

CHOCTAW COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2019**

CHOCTAW COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Choctaw 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 Choctaw County School District as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Choctaw County School District's basic financial statements as listed in the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable financial audits contained in Governmental 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 from 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw 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 5-15, 51-52, 53, 54, 55 and 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Choctaw 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* (CFR) 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* (CFR) 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 September 22, 2020 on our consideration of the Choctaw County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Choctaw 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 Choctaw County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
September 22, 2020

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The following discussion and analysis of Choctaw 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 increased \$5,133,515, including a prior period adjustment of (\$86,014) which represents a 128% increase from fiscal year 2018. Total net position for 2018 decreased \$1,227,468, including a prior period adjustment of \$(1,543,805), which represents a 23% decrease from fiscal year 2017.
- General revenues amounted to \$20,165,358 and \$15,901,420, or 87% and 84% 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 \$3,125,543, or 13% of total revenues for 2019, and \$2,919,671, or 16 % of total revenues for 2018.
- The District had \$18,071,372 and \$18,504,754 in expenses for fiscal years 2019 and 2018; only \$3,125,543 for 2019 and \$2,919,671 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,165,358 for 2019 and \$15,901,420 for 2018 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,049,080 in revenues and \$13,920,870 in expenditures for 2019, and \$15,796,910 in revenues and \$14,007,675 in expenditures in 2018. The General Fund's fund balance increased by \$1,424,967 from 2018 to 2019, and decreased by \$1,653,748 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$2,360,427 for 2019 and increased by \$694,636 for 2018. The increase for 2019 was due primarily to the addition of construction in progress and building improvements.
- Long-term debt decreased by \$265,206 for 2019 and decreased by \$553,866 for 2018. The decrease for 2019 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,158 for 2019 and decreased by \$4,740 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the 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.

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

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

Fund Financial Statements

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

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

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.

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

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.

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,148,374 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.

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	\$ 21,712,133	\$ 18,137,127	19.71 %
Restricted assets	390,636	384,688	1.55 %
Capital assets, net	12,197,060	9,836,633	24.00 %
Total assets	34,299,829	28,358,448	20.95 %
 Deferred outflows of resources	 1,811,547	 2,821,012	 (35.78) %
 Current liabilities	741,150	687,947	7.73 %
Long-term debt outstanding	1,046,238	1,311,444	(20.22) %
Net OPEB liability	1,553,095	1,531,953	1.38 %
Net pension liability	22,559,132	23,023,733	(2.02) %
Total Liabilities	25,899,615	26,555,077	(2.47) %
 Deferred inflows of resources	 1,063,387	 609,524	 74.46 %
 Net Position:			
Net investment in capital assets	11,488,027	8,915,754	28.85 %
Restricted	1,231,513	1,106,341	11.31 %
Unrestricted	(3,571,166)	(6,007,236)	40.55 %
Total net position	\$ 9,148,374	\$ 4,014,859	127.86 %

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (3,571,166)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>23,364,067</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u><u>\$19,792,901</u></u>

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

- Increase in net capital assets in the amount of \$2,360,427.
- The principal retirement of \$270,364 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$23,290,901 and \$18,821,091, respectively. The total cost of all programs and services was \$18,071,372 for 2019 and \$18,504,754 for 2018.

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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**

	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 714,287	\$ 773,117	(7.61) %
Operating grants and contributions	2,371,773	2,146,554	10.49 %
Capital Grants and Contributions	39,483	-	N/A %
General revenues:			
Property taxes	12,768,438	8,405,178	51.91 %
Grants and contributions not restricted	6,875,574	7,076,400	(2.84) %
Investment earnings	259,902	72,127	260.34 %
Sixteenth section sources	202,204	274,243	(26.27) %
Other	59,240	73,472	(19.37) %
Total revenues	<u>23,290,901</u>	<u>18,821,091</u>	23.75 %
Expenses:			
Instruction	8,769,140	8,607,011	1.88 %
Support services	5,932,022	5,767,796	2.85 %
Non-instructional	781,464	785,387	(0.50) %
Sixteenth section	101,629	108,693	(6.50) %
Pension expense	2,367,328	3,105,392	(23.77) %
OPEB expense	78,042	74,563	4.67 %
Interest on long-term liabilities	41,747	55,912	(25.33) %
Total expenses	<u>18,071,372</u>	<u>18,504,754</u>	(2.34) %
Increase (Decrease) in net position	<u>5,219,529</u>	<u>316,337</u>	1,549.99 %
Net Position, July 1, as previously reported	<u>4,014,859</u>	<u>5,242,327</u>	(23.41) %
Prior Period Adjustment	<u>(86,014)</u>	<u>(1,543,805)</u>	94.43 %
Net Position, July 1, as restated	<u>3,928,845</u>	<u>3,698,522</u>	6.23 %
Net Position, June 30	<u><u>\$ 9,148,374</u></u>	<u><u>\$ 4,014,859</u></u>	127.86 %

