURG WARREN SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**BUDGETARY COMPARISON SCHEDULES**

*A. Basis of Presentation*

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

*B. Budget Amendments and Revisions*

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

**PENSION SCHEDULES**

*A. Changes of Assumptions*

2015:

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

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

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

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

2017:

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

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

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

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

**VICKSBURG WARREN SCHOOL DISTRICT**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE YEAR ENDED JUNE 30, 2018

*B. Changes in Benefit Provisions*

2016:

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

*C. Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**OPEB SCHEDULES**

*A. 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.

*B. Changes in Benefit Provisions*

2017:

None.

*C. Method and assumptions used in calculations of actuarially determined contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent

**VICKSBURG WARREN SCHOOL DISTRICT**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE YEAR ENDED JUNE 30, 2018

Initial health care cost trend rates	
Medicare Supplemental Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims	
Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims	
Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

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

## SUPPLEMENTARY INFORMATION



**VICKSBURG WARREN SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Numbers	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 1,256,794
National School Lunch Program	185MS326N1099	10.555	3,579,474
Summer Food Service Program for Children	185MS326N1099	10.559	62,100
Total Child Nutrition Cluster			4,898,368
Total passed-through the Mississippi Department of Education			4,898,368
<b>Total U.S. Department of Agriculture</b>			<b>4,898,368</b>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officer's Training Corps		12.xxx	148,467
<b>Total U.S. Department of Defense</b>			<b>148,467</b>
<b><u>U. S. Department of Education</u></b>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	3,546,687
Career and Technical Education - Basic Grants to States	V048A170024	84.048	99,498
Education for Homeless Children and Youth	ES196A170025	84.196	36,419
Rural Education	ES358B170024	84.358	172,466
Supporting Effective Instruction State Grants	ES367A170023	84.367	573,092
Student Support and Academic Enrichment Program	ES424A170025	84.424	6,573
Subtotal			4,434,735
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	2,028,552
Positive Behavior Specialist	H027A170108	84.027A	16,276
Special Education - Preschool Grants	H173A170113	84.173	68,733
Total Special Education Cluster			2,113,561
Total passed-through the Mississippi Department of Education			6,548,296
<b>Total U.S. Department of Education</b>			<b>6,548,296</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medicaid Assistance Program	1805MS5ADM	93.778	161,497
Total passed-through Mississippi Department of Education:			161,497
<b>Total U.S. Department of Health and Human Services</b>			<b>161,497</b>
Total for All Federal Awards			\$ <b>11,756,628</b>

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

## Vicksburg Warren School District

Notes to the Schedule of Expenditures of Federal Awards  
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 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 school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

#### (2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are 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 elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### (4) Other Items

Donated commodities of \$245,309 are included in the National School Lunch Program.

**VICKSBURG-WARREN SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2018

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	56,030,567	44,261,024	2,083,764	3,559,483	6,126,296
Other	25,255,509	8,670,779	1,039,839	112,410	15,432,481
Total \$	<u>81,286,076</u>	<u>52,931,803</u>	<u>3,123,603</u>	<u>3,671,893</u>	<u>21,558,777</u>
Total number of students *	<u>7,014</u>				
Cost per student \$	<u>11,589</u>	<u>7,546</u>	<u>445</u>	<u>524</u>	<u>3,074</u>

