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CARROLL COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2019

CARROLL COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Carroll County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB)

on pages 4-12 and 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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


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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Carroll County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Carroll County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County School District's internal control over financial reporting and compliance.

Brown CPA, PLLC
Ridgeland, Mississippi
November 30, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The following discussion and analysis of Carroll County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2019 decreased \$1,000,258, including a prior period adjustment of (\$14,070), which represents a 14% decrease from fiscal year 2018. Total net position for 2018 decreased \$2,107,144, including a prior period adjustment of (\$984,865), which represents a 41% decrease from fiscal year 2017.
- General revenues amounted to \$7,620,391 and \$8,071,388, or 78% and 79% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,169,536, or 22% of total revenues for 2019, and \$2,141,245, or 21% of total revenues for 2018.
- The District had \$10,776,115 and \$11,334,912 in expenses for fiscal years 2019 and 2018; only \$2,169,536 for 2019 and \$2,141,245 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,620,391 for 2019 were not adequate to provide for these programs. General revenues of \$8,071,388 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,261,489 in revenues and \$7,068,381 in expenditures for 2019, and \$7,862,145 in revenues and \$7,688,258 in expenditures in 2018. The General Fund's fund balance increased by \$84,646, including a prior period adjustment of \$10,823, from 2018 to 2019, and decreased by \$141,183, including a prior period adjustment of (\$99,537) from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$216,966 for 2019 and decreased by \$195,642 for 2018. The decrease for 2019 was due primarily to the deletions of mobile equipment and furniture and equipment along with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$202,923 for 2019 and decreased by \$407,126 for 2018. The decrease for 2019 was due primarily payment of principal on the debt. The liability for compensated absences decreased by \$10,923 for 2019 and increased by \$2,874 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,335,363 as of June 30, 2019.

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

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 783,272	\$ 1,138,415	(31.20) %
Restricted assets	2,509,435	2,219,421	13.07 %
Capital assets, net	3,398,069	3,615,035	(6.00) %
Total assets	6,690,776	6,972,871	(4.05) %
 Deferred outflows of resources	 2,062,708	 2,400,488	 (14.07) %
 Current liabilities	 7,299	 238,980	 (96.95) %
Long-term debt outstanding	439,031	641,954	(31.61) %
Net OPEB Liability	988,701	926,566	6.71 %
Net pension liability	15,167,440	14,365,272	5.58 %
Total liabilities	16,602,471	16,172,772	2.66 %
 Deferred inflows of resources	 486,376	 535,692	 (9.21) %
 Net position:			
Net investment in capital assets	2,998,069	3,023,035	(0.83) %
Restricted	4,280,712	4,153,929	3.05 %
Unrestricted	(15,614,144)	(14,512,069)	(7.59) %
Total net position	\$ (8,335,363)	\$ (7,335,105)	(13.64) %

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)	\$ (15,614,144)
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	14,579,809
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ (1,034,335)</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 \$216,966.
- The principal retirement of \$192,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$15,167,440.
- Recognition of a net OPEB liability in the amount of \$988,701.

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$9,789,927 and \$10,212,633, respectively. The total cost of all programs and services was \$10,776,115 for 2019 and \$11,334,912 for 2018.

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

**Table 2
Changes in Net Position**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 224,212	\$ 208,797	7.38 %
Operating grants and contributions	1,945,324	1,932,448	0.67 %
General revenues:			
Property taxes	2,508,504	2,612,691	(3.99) %
Grants and contributions not restricted	4,699,071	4,833,443	(2.78) %
Investment earnings	100,873	69,790	44.54 %
Sixteenth section sources	282,637	448,040	(36.92) %
Other	29,306	107,424	(72.72) %
Total revenues	9,789,927	10,212,633	(4.14) %
Expenses:			
Instruction	4,373,516	4,787,137	(8.64) %
Support services	3,498,967	3,528,249	(0.83) %
Non-instructional	649,875	690,028	(5.82) %
Sixteenth section	105,157	135,758	(22.54) %
Pension expense	1,995,904	2,042,510	(2.28) %
OPEB expense	63,129	53,859	17.21 %
Interest on long-term liabilities	89,567	97,371	(8.01) %
Total expenses	10,776,115	11,334,912	(4.93) %
Increase (Decrease) in net position	(986,188)	(1,122,279)	12.13 %
Net Position, July 1, as previously reported	(7,335,105)	(5,227,961)	(40.31) %
Prior Period Adjustment	(14,070)	(984,865)	98.57 %
Net Position, July 1, as restated	(7,349,175)	(6,212,826)	(18.29) %
Net Position, June 30	\$ (8,335,363)	\$ (7,335,105)	(13.64) %