**CHOCTAW 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	\$ 8,769,140	\$ 8,607,011	1.88 %
Support services	5,932,022	5,767,796	2.85 %
Non-instructional	781,464	785,387	(0.50) %
Sixteenth section	101,629	108,693	(6.50) %
Pension Expense	2,367,328	3,105,392	(23.77) %
OPEB Expense	78,042	74,563	4.67 %
Interest on long-term liabilities	41,747	55,912	(25.33) %
Total expenses	\$ 18,071,372	\$ 18,504,754	(2.34) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (7,076,662)	\$ (6,985,876)	1.30 %
Support services	(5,394,588)	(5,344,778)	0.93 %
Non-instructional	82,408	53,359	54.44 %
Sixteenth section	(69,870)	(71,921)	(2.85) %
Pension Expense	(2,367,328)	(3,105,392)	(23.77) %
OPEB Expense	(78,042)	(74,563)	4.67 %
Interest on long-term liabilities	(41,747)	(55,912)	(25.33) %
Total net (expense) revenue	\$ (14,945,829)	\$ (15,585,083)	(4.10) %

- Net cost of governmental activities (\$14,945,829 for 2019 and \$15,585,083 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$12,768,438 for 2019 and \$8,405,178 for 2018) and state and federal revenues (\$6,875,574 for 2019 and \$7,076,400 for 2018). In addition, there was \$202,204 and \$274,243 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$259,902 for 2019 and \$72,127 for 2018.

**CHOCTAW 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 \$21,323,968, an increase of \$3,584,194, which includes a decrease in inventory of \$836. \$5,964,333 or 28% 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 \$15,359,635 or 72% is either nonspendable, 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 \$1,424,967. The fund balance of Other Governmental Funds showed an increase in the amount of \$121,329, which includes a decrease in reserve for inventory of \$836. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	\$ no increase or decrease
Building Projects Fund	\$ 2,037,898

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.

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

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$20,266,055, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,708,098 from 2018. Total accumulated depreciation as of June 30, 2019, was \$8,068,995, and total depreciation expense for the year was \$466,251, resulting in total net capital assets of \$12,197,060.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 112,409	\$ 112,409	0.00 %
Construction in Progress	2,527,658	806,349	213.47 %
Buildings	7,686,821	7,297,059	5.34 %
Building improvements	512,436	494,031	3.73 %
Improvements other than buildings	77,528	80,430	(3.61) %
Mobile equipment	1,151,402	936,595	22.93 %
Furniture and equipment	128,806	109,760	17.35 %
Total	<u>\$ 12,197,060</u>	<u>\$ 9,836,633</u>	<u>24.00 %</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 \$1,046,238 in outstanding long-term debt, of which \$144,794 is due within one year. The liability for compensated absences increased \$5,158 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	475,000	634,778	(25.17) %
Shortfall notes payable	122,338	180,856	(32.36) %
Obligations under energy efficiency leases	234,033	286,101	(18.20) %
Compensated absences payable	214,867	209,709	2.46 %
Total	<u>\$ 1,046,238</u>	<u>\$ 1,311,444</u>	<u>(20.22) %</u>

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

CURRENT ISSUES

**CHOCTAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The Choctaw 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 Choctaw County School District, PO Drawer 398, Ackerman, MS 39735

BASIC FINANCIAL STATEMENTS

CHOCTAW COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 20,999,390
Investments	65,441
Due from other governments	574,647
Other receivables, net	46,569
Inventories	26,086
Restricted assets	390,636
Capital assets, non-depreciable:	
Land	112,409
Construction in progress	2,527,658
Capital assets, net of accumulated depreciation:	
Buildings	7,686,821
Building improvements	512,436
Improvements other than buildings	77,528
Mobile equipment	1,151,402
Furniture and equipment	128,806
Total Assets	<u>34,299,829</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	1,701,098
Deferred outflows - OPEB	110,449
Total Deferred Outflows of Resources	<u>1,811,547</u>
Liabilities	
Accounts payable and accrued liabilities	717,382
Unearned revenue	1,134
Interest payable on long-term liabilities	22,634
Long-term liabilities, due within one year:	
Capital related liabilities	84,526
Non-capital related liabilities	60,268
Net OPEB liability - current portion	68,852
Long-term liabilities, due beyond one year:	
Capital related liabilities	624,507
Non-capital related liabilities	276,937
Net pension liability	22,559,132
Net OPEB liability - non-current portion	1,484,243
Total Liabilities	<u>25,899,615</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	945,792
Deferred inflows - OPEB	117,595
Total Deferred Inflows of Resources	<u>1,063,387</u>
Net Position	
Net investment in capital assets	11,488,027
Restricted for:	
Expendable:	
School-based activities	472,943
Debt service	142,068
Forestry improvements	188,798
Unemployment benefits	37,068
Non-expendable:	
Sixteenth section	390,636
Unrestricted (deficit)	(3,571,166)
Total Net Position	<u>\$ 9,148,374</u>