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

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

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

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

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

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

## OTHER INFORMATION

**VICKSBURG WARREN SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**"UNAUDITED"**

	<u>2018</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
<b>Revenues:</b>				
Local sources	\$ 32,982,636	32,576,140	31,973,030	29,146,332
State sources	35,277,252	34,246,587	34,957,692	33,201,593
Federal sources	1,333,396	346,666	393,643	457,260
Sixteenth section sources	392,565	458,870	752,835	486,323
Total Revenues	<u>69,985,849</u>	<u>67,628,263</u>	<u>68,077,200</u>	<u>63,291,508</u>
<b>Expenditures:</b>				
Instruction	37,967,046	38,447,458	38,245,580	37,499,888
Support services	24,065,648	24,464,886	23,225,665	23,380,021
Noninstructional services	74,858	124,197	118,208	86,518
Sixteenth section	8,360	13,475	5,665	16,174
Total Expenditures	<u>62,115,912</u>	<u>63,050,016</u>	<u>61,595,118</u>	<u>60,982,601</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,869,937</u>	<u>4,578,247</u>	<u>6,482,082</u>	<u>2,308,907</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	68,457	1,472	11,632	3,763
Sale of other property	-	4,515	-	-
Operating transfers in	610,482	139,841	123,115	145,874
Operating transfers out	(3,147,890)	(2,444,636)	(2,271,930)	(1,803,265)
Total Other Financing Sources (Uses)	<u>(2,468,951)</u>	<u>(2,298,808)</u>	<u>(2,137,183)</u>	<u>(1,653,628)</u>
Net Change in Fund Balances	<u>5,400,986</u>	<u>2,279,439</u>	<u>4,344,899</u>	<u>655,279</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	21,272,779	18,909,356	14,564,457	7,613,657
Fund reclassification	23,833	83,984	-	6,295,521
Beginning of period, as restated	<u>21,296,612</u>	<u>18,993,340</u>	<u>14,564,457</u>	<u>13,909,178</u>
End of Period	<u>\$ 26,697,598</u>	<u>21,272,779</u>	<u>18,909,356</u>	<u>14,564,457</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**VICKSBURG WARREN SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**"UNAUDITED"**

	<u>2018</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
<b>Revenues:</b>				
Local sources	\$ 33,534,676	32,999,315	32,503,837	29,451,727
State sources	38,463,174	37,676,698	37,995,461	36,107,331
Federal sources	12,719,994	11,494,243	11,586,103	10,691,634
Sixteenth section sources	449,565	487,223	849,380	535,862
Total Revenues	<u>85,167,409</u>	<u>82,657,479</u>	<u>82,934,781</u>	<u>76,786,554</u>
<b>Expenditures:</b>				
Instruction	44,496,427	44,143,053	43,786,016	41,983,157
Support services	29,121,845	29,661,538	28,216,256	28,375,307
Noninstructional services	3,753,680	3,776,614	3,453,172	3,521,834
Sixteenth section	24,570	27,168	30,560	26,962
Facilities acquisitions & construction	1,104,036	1,380,108	7,599,828	800,549
Debt service:				
Principal	2,697,000	2,644,941	2,055,000	5,600,000
Interest	88,518	143,293	159,119	372,988
Other	-	-	336,029	84,338
Total Expenditures	<u>81,286,076</u>	<u>81,776,715</u>	<u>85,635,980</u>	<u>80,765,135</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,881,333</u>	<u>880,764</u>	<u>(2,701,199)</u>	<u>(3,978,581)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	68,457	1,472	11,632	3,763
Refunding bond issued	-	-	9,022,169	3,760,000
Premium on refunding bond issued	-	-	-	58,176
Sale of other property	-	4,515	-	-
Operating transfers in	4,462,218	2,865,078	2,656,446	2,280,939
Operating transfers out	(4,462,218)	(2,865,078)	(2,656,446)	(2,280,939)
Total Other Financing Sources (Uses)	<u>68,457</u>	<u>5,987</u>	<u>9,033,801</u>	<u>3,821,939</u>
Net Change in Fund Balances	<u>3,949,790</u>	<u>886,751</u>	<u>6,332,602</u>	<u>(156,642)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	30,319,221	29,185,122	22,878,424	23,013,108
Prior period adjustments	107,792	199,710	(14,450)	-
Beginning of period, as restated	<u>30,427,013</u>	<u>29,384,832</u>	<u>22,863,974</u>	<u>23,013,108</u>
Increase (Decrease) in reserve for inventory	<u>(5,004)</u>	<u>47,638</u>	<u>(11,454)</u>	<u>21,958</u>
End of Period	<u>\$ 34,371,799</u>	<u>30,319,221</u>	<u>29,185,122</u>	<u>22,878,424</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Vicksburg Warren 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 Vicksburg Warren School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Vicksburg Warren School District's basic financial statements, and have issued our report thereon dated March 20, 2019.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2018-001 to be a material weakness.