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 4,373,516	\$ 4,787,137	(8.64) %
Support services	3,498,967	3,528,249	(0.83) %
Non-instructional	649,875	690,028	(5.82) %
Sixteenth section	105,157	135,758	(22.54) %
Pension Expense	1,995,904	2,042,510	(2.28) %
OPEB Expense	63,129	53,859	17.21 %
Interest on long-term liabilities	89,567	97,371	(8.01) %
Total expenses	\$ 10,776,115	\$ 11,334,912	(4.93) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (3,538,985)	\$ (4,009,434)	11.73 %
Support services	(2,853,042)	(2,840,118)	(0.46) %
Non-instructional	31,225	(33,892)	192.13 %
Sixteenth section	(97,177)	(116,483)	16.57 %
Pension Expense	(1,995,904)	(2,042,510)	2.28 %
OPEB Expense	(63,129)	(53,859)	(17.21) %
Interest on long-term liabilities	(89,567)	(97,371)	8.01 %
Total net (expense) revenue	\$ (8,606,579)	\$ (9,193,667)	6.39 %

- Net cost of governmental activities (\$8,606,579 for 2019 and \$9,193,667 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$2,508,504 for 2019 and \$2,612,691 for 2018) and state and federal revenues (\$4,699,071 for 2019 and \$4,833,443 for 2018). In addition, there was \$282,637 and \$448,040 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$100,873 for 2019 and \$69,790 for 2018.

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,289,047, an increase of \$164,805, which includes a prior period adjustment of (\$633) and an increase in inventory of \$8,037. (\$1,000,112), or (30%) of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,289,159 is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$84,646, which includes a prior period adjustment of \$10,823. The fund balance of Other Governmental Funds showed an increase in the amount of \$18,036, which includes an increase in inventory of \$8,037 and a prior period adjustment of (\$632). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$	62,123

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$6,474,868, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of (\$74,274) from 2018. Total accumulated depreciation as of June 30, 2019, was \$3,076,799, and total depreciation expense for the year was \$198,596, resulting in total net capital assets of \$3,398,069.

CARROLL COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 36,361	\$ 36,361	0.00 %
Buildings	2,587,346	2,663,826	(2.87) %
Building improvements	60,971	65,035	(6.25) %
Improvements other than buildings	30,560	30,560	0.00 %
Mobile equipment	634,497	738,678	(14.10) %
Furniture and equipment	48,334	80,575	(40.01) %
Total	<u>\$ 3,398,069</u>	<u>\$ 3,615,035</u>	<u>(6.00) %</u>

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

Debt Administration. At June 30, 2019, the District had \$439,031 in outstanding long-term debt, of which \$201,952 is due within one year. During the fiscal year, the District made principal payments totaling \$192,000 on outstanding long-term debt. The liability for compensated absences decreased 10,923 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 400,000	\$ 592,000	(32.43) %
Compensated absences payable	39,031	49,954	(21.87) %
Total	<u>\$ 439,031</u>	<u>\$ 641,954</u>	<u>(31.61) %</u>

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CARROLL COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2019**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 295,064
Due from other governments	270,142
Inventories	21,439
Prepaid items	196,627
Restricted assets	2,509,435
Capital assets, non-depreciable:	
Land	36,361
Capital assets, net of accumulated depreciation:	
Buildings	2,587,346
Building improvements	60,971
Improvements other than buildings	30,560
Mobile equipment	634,497
Furniture and equipment	48,334
Total Assets	<u>6,690,776</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	1,915,762
Deferred outflows - OPEB	146,946
Total Deferred Outflows of Resources	<u>2,062,708</u>
Liabilities	
Accounts payable and accrued liabilities	3,660
Interest payable on long-term liabilities	3,639
Long-term liabilities, due within one year:	
Capital related liabilities	200,000
Non-capital related liabilities	1,952
Net OPEB liability	39,843
Long-term liabilities, due beyond one year:	
Capital related liabilities	200,000
Non-capital related liabilities	37,079
Net pension liability	15,167,440
Net OPEB liability	948,858
Total Liabilities	<u>16,602,471</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	415,929
Deferred inflows - OPEB	70,447
Total Deferred Inflows of Resources	<u>486,376</u>
Net Position	
Net investment in capital assets	2,998,069
Restricted for:	
Expendable:	
School-based activities	491,891
Debt service	55,044
Forestry improvements	12,356
Unemployment benefits	24,345
Non-expendable:	
Sixteenth section	3,697,076
Unrestricted	(15,614,144)
Total Net Position (deficit)	<u>\$ (8,335,363)</u>

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

CARROLL COUNTY SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2019**

Exhibit B

					Net (Expense)
					Revenue and
					Changes in
					Net Position
		Program Revenues			
			Operating	Capital	
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental
		Services	Contributions	Contributions	Activities
Governmental Activities:					
Instruction	\$ 4,373,516	\$ 113,292	\$ 721,239	\$ -	\$ (3,538,985)
Support services	3,498,967	49,503	596,422	-	(2,853,042)
Non-instructional	649,875	53,437	627,663	-	31,225
Sixteenth section	105,157	7,980	-	-	(97,177)
Pension expense	1,995,904	-	-	-	(1,995,904)
OPEB expense	63,129	-	-	-	(63,129)
Interest on long-term liabilities	89,567	-	-	-	(89,567)
Total Governmental Activities	\$ 10,776,115	\$ 224,212	\$ 1,945,324	\$ -	\$ (8,606,579)
General Revenues:					
Taxes:					
General purpose levies					2,292,554
Debt purpose levies					215,950
Unrestricted grants and contributions:					
State					4,659,799
Federal					39,272
Unrestricted investment earnings					100,873
Sixteenth section sources					282,637
Other					29,306
Total General Revenues					7,620,391
Change in Net Position					(986,188)
Net Position - Beginning, as previously reported					(7,335,105)
Prior Period Adjustments					(14,070)
Net Position - Beginning, as restated					(7,349,175)
Net Position (deficit) - Ending					\$ (8,335,363)