CHOCTAW COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2019

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 8,769,140	\$ 456,295	\$ 1,196,700	\$ 39,483	\$ (7,076,662)
Support services	5,932,022	-	537,434	-	(5,394,588)
Non-instructional	781,464	226,233	637,639	-	82,408
Sixteenth section	101,629	31,759	-	-	(69,870)
Pension expense	2,367,328	-	-	-	(2,367,328)
OPEB expense	78,042	-	-	-	(78,042)
Interest on long-term liabilities	41,747	-	-	-	(41,747)
Total Governmental Activities	\$ 18,071,372	\$ 714,287	\$ 2,371,773	\$ 39,483	\$ (14,945,829)
General Revenues:					
Taxes:					
General purpose levies					12,556,240
Debt purpose levies					212,198
Unrestricted grants and contributions:					
State					6,704,818
Federal					170,756
Unrestricted investment earnings					259,902
Sixteenth section sources					202,204
Other					59,240
Total General Revenues					20,165,358
Change in Net Position					5,219,529
Net Position - Beginning, as previously reported					4,014,859
Prior Period Adjustment					(86,014)
Net Position - Beginning, as restated					3,928,845
Net Position - Ending					\$ 9,148,374

CHOCTAW COUNTY SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2019

Exhibit C

	Major Funds					
	General	Title I	Building	Other	Total	
	Fund	Fund	Projects	Governmental	Governmental	
			Fund	Funds	Funds	
Assets						
Cash and cash equivalents	\$ 6,139,687	\$ 19,928	\$ 14,034,421	\$ 811,990	\$ 21,006,026	
Investments	15,441	-	-	434,000	449,441	
Due from other governments	293,181	102,371	-	118,538	514,090	
Other receivables, net	46,466	-	-	103	46,569	
Due from other funds	175,863	-	-	-	175,863	
Inventories	-	-	-	26,086	26,086	
Total Assets	\$ 6,670,638	\$ 122,299	\$ 14,034,421	\$ 1,390,717	\$ 22,218,075	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 286,314	\$ 1,178	\$ 348,924	\$ 80,966	\$ 717,382	
Due to other funds	-	121,121	-	54,470	175,591	
Unavailable revenue	-	-	-	1,134	1,134	
Total Liabilities	\$ 286,314	\$ 122,299	\$ 348,924	\$ 136,570	\$ 894,107	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	26,086	26,086	
Permanent fund principal	-	-	-	390,636	390,636	
Restricted:						
Debt service	-	-	-	164,702	164,702	
Forestry improvement purposes	-	-	-	188,798	188,798	
Grant activities	-	-	-	446,857	446,857	
Unemployment benefits	-	-	-	37,068	37,068	
Committed:						
Capital improvements	-	-	13,685,497	-	13,685,497	
Assigned:						
Capital improvements	1,375	-	-	-	1,375	
Activity funds	259,918	-	-	-	259,918	
Drivers education	7,680	-	-	-	7,680	
School based health and outreach activities	151,018	-	-	-	151,018	
Unassigned	5,964,333	-	-	-	5,964,333	
Total Fund Balances	6,384,324	-	13,685,497	1,254,147	21,323,968	
Total Liabilities and Fund Balances	\$ 6,670,638	\$ 122,299	\$ 14,034,421	\$ 1,390,717	\$ 22,218,075	

The accompanying notes to financial statements are an integral part of these financial statements.

CHOCTAW COUNTY SCHOOL DISTRICT

Exhibit C-1

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2019

Total fund balances for governmental funds **\$ 21,323,968**

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	\$ 112,409	
Construction in progress	2,527,658	
Buildings	13,439,912	
Building improvements	680,534	
Improvements other than buildings	126,484	
Mobile equipment	2,786,560	
Furniture and equipment	592,498	
Accumulated depreciation	<u>(8,068,995)</u>	12,197,060

2. Some of the district's revenues will be collected after year-end but represents a shortfall for financial obligations for the current year. These amounts are recorded as a receivable in the statement of net position.

60,285

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

Net pension liability	(22,559,132)	
Net OPEB liability	<u>(1,553,095)</u>	(24,112,227)

4. Deferred outflows and inflows related to the net pension and OPEB liabilities are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pension and OPEB	1,811,547	
Deferred inflows of resources related to pension and OPEB	<u>(1,063,387)</u>	748,160

5. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Shortfall notes payable	\$ (122,338)	
Three mill notes payable	(475,000)	
Obligations under energy efficiency lease	(234,033)	
Compensated absences	(214,867)	
Accrued interest payable	<u>(22,634)</u>	<u>(1,068,872)</u>

Net position of governmental activities **\$ 9,148,374**

The accompanying notes to financial statements are an integral part of these financial statements.