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BRANDON, MISSISSIPPI 39047  
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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-002 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Vicksburg Warren 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*.

## **Vicksburg Warren School District's Responses to Findings**

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

## **Purpose of this Report**

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
March 20, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Vicksburg Warren School District

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

We have audited Vicksburg Warren School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vicksburg Warren School District's major federal programs for the year ended June 30, 2018. The Vicksburg Warren School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the 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 Vicksburg Warren School District's major federal program 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the Vicksburg Warren 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 its major federal program for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the Vicksburg Warren School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vicksburg Warren School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

*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.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
March 20, 2019

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Vicksburg Warren School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June 30, 2018, which collectively comprise Vicksburg Warren School District's basic financial statements and have issued our report thereon dated March 20, 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations.

## **Finding 1**

### Criteria:

Under the re-employment provisions of Section 25-11-127, Miss. Code of 1972, as amended, PERS Form 4B must be filed in the PERS office within five (5) days from the date of re-employment.

### Condition:

During the testing of retired personnel, it was noted that seven of fifteen re-hired employees' forms were not filed with the PERS office within five (5) days of re-employment of a PERS service retiree.

### Cause:

The school district failed to implement a system to ensure the PERS Form 4B were filed in a timely manner.

### Effect:

It could result in employees being paid in excess of the amount allowed.

### Recommendation:

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

### Response:

During the FY2018 school year, there was a change in the department management team and later turnover in staff. During these transitions, it was noted that retirees were being recommended back at the building level and allowed to start working before all paperwork was completed. However, once a retiree started secretaries notified personnel and an email was sent out requesting employees to come by HR to complete 4B form. Since the transition of the new HR Director, a new onboarding process was established to require all paperwork for an employee to be completed and be entered into our human resource/payroll system before reporting to work. A part of that process includes an onboarding checklist that is reviewed and approved by the director prior to employee reporting to the job site. Communication and training of this process were provided during the 2019 annual administrators retreat.

## **Finding 2**

### Criteria:

Section 31-7-305, Miss. Code Ann. (1972), states: "payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services."

### Condition:

Nine of one hundred and eight invoices examined were paid over 45 days after receipt.

Cause:

Procedures need to be implemented and followed to ensure compliance with State laws.

Effect:

The district was not in compliance with the Section 31-7-305, Miss. Code Ann. (1972).

Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

Response:

Per the district board policy and state purchase requirements, the VWSD does not pay invoices until all goods are verified as received. Because our financial system did not warrant partial payments, if the full obligation of that PO was not met, the accounts payable team contacted the school or vendor to determine the projected delivery time in order for invoices to be paid. There were additional instances where invoices were sent to the school instead of accounts payable and did not get submitted for payment until weeks later. To address this issue, we have updated our financial system to one that will facilitate partial payments to vendors for goods reviewed; purchase orders clearly indicate the contact for invoices is accounts payable and not the schools; and the accounts payable team performs a daily review of open purchase orders and follows-up on any potential aging invoices.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
March 20, 2019

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



## Vicksburg Warren School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major program:

CFDA Numbers:	Name of Federal Program or Cluster
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10.553, 10.555 & 10.559	Child Nutrition Cluster
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8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

#### Section II: Financial Statements Findings

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

## **Material Weakness**

### **Finding 2018-001**

#### Criteria:

The district is charged with the responsibility of designing and implementing a system of internal controls surrounding non-payroll expenditures and related liabilities that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an acceptably low level.

#### Condition:

The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement.

We performed detailed testing of one hundred and eight (108) non-payroll expenditure transactions. Our testing revealed six (6) instances where the invoice date preceded the purchase order date.

#### Cause:

The school district failed to implement controls surrounding non-payroll expenditures and related payables.