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

CARROLL COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2019

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund		
Assets				
Cash and cash equivalents	\$ -	\$ 296,343	\$ 333,789	\$ 630,132
Investments	-	2,213,092	-	2,213,092
Due from other governments	88,080	-	177,007	265,087
Due from other funds	164,642	3,998	26,546	195,186
Advance to other funds	-	1,183,643	-	1,183,643
Inventories	-	-	21,439	21,439
Prepaid items	196,627	-	-	196,627
Total assets	\$ 449,349	\$ 3,697,076	\$ 558,781	\$ 4,705,206
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,660	\$ -	\$ -	\$ 3,660
Deficit Cash and cash equivalents	38,725	-	-	38,725
Due to other funds	21,998	-	168,133	190,131
Advances from other funds	1,183,643	-	-	1,183,643
Total Liabilities	1,248,026	-	168,133	1,416,159
Fund Balances:				
Nonspendable:				
Inventory	-	-	21,439	21,439
Permanent fund principal	-	2,513,433	-	2,513,433
Advances	-	1,183,643	-	1,183,643
Prepaid items	196,627	-	-	196,627
Restricted:				
Debt service	-	-	58,683	58,683
Forestry improvement purposes	-	-	12,356	12,356
Grant activities	-	-	177,489	177,489
Unemployment benefits	-	-	24,345	24,345
Food Services	-	-	96,336	96,336
Assigned:				
Activity funds	4,808	-	-	4,808
Unassigned	(1,000,112)	-	-	(1,000,112)
Total Fund Balances	(798,677)	3,697,076	390,648	3,289,047
Total Liabilities and Fund Balances	\$ 449,349	\$ 3,697,076	\$ 558,781	\$ 4,705,206

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

CARROLL COUNTY SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Exhibit C-1

Total fund balances for governmental funds	\$	3,289,047
Amounts reported for governmental activities in the statement of Net Position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 36,361	
Buildings	4,200,784	
Building improvements	101,619	
Improvements other than buildings	152,800	
Mobile equipment	1,581,851	
Furniture and equipment	401,453	
Accumulated depreciation	<u>(3,076,799)</u>	3,398,069
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	(15,167,440)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	1,915,762	
Deferred inflows of resources related to pensions	<u>(415,929)</u>	(13,667,607)
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	(988,701)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	146,946	
Deferred inflows of resources related to OPEB	<u>(70,447)</u>	(912,202)
4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(400,000)	
Compensated absences	(39,031)	
Accrued interest payable	<u>(3,639)</u>	(442,670)
Net Position of governmental activities	\$	<u>(8,335,363)</u>

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

CARROLL COUNTY SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

Exhibit D

	Major Funds			
	General	Sixteenth Section	Other	Total
	Fund	Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 2,435,473	\$ -	\$ 270,261	\$ 2,705,734
State sources	4,474,988	-	412,661	4,887,649
Federal sources	41,694	-	1,715,051	1,756,745
Sixteenth section sources	309,334	72,947	8,015	390,296
Total Revenues	7,261,489	72,947	2,405,988	9,740,424
Expenditures:				
Instruction	3,940,500	-	994,165	4,934,665
Support services	2,975,197	-	642,492	3,617,689
Noninstructional services	-	-	691,701	691,701
Sixteenth section	83,215		21,942	105,157
Debt service:				
Principal	-	-	192,000	192,000
Interest	69,469	-	21,845	91,314
Total Expenditures	7,068,381	-	2,564,145	9,632,526
Excess (Deficiency) of Revenues over (under) Expenditures	193,108	72,947	(158,157)	107,898
Other Financing Sources (Uses):				
Insurance loss recovery	49,503	-	-	49,503
Operating transfers in	-	-	169,274	169,274
Operating transfers out	(168,788)	-	(486)	(169,274)
Other financing uses		-	-	-
Total Other Financing Sources (Uses)	(119,285)	-	168,788	49,503
Net Change in Fund Balances	73,823	72,947	10,631	157,401
Fund Balances:				
July 1, 2018, as previously reported	(883,323)	3,634,953	372,612	3,124,242
Prior period adjustments	10,823	(10,824)	(632)	(633)
July 1, 2018, as restated	(872,500)	3,624,129	371,980	3,123,609
Increase (Decrease) in inventory	-	-	8,037	8,037
June 30, 2019	\$ (798,677)	\$ 3,697,076	\$ 390,648	\$ 3,289,047

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

CARROLL COUNTY SCHOOL DISTRICT
Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019**

Exhibit D-1

Net change in fund balances - total governmental funds	\$ 157,401	
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ -	
Depreciation expense	<u>(198,596)</u>	(198,596)
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.		(4,933)
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	192,000	
Accrued interest payable	<u>1,747</u>	193,747
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. The activities include:		
Pension expense	(1,995,904)	
Contributions subsequent to the measurement date	<u>865,947</u>	(1,129,957)
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. The activities include:		
OPEB expense	(63,129)	
Contributions subsequent to the measurement date	<u>40,319</u>	(22,810)
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	10,923	
Change in inventory	<u>8,037</u>	18,960
Change in Net Position of governmental activities		<u>\$ (986,188)</u>