CHOCTAW COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D

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

	Major Funds				
	General Fund	Title I Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 13,161,631	\$ -	121,719	\$ 522,136	\$ 13,805,486
State sources	6,499,861	-	-	642,490	7,142,351
Federal sources	170,756	703,374	-	1,270,349	2,144,479
Sixteenth section sources	216,832	-	-	40,029	256,861
Total Revenues	20,049,080	703,374	121,719	2,475,004	23,349,177
Expenditures:					
Instruction	8,145,917	637,414	-	818,920	9,602,251
Support services	5,409,895	139,252	-	1,048,941	6,598,088
Noninstructional services	-	9,920	-	805,473	815,393
Sixteenth section	83,912	-	-	17,717	101,629
Facilities acquisition and construction	215,577	-	2,118,069	-	2,333,646
Debt service:					
Principal	52,068	-	-	218,296	270,364
Interest	13,501	-	-	32,088	45,589
Total Expenditures	13,920,870	786,586	2,118,069	2,941,435	19,766,960
Excess (Deficiency) of Revenues over (under) Expenditures	6,128,210	(83,212)	(1,996,350)	(466,431)	3,582,217
Other Financing Sources (Uses):					
Sale of transportation equipment	2,813	-	-	-	2,813
Operating transfers in	12,421	95,212	4,034,248	718,477	4,860,358
Operating transfers out	(4,718,477)	(12,000)	-	(129,881)	(4,860,358)
Total Other Financing Sources (Uses)	(4,703,243)	83,212	4,034,248	588,596	2,813
Net Change in Fund Balances	1,424,967	-	2,037,898	122,165	3,585,030
Fund Balances:					
July 1, 2018	4,959,357	-	11,647,599	1,132,818	17,739,774
Increase (Decrease) in reserve for inventory	-	-	-	(836)	(836)
June 30, 2019	\$ 6,384,324	\$ -	\$ 13,685,497	1,254,147	\$ 21,323,968

The accompanying notes to financial statements are an integral part of these financial statements.

CHOCTAW COUNTY SCHOOL DISTRICT

Exhibit D-1

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**

Net change in fund balances - total governmental funds **\$ 3,585,030**

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	\$ 2,839,203	
Depreciation expense	<u>(466,251)</u>	2,372,952

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.

(12,525)

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 issuance costs, 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	\$ 270,364	
Accrued interest payable	<u>3,843</u>	274,207

4. The implementation of GASB 68 and 75 creates a change in the amount of pension and OPEB expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Recording of pension contributions made subsequent to the measurement date	1,440,655	
Recording of pension expense for the current period	(2,367,328)	
Recording of proportionate share of contributions to OPEB trust	2,008	
Recording of OPEB contributions made subsequent to the measurement date	68,852	
Recording of OPEB expense for the current period	<u>(78,042)</u>	(933,855)

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in due from other governments	(60,286)	
Change in compensated absences	(5,158)	
Change in inventory reserve	<u>(836)</u>	<u>(66,280)</u>

Change in net position of governmental activities **\$ 5,219,529**

The accompanying notes to financial statements are an integral part of these financial statements.

CHOCTAW COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

Exhibit E

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 11,781	\$ 798,622
Investments	30,753	-
Total Assets	<u>\$ 42,534</u>	<u>\$ 798,622</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 708,433
Due to other funds	-	272
Due to student clubs	-	89,917
Total Liabilities	<u>\$ -</u>	<u>\$ 798,622</u>
Net Position		
Reserved for endowments	<u>42,534</u>	
Total Net Position	<u>\$ 42,534</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

CHOCTAW COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

Exhibit F

	Private Purpose Trust Funds
Additions	
Interest on investments	\$ 489
Total Additions	<u>489</u>
Deductions	
Scholarships awarded	<u>8,000</u>
Total Deductions	<u>8,000</u>
Change in Net Position	<u>(7,511)</u>
Net Position	
July 1, 2018	<u>50,045</u>
June 30, 2019	<u><u>\$ 42,534</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued):

B. Government-wide and Fund Financial Statements (Continued):

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.

Title I Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local education agencies program.

Building Projects Fund – This is a capital project fund used to accumulate funds for the purpose of funding various construction projects for the district.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Scholarship Funds – These funds are private purpose trust funds that server to report all trust arrangements.

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued):

B. Government-wide and Fund Financial Statements (Continued):

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

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

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.

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

Note 1 – Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

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

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

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

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

D. Encumbrances

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

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.

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

Note 1 – Summary of Significant Accounting Policies (Continued):

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances (Continued):

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

Note 1 – Summary of Significant Accounting Policies (Continued):

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances (Continued):

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

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

The following schedule details the capitalization thresholds:

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

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

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 District has deferred outflows of resources related to pension and OPEB liabilities.

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 District has deferred inflows of resources related to pension and OPEB liabilities.

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).

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

Note 1 – Summary of Significant Accounting Policies (Continued):

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances (Continued):

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.

12. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for 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.

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

Note 1 – Summary of Significant Accounting Policies (Continued):

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances (Continued):

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

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

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 pursuant to authorization established by the school district.

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

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

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 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.

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

Note 2 – Cash and Cash Equivalents and Investments (Continued):

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 \$ 21,455,467 (which includes \$ 449,441 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$ 841,156 (which includes \$ 30,753 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments), respectively. The carrying amount of cash reported in fiduciary funds is reported as cash and cash equivalents of \$ 11,781 and \$ 798,622 in private purpose trust fund and agency funds, respectively, and \$ 30,753 in investments in private purpose trust funds.

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.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit			480,194
Total			\$ 480,194

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.