#### Effect:

There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded. This risk further increases the likelihood that the financial statement information will not be complete and that a proper cut-off at the end of the fiscal year will not be made.

#### Recommendation:

We recommend the district make sure controls are functioning properly surrounding the cycle of non-payroll expenditures and related liabilities.

## **Significant Deficiency**

### **Finding 2018-002**

#### Criteria:

An effective system of internal control requires proper segregation of duties to the greatest extent possible.

#### Condition:

During the course of our audit, we noted three (3) instances of inadequate segregation of duties in Child Nutrition Fund expenditures. Purchase orders were requested and authorized by the same person - the Child Nutrition Director.

#### Cause:

The auditee was not aware of the lack of segregation duties in authorizing purchase orders.

Effect:

This increased the risk that misstatements, due to error or fraud, could occur and not be detected in a timely manner.

Recommendation:

We recommend that the district strengthen its internal controls whereby duties will be divided to the greatest extent possible.

Section III: Federal Awards Findings and Questioned Costs

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

## AUDITEE'S CORRECTIVE ACTION PLAN

**Mr. Chad Shealy**  
Superintendent  
cshealy@vwsd.org

**Mr. David Campbell**  
Deputy Superintendent  
dcampbell@vwsd.org



**Vicksburg Warren  
School Board**  
James Sturgus, Jr., President  
Joe Loviza, Vice President  
Bryan Pratt, Secretary  
Sally Bullard, Member  
Alonzo Stevens, Member

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Vicksburg Warren School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2018:

### Finding

### Corrective Action Plan Details

2018-001

a. Name of Contact Person Responsible for Corrective Action

Name: Shaquita Burke

Phone Number: 601-631-2812

b. Corrective Action Planned: The District has stressed the policy and continuously train employees on our process of no purchases are done prior to the issuance of a purchase order by deeming those purchases a personal obligation between the employee and the vendor. If the purchase is clearly identified as that of the instructional nature and approved by the department or school administrator, the requesting employee has to draft a memo to file explaining why it happened and actions taken to prevent future occurrences and attach it to the requisition for a purchase order that is approved by their administrative supervisor. Those items are also taken to our school board on a quarterly basis as a part of the control deficiency report in which that department or school administrator has to speak to. The first report was presented in January 2019. It is the district's position having to answer to their administrative supervisor and understanding their name is tied to a control deficiency presented to the school board has worked to minimize noncompliance.

c. Anticipated Completion Date: District has already implemented corrective actions. July 1, 2018 with implementation of new financial system.

**Mr. Chad Shealy**  
Superintendent  
cshealy@vwsd.org

**Mr. David Campbell**  
Deputy Superintendent  
dcampbell@vwsd.org



**Vicksburg Warren  
School Board**  
James Stirgus, Jr., President  
Joe Loviza, Vice President  
Bryan Pratt, Secretary  
Sally Bullard, Member  
Alonzo Stevens, Member

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Vicksburg Warren School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2018:

### Finding

### Corrective Action Plan Details

2018-002

a. Name of Contact Person Responsible for Corrective Action

Name: Laura Bounds  
Phone Number: 601-631-2826

b. Corrective Action Planned: I do not agree with the severity of this finding. There were key steps left out of the process review. During the FY2018 school year, when a purchase was made through the Child Nutrition fund, individual cafeteria managers sent their requests to the central office clerk, who then obtained all needed quotes, pulled together any required backup, recorded the number in the purchase order log and then typed out the requisition for the Director to approve. She was unclear as to what name needed to be typed on the requisition and was told not to just put "manager" so she put the Director's name as the requestor. The office clerk has since then been properly trained. With the implementation of our new financial system, we have eliminated the old manual process and updated the Child Nutrition process to include a workflow through the approval process being followed by all other purchases done in VWSD. With the implementation of this new process, the cafeteria managers send requests to office clerk, she keys the request into the purchasing system which then workflows to the Child Nutrition Director for approval, and finally to the office of finance for final approval.

c. Anticipated Completion Date: District has already implemented corrective actions. July 1, 2018 with implementation of new financial system.