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

CARROLL COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2019

Exhibit E

	Agency Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 314,990
Total Assets	<hr/> <u>\$ 314,990</u>
 Liabilities	
Accounts payable and accrued liabilities	\$ 295,882
Due to other funds	5,055
Due to student clubs	14,053
Total Liabilities	<hr/> <u>\$ 314,990</u>

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

The school district reports the following major governmental funds:

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

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

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

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

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

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

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

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

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

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

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

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 district:

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action is considered to be the board's approval to designate funds for a specific purpose. Currently there is no committed fund balance for this school district.

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

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

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

It is the goal of the district to achieve and maintain an unassigned fund balance in the general Fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the district shall develop a restoration plan to achieve and maintain the minimum fund balance. See note 15 for more details of restoration plan.

Note 2 – Cash and Cash Equivalents 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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

follows:

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$591,407 and \$314,990, respectively. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$295,064 and a portion of restricted assets in the amount of \$2,509,435 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$1,248,497 was exposed to custodial credit risk.

Investments

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

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

CARROLL COUNTY SCHOOL DISTRICT
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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, 2019:

- The certificate of deposit of \$2,213,092 is valued based on the interest rate and the length of maturity.

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2019, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 159,587
	Fiduciary Funds	5,055
Sixteenth Section Principal Fund	General Fund	3,998
Other Governmental Funds	General Fund	18,000
Other Governmental Funds	Other Governmental Funds	8,546
Total		<u>\$ 195,186</u>

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 1,183,643
Total		<u>\$ 1,183,643</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 184,056	\$ 47,346	\$ 231,402
2021	169,876	39,983	209,859
2022	169,876	33,188	203,064
2023	145,335	26,393	171,728
2024	145,335	20,580	165,915
2025-2029	329,165	31,120	360,285
2030-2034	30,000	5,600	35,600
2035-2036	10,000	600	10,600
Total	<u>\$ 1,183,643</u>	<u>\$ 204,810</u>	<u>\$ 1,388,453</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 168,788
Other governmental funds	Other governmental funds	486
Total		<u>\$ 169,274</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance totaling \$296,343 and \$2,213,092 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 36,361	\$ -	\$ -	\$ -	36,361
Total non-depreciable capital assets	36,361	-	-	-	36,361
<u>Depreciable capital assets:</u>					
Buildings	4,200,784	-	-	-	4,200,784
Building improvements	101,619	-	-	-	101,619
Improvements other than buildings	152,800	-	-	-	152,800
Mobile equipment	1,630,324	-	(48,473)	-	1,581,851
Furniture and equipment	427,254	-	(8,552)	(17,249)	401,453
Total depreciable capital assets	6,512,781	-	(57,025)	(17,249)	6,438,507
<u>Less accumulated depreciation for:</u>					
Buildings	1,536,958	76,480	-	-	1,613,438
Building improvements	36,584	4,064	-	-	40,648
Improvements other than buildings	122,240	-	-	-	122,240
Mobile equipment	891,646	99,006	(43,626)	328	947,354
Furniture and equipment	346,679	19,046	(8,466)	(4,140)	353,119
Total accumulated depreciation	2,934,107	198,596	(52,092)	(3,812)	3,076,799
Total depreciable capital assets, net	3,578,674	(198,596)	(4,933)	(13,437)	3,361,708
Governmental activities capital assets, net	\$ 3,615,035	\$ (198,596)	\$ (4,933)	\$ (13,437)	3,398,069

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 80,883
Support services	105,643
Non-instructional	12,070
Total depreciation expense - Governmental activities	<u>\$ 198,596</u>

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. Three mill notes payable	592,000	-	(192,000)	400,000	200,000
B. Compensated absences payable	49,954	-	(10,923)	39,031	1,952
Total	\$ 641,954	\$ -	\$ (202,923)	439,031	\$ 201,952

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes payable, Series 2008	3.69%	5/7/2008	4/1/2021	1,200,000	400,000
Total				\$ 1,200,000	\$ 400,000

1. Three mill notes issue May 7, 2008:

Year Ending June 30	Principal	Interest	Total
2020	200,000	14,760	214,760
2021	200,000	7,380	207,380
Total	\$ 400,000	\$ 22,140	\$ 422,140

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

C. Compensated absences payable

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school 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, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$865,947, \$917,169 and \$873,123 respectively, which equaled the required contributions for each year.