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

Note 2 – Cash and Cash Equivalents and Investments (Continued):

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

- Certificate of deposit type of investments of \$480,194 are valued using a matrix pricing model (Level 2 inputs)

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

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

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

Issuer		Fair Value	% of Total Investments
Regions Bank Certificates of Deposit	\$	480,194	100%

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

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	Title I Fund	\$ 121,121
	Other governmental funds	54,470
	Agency funds	272
		<u>175,863</u>
Total		<u>\$ 175,863</u>

The purpose of the Due From/To Other Funds was to cover deficit cash balances at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Building Projects Fund	\$ 4,000,000
	Other Governmental Funds	718,477
Title I Fund	General Fund	12,000
Other Governmental Funds	General Fund	421
	Building Projects Fund	34,248
	Title I Fund	95,212
Total		<u>\$ 4,860,358</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$6,636 and \$384,000, respectively, 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.

CHOCTAW 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	Adjustment*	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 112,409	\$ -	\$ -	\$ -	\$ 112,409
Construction-in-progress	806,349	2,333,646	-	(612,337)	2,527,658
Total non-depreciable capital assets	918,758	2,333,646	-	(612,337)	2,640,067
<u>Depreciable capital assets:</u>					
Buildings	12,827,575	-	-	612,337	13,439,912
Building improvements	634,907	45,627	-	-	680,534
Improvements other than buildings	126,484	-	-	-	126,484
Mobile equipment	2,512,885	398,272	124,597	-	2,786,560
Furniture and equipment	537,348	61,658	6,508	-	592,498
Total depreciable capital assets	16,639,199	505,557	131,105	612,337	17,625,988
<u>Less accumulated depreciation for:</u>					
Buildings	5,530,516	222,575	-	-	5,753,091
Building improvements	140,876	27,222	-	-	168,098
Improvements other than buildings	46,054	2,902	-	-	48,956
Mobile equipment	1,576,290	171,005	112,137	-	1,635,158
Furniture and equipment	427,588	42,547	6,443	-	463,692
Total accumulated depreciation	7,721,324	466,251	118,580	-	8,068,995
Total depreciable capital assets, net	8,917,875	39,306	12,525	612,337	9,556,993
Governmental activities capital assets, net	\$ 9,836,633	\$ 2,372,952	\$ 12,525	-	\$ 12,197,060

* Adjustments represent completed construction reclassified to a depreciable capital asset reporting category

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 228,213
Support services	218,787
Non-instructional	19,251
Total depreciation expense - Governmental activities	<u>\$ 466,251</u>

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

	Spent to June 30, 2019	Remaining Commitment
Governmental Activities:		
CCHS Admin & Classroom Addition & Renovation	\$ 2,527,658	6,201,766
Total governmental activities	<u>\$ 2,527,658</u>	<u>6,201,766</u>

Construction projects included in governmental activities are funded with local district funds.

CHOCTAW 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	\$ 634,778	\$ -	\$ 159,778	475,000	30,000
B. Shortfall notes payable	180,856	-	58,518	122,338	60,268
C. Obligations under energy efficiency leases	286,101	-	52,068	234,033	54,526
D. Compensated absences payable	209,709	9,893	4,735	214,867	-
Total	\$ 1,311,444	\$ 9,893	\$ 275,099	\$ 1,046,238	144,794

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Trustmark National Bank - Series 2008	3.97%	9/11/2008	8/1/2023	\$ 660,000	\$ 475,000

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

1. Three mill notes payable issue of September 11, 2018:

Year Ending June 30	Principal	Interest	Total
2020	\$ 30,000	\$ 18,858	\$ 48,858
2021	105,000	17,667	122,667
2022	110,000	13,498	123,498
2023	115,000	9,131	124,131
2024	115,000	4,565	119,565
Total	\$ 475,000	\$ 63,719	\$ 538,719

This debt will be retired from the EEF Building and Buses Fund.

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

Note 6 – Long-term Liabilities (Continued):

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Bank of Kilmichael Promissory Note	2.99%	8/30/2017	8/30/2020	\$ 180,856	\$ 122,338
Total				<u>\$ 180,856</u>	<u>\$ 122,338</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes payable issue of August 30, 2017:

Year Ending June 30	Principal	Interest	Total
2020	\$ 60,268	\$ 3,658	\$ 63,926
2021	62,070	1,856	63,926
Total	<u>\$ 122,338</u>	<u>\$ 5,514</u>	<u>\$ 127,852</u>

This debt will be retired from the District Maintenance Fund.

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Energy Efficiency Lease	4.62%	7/30/2008	4/15/2023	\$ 703,094	\$ 234,033
Total				<u>\$ 703,094</u>	<u>\$ 234,033</u>

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

Note 6 – Long-term Liabilities (Continued):

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

1. Obligations under energy efficiency leases issue of July 30, 2008:

Year Ending June 30	Principal	Interest	Total
2020	\$ 54,526	\$ 11,044	\$ 65,570
2021	57,099	8,471	65,570
2022	59,793	5,777	65,570
2023	62,615	2,955	65,570
Total	\$ 234,033	\$ 28,247	\$ 262,280

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated June 13, 2008 was executed by and between the district, the lessee, and Sun Trust Equipment Finance and Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$703,094 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Note 8 – Defined Benefit Pension Plan (Continued):

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 \$1,440,655, \$1,364,143 and \$1,399,380, 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 \$22,559,132 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 .135629 percent, which was based on a measurement date of June 30, 2018. This was a decrease of .002873 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.

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

Note 8 – Defined Benefit Pension Plan (Continued):

For the year ended June 30, 2019, the District recognized pension expense of \$2,367,328. 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	\$ 99,944	\$ 97,113
Net difference between projected and actual earnings on pension plan investments	-	467,103
Changes of assumptions	13,592	12,630
Changes in proportion and differences between District contributions and proportionate share of contributions	146,907	368,946
District contributions subsequent to the measurement date	1,440,655	-
Total	\$ 1,701,098	\$ 945,792

\$1,440,655 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	\$ 253,954
2021	(183,851)
2022	(654,001)
2023	(101,451)

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.

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

Note 8 – Defined Benefit Pension Plan (Continued):

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 29,703,904	\$ 22,559,132	\$ 16,620,884

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

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School 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 \$68,852 for the year ended June 30, 2019.

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

Note 9 – Other Postemployment Benefits (OPEB) (Continued):

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 \$1,553,095 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was .20077496 percent. This was an increase of .00552444 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 \$78,042. 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	\$ 3,162	\$ -
Changes of assumptions	-	110,661
Changes in proportion and differences between District contributions and proportionate share of contributions	38,435	6,934
District contributions subsequent to the measurement date	68,852	-
Total	\$ <u>110,449</u>	\$ <u>117,595</u>

\$68,852 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	\$ (16,089)
2021	(16,089)
2022	(16,089)
2023	(16,089)
2024	(11,426)
Thereafter	(216)

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

Note 9 – Other Postemployment Benefits (OPEB) (Continued):

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

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

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

Note 9 – Other Postemployment Benefits (OPEB) (Continued):

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	\$ 1,721,567	\$ 1,553,095	\$ 1,408,203

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,438,679	\$ 1,553,095	\$ 1,683,038

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/>.

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

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	\$ 43,149
2021	40,822
2022	24,117
2023	10,727
2024	10,190
2025 – 2029	32,703
2030 – 2034	2,162
2035 – 2039	1,962
2040 – 2044	392
Total	<u>\$ 166,224</u>

Note 11 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To adjust beginning of the year deferred outflows – pension for contributions related to July 2019 accrued payroll that were included in prior year deferred outflows	\$ <u>(86,014)</u>
Total	\$ <u>(86,014)</u>

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

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association 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 a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

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

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(3,571,166) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,440,655 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$260,443 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(3,571,166) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$945,792 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(3,571,166) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$68,852 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$41,597 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(3,571,166) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$117,595 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Choctaw County School District evaluated the activity of the district through September 22, 2020, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred which requires disclosure in the notes to financial statements:

- Approved the purchase of (4) four International Buses from Waters Truck and Tractor in the amount of \$372,000 on March 5, 2020.
- Approved the purchase of (2) two International Buses from Water Truck and Tractor in the amount of \$186,000 on June 25, 2020.
- As of the date of this report we are still under the effects of COVID-19 pandemic. This pandemic has caused extreme havoc in all areas of society to include governmental entities. The long-term effects of this pandemic have yet to be determined.

REQUIRED SUPPLEMENTARY INFORMATION

CHOCTAW 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	\$ 10,783,450	\$ 13,164,141	\$ 13,161,631	\$ 2,380,691	\$ (2,510)
State sources	6,481,578	6,499,861	6,499,861	18,283	-
Federal sources	186,000	170,756	170,756	(15,244)	-
Sixteenth section sources	304,350	216,832	216,832	(87,518)	-
Total Revenues	17,755,378	20,051,590	20,049,080	2,296,212	(2,510)
Expenditures:					
Instruction	8,295,990	8,145,612	8,145,917	150,378	(305)
Support services	6,835,132	5,589,519	5,409,895	1,245,613	179,624
Sixteenth section	20,000	83,912	83,912	(63,912)	-
Facilities acquisition and construction	1,030,000	211,781	215,577	818,219	(3,796)
Debt service:					
Principal	49,722	52,069	52,068	(2,347)	1
Interest	15,848	13,501	13,501	2,347	-
Total Expenditures	16,246,692	14,096,394	13,920,870	2,150,298	175,524
Excess (Deficiency) of Revenues over (under) Expenditures	1,508,686	5,955,196	6,128,210	4,446,510	173,014
Other Financing Sources (Uses):					
Bonds and notes issued	1,882,323	-	-	(1,882,323)	-
Sale of transportation equipment	1,000	2,813	2,813	1,813	-
Operating transfers in	863,839	458,314	12,421	(405,525)	(445,893)
Operating transfers out	(5,217,542)	(5,164,370)	(4,718,477)	53,172	445,893
Total Other Financing Sources (Uses)	(2,470,380)	(4,703,243)	(4,703,243)	(2,232,863)	-
Net Change in Fund Balances	(961,694)	1,251,953	1,424,967	2,213,647	173,014
Fund Balances:					
July 1, 2018	5,152,239	4,756,288	4,959,357	(395,951)	203,069
June 30, 2019	\$ 4,190,545	\$ 6,008,241	\$ 6,384,324	\$ 1,817,696	\$ 376,083