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

At June 30, 2019, the school district reported a liability of \$15,167,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.091189 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.004773 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$1,995,904. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 643,605	\$ 60,591
Net difference between projected and actual earnings on pension plan investments		347,683
Changes of assumptions	8,482	7,655
Changes in proportion and differences between District contributions and proportionate share of contributions	397,728	
District contributions subsequent to the measurement date	865,947	
Total	\$ <u>1,915,762</u>	\$ <u>415,929</u>

\$865,947 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ 663,105
2021	199,688
2022	(160,702)
2023	(68,206)

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-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 the net pension liability	\$ 19,971,166	\$ 15,167,440	\$ 11,174,909

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible 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 \$40,319 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$988,701 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date

CARROLL COUNTY SCHOOL DISTRICT
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of June 30, 2018, the District's proportion was 0.12781351 percent. This was an increase of 0.00972081 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$63,129. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,013	\$
Changes of assumptions		70,447
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	104,614	
District contributions subsequent to the measurement date	40,319	
Total	\$ <u>146,946</u>	\$ <u>70,447</u>

\$40,319 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ 6,558
2021	6,558
2022	6,558
2023	6,558
2024	6,885
Thereafter	3,063

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

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

CARROLL COUNTY SCHOOL DISTRICT
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Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

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

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

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

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

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

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

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

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,095,951	\$ 988,701	\$ 896,464

CARROLL COUNTY SCHOOL DISTRICT
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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:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 915,864	\$ 988,701	\$ 1,071,424

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	\$ 415,067
2021	412,528
2022	411,862
2023	388,682
2024	347,600
2025 – 2029	1,144,433
2030 – 2034	1,055,517
2035 – 2039	388,783
2040 – 2044	171,533
Thereafter	202,066
Total	<u>\$ 4,938,071</u>

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Increase or decrease in a revenue or expenditure	\$ (633)
2. To correct asset balance from prior periods	(13,437)
Total	<u>\$ (14,070)</u>

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

Fund	Explanation	Amount
General Fund	Increase or decrease in a revenue or expenditure	\$ 10,823
Sixteenth Section Principal Fund	Increase or decrease in a revenue or expenditure	(10,824)
Other Governmental Funds	Increase or decrease in a revenue or expenditure	(632)
Total		<u>\$ (633)</u>

Note 11 – Contingencies

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

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

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 58 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to the fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during the year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 - Insurance loss recoveries

The Carroll County School District received \$49,503 in insurance loss recoveries related to property damage during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to support services expenditures.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$15,614,144) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$865,947 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$1,049,815 balance of the deferred outflow of resources related to pensions at June 30, 2019 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$415,929 balance of the deferred inflow of resources related to pensions at June 30, 2019 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position (deficit) amount of (\$15,614,144) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$40,319 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources totaling \$106,627 and deferred inflows of resources totaling \$70,447 related to OPEB at June 30, 2019, will be recognized in OPEB expense over the next 6 years.

CARROLL COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 15 – Deficit Fund Balance of Individual Funds

The district maintenance fund, included in the general fund for financial reporting purposes, has a deficit fund balance in the amount of \$798,677 due to the sixteenth section principal loan balance of \$1,183,643. The deficit fund balance of the district maintenance fund is in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances. The deficit fund balance is caused by the outstanding balance of sixteenth section principal loans. The principal loan balance is \$1,183,643.

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

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Carroll County School District evaluated the activity of the district through November 30, 2020, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Actual (GAAP Basis)	Variances	
					Positive (Negative)	
	Original	Final	Original to Final		Final to Actual	
Revenues:						
Local sources	\$ 2,391,561	\$ 2,435,340	\$ 2,435,473	\$ 43,779	\$ 133	
State sources	4,444,368	4,477,409	4,474,988	33,041	(2,421)	
Federal sources	56,150	39,273	41,694	(16,877)	2,421	
Sixteenth section sources	329,554	309,334	309,334	(20,220)	-	
Total Revenues	7,221,633	7,261,356	7,261,489	39,723	133	
Expenditures:						
Instruction	4,106,106	3,940,500	3,940,500	165,606	-	
Support services	3,052,812	2,975,198	2,975,197	77,614	1	
Sixteenth section	55,000	83,215	83,215	(28,215)	-	
Debt service:						
Principal	245,265	4,137		241,128	4,137	
Interest			69,469	-	(69,469)	
Total Expenditures	7,459,183	7,003,050	7,068,381	456,133	(65,331)	
Excess (Deficiency) of Revenues over (under) Expenditures	(237,550)	258,306	193,108	495,856	(65,198)	
Other Financing Sources (Uses):						
Insurance recovery		49,503	49,503	49,503	-	
Operating transfers in	1,292,177	1,056,898	-	(235,279)	(1,056,898)	
Operating transfers out	(1,315,554)	(1,225,685)	(168,788)	89,869	1,056,897	
Other financing uses				-	-	
Total Other Financing Sources (Uses)	(23,377)	(119,284)	(119,285)	(95,907)	(1)	
Net Change in Fund Balances	(260,927)	139,022	73,823	399,949	(65,199)	
Fund Balances:						
July 1, 2018, as previously reported	(898,273)	(898,273)	(883,323)	-	14,950	
Prior period adjustments			10,823	-	10,823	
July 1, 2018, as restated	(898,273)	(898,273)	(872,500)	-	25,773	
June 30, 2019	\$ (1,159,200)	\$ (759,251)	\$ (798,677)	\$ 399,949	\$ (39,426)	