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

CHOCTAW COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Title I 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:					
Federal sources	951,849	703,374	703,374	(248,475)	-
Total Revenues	951,849	703,374	703,374	(248,475)	-
Expenditures:					
Instruction	779,820	637,414	637,414	142,406	-
Support services	147,105	139,252	139,252	7,853	-
Sixteenth section	12,924	9,920	9,920	3,004	-
Total Expenditures	939,849	786,586	786,586	153,263	-
Excess (Deficiency) of Revenues over (under) Expenditures	12,000	(83,212)	(83,212)	(95,212)	-
Other Financing Sources (Uses):					
Operating transfers in	-	95,212	95,212	95,212	-
Operating transfers out	(12,000)	(12,000)	(12,000)	-	-
Total Other Financing Sources (Uses)	(12,000)	83,212	83,212	95,212	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

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

CHOCTAW COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net Pension Liability
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	0.135629%	0.138502%	0.137465%	0.133886%	0.127440%
District's proportionate share of the net pension liability	\$ 22,559,132	\$ 23,023,733	\$ 24,554,682	\$ 20,696,136	\$ 15,468,883
District's covered payroll	\$ 8,661,225	\$ 8,884,952	\$ 8,793,937	\$ 8,299,670	\$ 7,787,244
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	249.36%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to 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 June 30th of the year prior to the fiscal year presented.

The 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.

CHOCTAW 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	\$ 1,440,655	\$ 1,364,143	\$ 1,399,380	\$ 1,385,045	\$ 1,307,198
Contribution in relation to the contractually required contribution	1,440,655	1,364,143	1,399,380	1,385,045	1,307,198
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	9,147,016	8,661,225	8,884,952	8,793,937	8,299,670
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

The 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net OPEB Liability
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.20077496%	0.19525052%
District's proportionate share of the net OPEB liability	\$ 1,553,095	\$ 1,531,953
District's covered-employee payroll	\$ 9,494,343	\$ 9,197,385
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.36%	16.66%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

The notes to 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.

The 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions (OPEB)
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 68,852	65,309
Contribution in relation to the actuarially determined contribution	68,852	65,309
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered-employee payroll	9,431,431	9,494,343
Contributions as a percentage of covered-employee payroll	0.73%	0.69%

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

The 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).

CHOCTAW COUNTY SCHOOL DISTRICT
Notes To 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%.

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%.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2019

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

CHOCTAW COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2019

- (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

CHOCTAW 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	\$ 183,572
National school lunch program	10.555	195MS326N1099	500,405
Summer food service program for children	10.559	195MS326N1099	2,621
Total child nutrition cluster			686,598
Total passed-through Mississippi Department of Education			686,598
Passed-through Choctaw County:			
Schools and Roads - Grants to States	10.665	N/A	22,926
Total passed-through Choctaw County			22,926
Total U.S. Department of Agriculture			709,524
<u>Appalachian Regional Commission</u>			
The Montgomery Institute			
Appalachian Area Development	23.002	PW-19333-IM	57,679
Total Appalachian Regional Commission			57,679
<u>Federal Communications Commission</u>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	101,312
Total Federal Communications Commission			101,312
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	703,374
Career and technical education - basic grants to states	84.048	V048A180024	19,190
Rural education	84.358	ES358B180024	23,464
Improving teacher quality state grants	84.367	ES367A180023	79,323
Student support and academic enrichment grants	84.424	ES424A180025	58,789
Subtotal			884,140
Special education cluster:			
Special education - grants to states	84.027	H027A180108	334,065
Special education - preschool grants	84.173	H173A180113	11,241
Total special education cluster			345,306
Total passed-through Mississippi Department of Education			1,229,446
Total U.S. Department of Education			1,229,446
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	40,330
Total passed-through Mississippi Department of Education			40,330
Total U.S. Department of Health and Human Services			40,330
Total for All Federal Awards			\$ 2,138,291

The notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Choctaw County School District under programs of the federal and state governments for the year ended June 30, 2019. The schedule presents only a selected portion of the operations of Choctaw County School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Choctaw County School District.

Note 2 – Basis of Accounting

Expenditures reported on the Schedule are reported on the current financial resource measurement focus and the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the previous year.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principals contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

Note 4 – Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the district and reported under the National School Lunch Program CFDA # 10.555. The value of the commodities received during the fiscal year was \$52,407.

Note 5 – Indirect Cost Rate

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

CHOCTAW COUNTY SCHOOL DISTRICT**Supplementary Information****Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds****For the Year Ended June 30, 2019**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 12,531,437	9,227,709	780,059	958,976	1,564,693
Other	7,235,523	1,442,490	373,647	27,970	5,391,416
Total	<u>\$ 19,766,960</u>	<u>10,670,199</u>	<u>1,153,706</u>	<u>986,946</u>	<u>6,956,109</u>
Total number of students *	<u>1,293</u>				
Cost per student	<u>\$ 15,287</u>	<u>8,252</u>	<u>892</u>	<u>763</u>	<u>5,380</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