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

Carroll County School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
District's proportion of the net pension liability	0.091189%		0.086416%		0.083320%		0.074993%		0.080000%
District's proportionate share of the net pension liability	\$ 15,167,440	\$	14,365,272	\$	14,883,033	\$	11,592,439	\$	9,710,536
District's covered payroll	\$ 5,823,295	\$	5,543,638	\$	5,330,210	\$	4,685,162	\$	4,927,041
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.4615%		259.1308%		279.2204%		247.4288%		197.0866%
Plan fiduciary net position as a percentage of the total pension liability	63%		61%		57%		62%		67%

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

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

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

**Carroll County School District
Required Supplementary Information**

**Schedule of District Contributions
PERS
Last 10 Fiscal Years**

		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Contractually required contribution	\$	865,947	\$	917,169	\$	873,123		839,508		737,913
Contributions in relation to the contractually required contribution		865,947		917,169		873,123		839,508		737,913
Contribution deficiency (excess)	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>		<u>-</u>		<u>-</u>
District's covered payroll		5,498,076		5,823,295		5,543,638		5,330,210		4,685,162
Contributions as a percentage of covered payroll		15.75%		15.75%		15.75%		15.75%		15.75%

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

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

**Carroll County School District
Required Supplementary Information**

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

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.12781351%	0.11809270%
District's proportionate share of the net OPEB liability	\$ 988,701	\$ 926,566
District's covered-employee payroll	5,780,918	5,305,580
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

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

Carroll County School District
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 40,319	\$ 39,501
Contributions in relation to the actuarially determined contribution	40,319	39,501
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	5,498,076	5,823,295
Contributions as a percentage of covered-employee payroll	0.73%	0.68%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

Carroll County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

Carroll County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

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%.

(2) *Changes in benefit provisions*

2016:

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

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

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

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

Carroll County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

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

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

SUPPLEMENTARY INFORMATION

CARROLL COUNTY SCHOOL DISTRICT
Supplementary Information

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

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 193,260
National school lunch program	10.555	195MS326N1099	505,214
Summer Food Service Program for Children	10.559	195MS326N1099	8,546
Total child nutrition cluster			<u>707,020</u>
Total passed-through Mississippi Department of Education			<u>707,020</u>
Total U.S. Department of Agriculture			<u><u>707,020</u></u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	452,415
Career and technical education - basic grants to states	84.048	V048A180024	16,995
Twenty-First Century Community Learning Centers	84.287	ES287C180024	140,959
Rural Education	84.358	ES358B180024	13,478
Supporting Effective Instruction state grants	84.367	ES367A180023	8,272
Student Support and Academic Enrichment program	84.424	ES424A180025	24,060
Subtotal			<u>656,179</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	360,341
Special education - preschool grants	84.173	H173A180113	9,627
Total special education cluster			<u>369,968</u>
Total passed-through Mississippi Department of Education			<u>1,026,147</u>
Total U.S. Department of Education			<u><u>1,026,147</u></u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	20,270
Total passed-through Mississippi Department of Education			<u>20,270</u>
Total U.S. Department of Health and Human Services			<u><u>20,270</u></u>
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	04-19-04MSDI00	406
Total passed-through Mississippi Department of Education			<u>406</u>
Total U.S. Department of Social Security Administration			<u><u>406</u></u>
Total for All Federal Awards			<u><u>\$ 1,753,843</u></u>

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

Carroll County School District
Notes to the Supplementary Information
For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities are included in the National School Lunch Program.

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

Carroll County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2019

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,434,107	5,373,792	257,971	442,041	1,360,303
Other	2,198,419	512,116	54,966	3,671	1,627,666
Total	<u>\$ 9,632,526</u>	<u>5,885,908</u>	<u>312,937</u>	<u>445,712</u>	<u>2,987,969</u>
Total number of students *	<u>948</u>				
Cost per student	<u>\$ 10,161</u>	<u>6,209</u>	<u>330</u>	<u>470</u>	<u>3,152</u>