OTHER INFORMATION

CHOCTAW 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	\$ 13,161,631	\$ 8,900,186	\$ 10,674,351	\$ 9,743,137
Intermediate sources	-	-	10,000	-
State sources	6,499,861	6,426,602	6,419,702	6,303,120
Federal sources	170,756	191,213	176,756	256,623
Sixteenth section sources	216,832	278,909	154,562	229,504
Total Revenues	20,049,080	15,796,910	17,435,371	16,532,384
Expenditures:				
Instruction	8,145,917	8,088,211	7,655,380	7,637,710
Support services	5,409,895	5,344,468	5,219,371	5,215,072
Noninstructional services	-	-	-	4,125
Sixteenth section	83,912	93,547	33,916	11,813
Facilities acquisition and construction	215,577	415,879	394,324	12,337
Debt service:				
Principal	52,068	49,722	47,481	45,342
Interest	13,501	15,848	18,089	20,228
Total Expenditures	13,920,870	14,007,675	13,368,561	12,946,627
Excess (Deficiency) of Revenues over (under) Expenditures	6,128,210	1,789,235	4,066,810	3,585,757
Other Financing Sources (Uses):				
Bonds and notes issued	-	180,856	-	-
Insurance recovery	-	11,253	20,780	17,479
Sale of transportation equipment	2,813	-	2,300	5,500
Operating transfers in	12,421	13,700	13,081	13,277
Operating transfers out	(4,718,477)	(3,648,792)	(5,599,871)	(4,400,822)
Total Other Financing Sources (Uses)	(4,703,243)	(3,442,983)	(5,563,710)	(4,364,566)
Net Change in Fund Balances	1,424,967	(1,653,748)	(1,496,900)	(778,809)
Fund Balances:				
Beginning of period, as previously reported	4,959,357	6,613,105	8,091,885	8,870,694
Prior period adjustments	-	-	18,120	-
Beginning of period, as restated	4,959,357	6,613,105	8,110,005	8,870,694
End of Period	\$ 6,384,324	\$ 4,959,357	\$ 6,613,105	\$ 8,091,885

*SOURCE - PRIOR YEAR AUDIT REPORTS

CHOCTAW 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	\$ 13,805,486	\$ 9,330,606	\$ 11,041,575	\$ 10,082,772
Intermediate sources	-	-	10,000	-
State sources	7,142,351	7,342,464	7,260,527	7,209,565
Federal sources	2,144,479	1,880,489	2,132,541	2,290,859
Sixteenth section sources	256,861	316,565	177,420	248,982
Total Revenues	23,349,177	18,870,124	20,622,063	19,832,178
Expenditures:				
Instruction	9,602,251	9,443,752	9,012,521	9,178,230
Support services	6,598,088	6,311,217	6,294,641	6,093,821
Noninstructional services	815,393	808,472	781,309	797,775
Sixteenth section	101,629	108,693	87,179	81,100
Facilities acquisition and construction	2,333,646	806,349	394,324	12,337
Debt service:				
Principal	270,364	734,722	463,481	450,564
Interest	45,589	59,608	76,102	90,742
Other	-	900	1,350	1,350
Total Expenditures	19,766,960	18,273,713	17,110,907	16,705,919
Excess (Deficiency) of Revenues over (under) Expenditures	3,582,217	596,411	3,511,156	3,126,259
Other Financing Sources (Uses):				
Bonds and notes issued	-	180,856	-	-
Insurance recovery	-	11,253	20,780	17,479
Sale of transportation equipment	2,813	-	2,300	5,500
Operating transfers in	4,860,358	3,662,492	5,612,952	4,414,099
Other financing sources	-	-	-	1,101
Operating transfers out	(4,860,358)	(3,662,492)	(5,612,952)	(4,414,099)
Total Other Financing Sources (Uses)	2,813	192,109	23,080	24,080
Net Change in Fund Balances	3,585,030	788,520	3,534,236	3,150,339
Fund Balances:				
Beginning of period, as previously reported	17,739,774	16,956,464	13,394,806	10,255,098
Prior period adjustments	-	-	18,120	-
Beginning of period, as restated	17,739,774	16,956,464	13,412,926	10,255,098
Increase (Decrease) in reserve for inventory	(836)	(5,210)	9,302	(10,631)
End of Period	\$ 21,323,968	\$ 17,739,774	\$ 16,956,464	\$ 13,394,806

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
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Thomas J. Browder, CPA	

INDEPENDENT AUDITORS' 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

To the Superintendent and School Board
Choctaw County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Choctaw County School District's basic financial statements and have issued our report thereon dated September 22, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Choctaw County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi

September 22, 2020

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

To the Superintendent and School Board
Choctaw County School District

Report on Compliance for Each Major Federal Program

We have audited the Choctaw 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 the Choctaw County School District's major federal programs for the year ended June 30, 2019. Choctaw County School District's major federal program is 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 the Choctaw County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Choctaw 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 the Choctaw County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Choctaw 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 the Choctaw 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 the Choctaw County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Choctaw 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
September 22, 2020

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

To the Superintendent and School Board
Choctaw County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2019, which collectively comprise Choctaw County School District's basic financial statements and have issued our report thereon dated September 22, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
September 22, 2020

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHOCTAW COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditors' Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | No |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section III: Federal Award Findings and Questioned Costs

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