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

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

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

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

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

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

OTHER INFORMATION

CARROLL COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 2,435,473	\$ 2,651,823	\$ 2,400,119	\$ 2,318,399
State sources	4,474,988	4,787,744	4,786,528	4,606,758
Federal sources	41,694	33,703	38,125	47,931
Sixteenth Section sources	309,334	388,875	276,645	351,111
Total Revenues	<u>7,261,489</u>	<u>7,862,145</u>	<u>7,501,417</u>	<u>7,324,199</u>
Expenditures:				
Instruction	3,940,500	4,562,458	4,357,247	4,103,696
Support services	2,975,197	3,008,072	3,206,799	2,990,569
Sixteenth Section	83,215	52,420	83,197	148,246
Debt Service:				
Interest	69,469	65,308	77,751	46,963
Total Expenditures	<u>7,068,381</u>	<u>7,688,258</u>	<u>7,724,994</u>	<u>7,289,474</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>193,108</u>	<u>173,887</u>	<u>(223,577)</u>	<u>34,725</u>
Other Financing Sources (Uses):				
Insurance loss recovery	49,503	4,420		
Other financing uses			(2,468)	-
Operating transfers in		119,420	212,568	85,516
Operating transfers out	(168,788)	(339,373)	(304,445)	(327,864)
Total Other Financing Sources (Uses)	<u>(119,285)</u>	<u>(215,533)</u>	<u>(94,345)</u>	<u>(242,348)</u>
Net Change in Fund Balances	<u>73,823</u>	<u>(41,646)</u>	<u>(317,922)</u>	<u>(207,623)</u>
Fund Balances:				
Beginning of period , as previously reported	(883,323)	(742,140)	(552,538)	(466,987)
Prior period adjustments	10,823	(99,537)	128,320	122,072
Beginning of period , as restated	<u>(872,500)</u>	<u>(841,677)</u>	<u>(424,218)</u>	<u>(344,915)</u>
End of Period	<u>\$ (798,677)</u>	<u>\$ (883,323)</u>	<u>\$ (742,140)</u>	<u>\$ (552,538)</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CARROLL COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 2,705,734	\$ 2,911,271	\$ 2,660,057	\$ 2,582,214
State sources	4,887,649	5,105,641	5,059,295	4,896,260
Federal sources	1,756,745	1,660,249	1,657,494	1,898,261
Sixteenth section sources	390,296	531,052	505,906	580,570
Total Revenues	9,740,424	10,208,213	9,882,752	9,957,305
Expenditures:				
Instruction	4,934,665	5,376,985	5,256,686	5,183,353
Support services	3,617,689	3,654,841	3,659,341	3,535,858
Noninstructional services	691,701	728,131	798,367	695,174
Sixteenth section	105,157	135,758	137,627	186,198
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	192,000	410,000	339,000	327,000
Interest	91,314	98,453	122,667	102,782
Other		1,012		
Total Expenditures	9,632,526	10,405,180	10,313,688	10,030,365
Excess (Deficiency) of Revenues over (under) Expenditures	107,898	(196,967)	(430,936)	(73,060)
Other Financing Sources (Uses):				
Insurance recovery	49,503	4,420		
Other financing sources			59,841	50,923
Operating transfers in	169,274	547,515	590,365	822,979
Operating transfers out	(169,274)	(547,515)	(590,365)	(822,979)
Other financing uses			(2,468)	-
Total Other Financing Sources (Uses)	49,503	4,420	57,373	50,923
Net Change in Fund Balances	157,401	(192,547)	(373,563)	(22,137)
Fund Balances:				
Beginning of period, as previously reported	3,124,242	3,430,231	3,641,103	3,398,756
Prior period adjustment	(633)	(119,583)	166,402	271,590
Beginning of period, as restated	3,123,609	3,310,648	3,807,505	3,670,346
Increase (Decrease) in reserve for inventory	8,037	6,141	(3,711)	(7,106)
End of Period	\$ 3,289,047	\$ 3,124,242	\$ 3,430,231	\$ 3,641,103

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

BROWN CPA, PLLC

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

Superintendent and School Board
Carroll County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Carroll County School District's basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as **Finding 2019-001, 2019-002, 2019-003, and 2019-004** to be a material weakness. Finding **2019-005** is considered to be a significant deficiency.

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

Compliance and Other Matters

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

accompanying schedule of Findings and Questioned Cost as **Finding 2019-001, 2019-002, 2019-003, and 2019-004**

Carroll County School District's Responses to Findings

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

Purpose of this Report

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

Brown CPA, PLLC
Ridgeland, Mississippi
November 30, 2020

Brown CPA, PLLC

BROWN CPA, PLLC

735 Avignon Dr. Suite 1
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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Superintendent and School Board
Carroll County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Carroll County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Carroll County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal

program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County School District's internal control over compliance.

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

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

Purpose of this Report

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

Brown CPA, PLLC
Ridgeland, Mississippi
November 30, 2020

Brown CPA, PLLC

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

BROWN CPA, PLLC

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

Superintendent and School Board
Carroll County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2019, which collectively comprise Carroll County School District's basic financial statements and have issued our report thereon dated November 30, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

Finding 01:

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

Criteria:

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

Condition:

The general fund had a negative beginning fund balance that has been brought forward for several years. The district is working to repay the 16th section loans from the principal fund and the deficit did decrease from the prior year.

Cause:

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

Effect:

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

Recommendation:

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

Response

District will implement a financial plan and implement better budgeting procedures to ensure the negative fund balance will be reduced in a timely fashion and will work towards building a long-term positive fund balance to make sure all needs of the district can be properly funded.

Finding 02:

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

Criteria:

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

Condition:

Upon the review of Sixteenth Section Principal Trust loans, it was determined the district was in default on principal and interest loan payments for the 2019 fiscal year. Conversion adjustments were proposed and accepted by the district to correct balances to amortization schedules. The district subsequently paid the loans and will keep them current going forward.

Cause:

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

Effect:

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

Recommendation:

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

Response

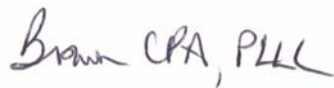
The business manager will strengthen controls over year end closing procedures to ensure that all Sixteenth Section Loan payments are properly recorded each year and are properly stated on the financials.

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 Carroll County School District's responses to the findings included in this report was not audited and, accordingly, we express no opinion on it.

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

Brown CPA, PLLC
Ridgeland, Mississippi
November 30, 2020

A handwritten signature in dark ink that reads "Brown CPA, PLLC". The signature is written in a cursive, flowing style.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Carroll County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | 4. | Internal control over major programs: | | | | | | | |
|---------------------|--|---------------------|---|--------|--|----------------|---------------------------|--|
| a. | Material weakness identified? | No | | | | | | |
| b. | Significant deficiency identified? | None reported | | | | | | |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No | | | | | | |
| 7. | Identification of major programs: | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> <tr> <td>84.010</td> <td>Title I grants to local educational agencies</td> </tr> <tr> <td>84.027; 84.173</td> <td>Special Education Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.010 | Title I grants to local educational agencies | 84.027; 84.173 | Special Education Cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | |
| 84.010 | Title I grants to local educational agencies | | | | | | | |
| 84.027; 84.173 | Special Education Cluster | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes | | | | | | |

Carroll County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

Material Weaknesses/Material Non-Compliance

2019-001 Finding

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

Repeat Finding 2017-02 and 2018-002

Criteria:

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

Condition:

The general fund had a negative beginning fund balance that has been brought forward for several years. The district is working to repay the 16th section loans from the principal fund and the deficit did decrease from the prior year.

Cause:

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

Effect:

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

Recommendation:

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

Views of Responsible Official

Please refer to the Auditee's Corrective Action Plan beginning on page 75.

Carroll County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

2019-002 Finding

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

Repeat Finding 2017-04 and 2018-004

Criteria:

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

Condition:

1. Out of a sample of 24 assets pulled, ten (10) could not be found by the district upon request to inspect. The district was able to find four (4) at a later date.

Cause:

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

Effect:

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

Recommendation:

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

Views of Responsible Official

Please refer to the Auditee's Corrective Action Plan beginning on page 75.

Carroll County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

2019-003 Finding

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

Repeat Finding 2018-005

Criteria:

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

Condition:

Upon the review of Sixteenth Section Principal Trust loans, it was determined the district was in default on principal and interest loan payments for the 2019 fiscal year. Conversion adjustments were proposed and accepted by the district to correct balances to amortization schedules. The district subsequently paid the loans and will keep them current going forward.

Cause:

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

Effect:

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

Recommendation:

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

Views of Responsible Official

Please refer to the Auditee's Corrective Action Plan beginning on page 75.

Carroll County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

2019-004 Finding

Payroll expenditures were calculated incorrectly for bus drivers.

Criteria:

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented and approved by the governing board.

Condition:

We noted the following items while testing payroll expenditures:

Overtime for all bus drivers were found to be paid at two and half times their normal pay rate for overtime instead of one and a half times for the fiscal year 2019.

Cause:

The district did not have the proper controls and procedures in place to ensure employees and applicable wages are properly calculated. The district's accounting software had been entered at the wrong rate to calculate overtime.

Effect:

Paying overtime at two and half times the normal rate of an employee's compensation resulted in payments of unauthorized amounts to employees.

Recommendation:

We recommend the district implement procedures and internal controls to ensure that the school board approve all salaries including supplements or additional time paid to district employees.

Views of Responsible Official

Please refer to the Auditee's Corrective Action Plan beginning on page 75.

Carroll County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Significant Deficiencies

2019-005 Finding

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

Repeat Finding 2017-05 and 2018-006

Criteria:

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

Condition:

1. The district did not properly record claims payable at year end. Adjustments were made to correct the liability and approved by the district.

Cause:

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

Effect:

Payables were misstated and did not reflect the correct balances at year end.

Recommendation:

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

Views of Responsible Official

Please refer to the Auditee's Corrective Action Plan beginning on page 75.

Section III: Federal Award Findings and Questioned Costs

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

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

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

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The Carroll County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019:

Finding	Corrective Action Plan Details
2019-001	<p>District does not have a positive fund balance in the general fund.</p> <p>A. Name of contact person responsible for corrective action: Name: James Ray Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will implement a financial plan and implement better budgeting procedures to ensure the negative fund balance will be reduced in a timely fashion and will work towards building a long-term positive fund balance to make sure all needs of the district can be properly funded.</p> <p>C. Anticipated completion date: June 30, 2021.</p>
2019-002	<p>Capital assets should be properly documented and reported in the district's financial statements.</p> <p>A. Name of contact person responsible for corrective action: Name: Bret Reynolds Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will implement better internal controls for assets purchases, disposals and transfers. The business manager will ensure that all transfer and disposal forms will be completed and submitted to the board for approval.</p> <p>C. Anticipated completion date: June 30, 2021.</p>

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

2019-003 District did not make principal and interest payments on Sixteenth Section Principal Trust Loans

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

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

C. Anticipated completion date:

June 30, 2021.

2019-004 Payroll expenditures were calculated incorrectly for bus drivers.

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over payroll calculations and ensure the correct payment information is entered in the software.

C. Anticipated completion date:

November 30, 2020.

2019-005 Accounts payable and other accruals were not properly reported on the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Bret Reynolds

Title: Business Manager

B. Corrective action planned:

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

C. Anticipated completion date:

June 30, 2021.

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

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by the Uniform Guidance, the Carroll County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2019:

<u>Findings</u>	<u>Status</u>
2018-001	Corrected
2018-002	See 2019-001
2018-003	Corrected
2018-004	See 2019-002
2018-005	See 2019-003
2018-006	See 2019-005
2018-007	Corrected