



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**KEMPER COUNTY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

KEMPER COUNTY SCHOOL DISTRICT  
June 30, 2019

TABLE OF CONTENTS

	PAGE(S)
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 14
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A -- Statement of Net Position	16
Exhibit B -- Statement of Activities	17
Governmental Funds Financial Statements	
Exhibit C -- Balance Sheet	18 - 19
Exhibit C-1 -- Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D -- Statement of Revenues, Expenditures, and Changes in Fund Balances	21 - 22
Exhibit D-1 -- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Fiduciary Funds Financial Statements	
Exhibit E -- Statement of Fiduciary Assets and Liabilities	24
Notes to the Financial Statements	25 - 49
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule -- General Fund	51
Budgetary Comparison Schedule -- Major Special Revenue Funds	52 - 53
Schedule of the District's Proportionate Share of the Net Pension Liability	54
Schedule of District Contributions (PERS)	55
Schedule of the District's Proportionate Share of the Net OPEB Liability (OPEB)	56
Schedule of District Contributions OPEB	57
Notes to the Required Supplementary Information	58 - 60
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	62 - 63
Notes to the Supplementary Information	64
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds	65
OTHER INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balances -- General Fund, Last Four Years	67
Statement of Revenues, Expenditures, and Changes in Fund Balances -- All Governmental Funds, Last Four Years	68

KEMPER COUNTY SCHOOL DISTRICT  
June 30, 2019

TABLE OF CONTENTS

	PAGE(S)
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70 - 71
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	72 - 73
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
Independent Auditor's Report on Compliance with State Laws and Regulations	75 - 76
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78 - 79
AUDITEE'S CORRECTIVE ACTION PLAN	80
AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS	81



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

## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Kemper County School District

### **Report on the Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District, as of June 30, 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 the District Contributions (PERS), the schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5 - 14, 51-57, 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 Kemper County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020, on our consideration of Kemper County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kemper County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kemper County School District's internal control over financial reporting and compliance.

*Brown, Emory & Co.*

Ridgeland, Mississippi  
February 21, 2020

KEMPER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS



Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

### Financial Highlights

- ◆ Total net position for 2019 decreased \$3,140,334, including a prior period adjustment of \$(12,710), which represents a 122.53% decrease from fiscal year 2018. Total net position for 2018 decreased \$709,345, including a prior period adjustment of \$(1,330,958), which represents a (38.27)% decrease from fiscal year 2017.
- ◆ General revenues amounted to \$10,121,539 and \$13,767,904, or 77.06% and 80.36% 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 \$3,012,471 or 22.94% of total revenues for 2019, and \$3,364,362, or 19.64% of total revenues for 2018.
- ◆ The District had \$16,261,634 and \$16,510,653 in expenses for fiscal years 2019 and 2018; only \$3,012,471 for 2019 and \$3,364,362 for 2018 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,121,539 for 2019 and \$13,767,904 for 2018 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$10,229,486 in revenues and \$11,173,843 in expenditures for 2019, and \$13,923,694 in revenues and \$12,737,887 in expenditures in 2018. The General Fund's fund balance increased by \$2,210,655 from 2018 to 2019, including a prior period adjustment of \$3,775 and decreased by \$1,029,114 from 2017 to 2018, including a prior period adjustment of \$1,075.
- ◆ Capital assets, net of accumulated depreciation, decreased by \$362,933 for 2019 and increased by \$736,758 for 2018. The decrease for 2019 was due to accumulated depreciation.
- ◆ Long-term debt increased by \$1,933,500 for 2019 and decreased by \$210,000 for 2018. This increase for 2019 was due to the issuance of a shortfall note.
- ◆ The liability for compensated absences increased by \$7,336 for 2019 and increased by \$1,488 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.

Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

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

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

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

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

### **Fund Financial Statements**

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

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

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.

Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

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

#### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

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

#### **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.

Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,703,234 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.

Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 8,506,609	\$ 7,542,700	12.78 %
Restricted assets	1,675,921	1,615,506	3.74 %
Capital assets, net	<u>5,937,709</u>	<u>6,300,642</u>	(5.76)%
Total assets	<u>16,120,239</u>	<u>15,458,848</u>	4.28 %
Deferred outflows of resources	<u>2,989,104</u>	<u>3,908,477</u>	(23.52)%
Current liabilities	610,608	103,500	489.96 %
Long-term debt outstanding	2,002,815	116,716	1,615.97 %
Net OPEB liability	1,391,013	1,280,812	8.60 %
Net pension liability	<u>20,108,098</u>	<u>17,489,473</u>	14.97 %
Total liabilities	<u>24,112,534</u>	<u>18,990,501</u>	26.97 %
Deferred inflows of resources	<u>700,043</u>	<u>2,939,724</u>	(76.19)%
Net position:			
Net investment in capital assets	5,937,709	6,300,642	(5.76)%
Restricted	2,659,078	2,747,519	(3.22)%
Unrestricted	<u>(14,300,021)</u>	<u>(11,611,061)</u>	(23.16)%
Total net position	<u>\$ (5,703,234)</u>	<u>\$ (2,562,900)</u>	(122.53)%

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)	\$ (14,300,021)
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>19,210,050</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 4,910,029</u>

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

◆ Decrease in total current assets in the amount of	\$ (963,909)
◆ Decrease in net capital assets in the amount of	\$ 362,933
◆ Increase in current liabilities in the amount of	\$ 507,108
◆ Recognition of net pension liability in the amount of	\$ 2,618,625
◆ Increase in shortfall note in the amount of	\$ 1,933,500
◆ Recognition of a net OPEB liability in the amount of	\$ 110,201

Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

**Changes in net position** - The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$13,134,010 and \$17,132,266, respectively. The total cost of all programs and services was \$16,261,634 for 2019 and \$16,510,653 for 2018.

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

Table 2 Changes in Net Position			
	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,987,837	\$ 2,812,570	6.23 %
Operating grants and contributions	24,634	551,792	(95.54)%
Total program revenue	<u>3,012,471</u>	<u>3,364,362</u>	(10.46)%
General revenues:			
Property taxes	4,481,906	8,136,654	(44.92)%
Grants and contributions not restricted	5,165,469	5,107,596	1.13 %
Investment earnings	92,161	4,225	2,081.33 %
Sixteen section sources	181,533	420,420	(56.82)%
Other	200,470	99,009	102.48 %
Total general revenues	<u>10,121,539</u>	<u>13,767,904</u>	(26.48)%
Total revenues	<u>13,134,010</u>	<u>17,132,266</u>	(23.34)%
Expenses:			
Instruction	6,503,435	6,663,891	(2.41)%
Support services	6,373,845	6,629,958	(3.86)%
Non-instructional	739,780	678,273	9.07 %
Sixteen section	79,623	83,022	(4.09)%
Pension expense	2,486,374	2,381,113	4.42 %
OPEB expense	74,641	67,072	11.28 %
Interest on long-term liabilities	3,936	7,324	(46.26)%
Total expenses	<u>16,261,634</u>	<u>16,510,653</u>	(1.51)%
Increase (Decrease) in net position	<u>(3,127,624)</u>	<u>621,613</u>	(603.15)%
Net Position (deficit), July 1, as previously reported	(2,562,900)	(1,853,555)	(38.27)%
Prior period adjustment	(12,710)	(1,330,958)	(99.05)%
Net Position, July 1, as restated ,	<u>(2,575,610)</u>	<u>(3,184,513)</u>	19.12 %
Net Position (deficit), June 30	<u>\$ (5,703,234)</u>	<u>\$ (2,562,900)</u>	(122.53)%

Kemper 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

	2019	2018	Percentage Change
Instruction	\$ 6,503,435	\$ 6,663,891	(2.41)%
Support services	6,373,845	6,629,958	(3.86)%
Non-instructional	739,780	678,273	9.07 %
Sixteenth section	79,623	83,022	(4.09)%
Pension expense	2,486,374	2,381,113	4.42%
OPEB expense	74,641	67,072	11.28 %
Interest on long-term liabilities	<u>3,936</u>	<u>7,324</u>	(46.26)%
Total expenses	<u>\$16,261,634</u>	<u>\$ 16,510,653</u>	(1.51)%

Net (Expense) Revenue

	2019	2018	Percentage Change
Instruction	\$ (5,485,339)	\$ (5,850,264)	(6.24)%
Support services	(5,168,159)	(4,908,591)	5.29 %
Non-instructional	48,909	151,095	(67.63)%
Sixteen section	(79,623)	(83,022)	(4.09)%
Pension expense	(2,486,374)	(2,381,113)	4.42%
OPEB expense	(74,641)	(67,072)	11.28 %
Interest on long-term liabilities	<u>(3,936)</u>	<u>(7,324)</u>	(46.26)%
Total net (expense) revenue	<u>\$ (13,249,163)</u>	<u>\$ (13,146,291)</u>	0.78 %

- ◆ Net cost of governmental activities, (\$13,249,163 for 2019 and \$13,146,291 for 2018), was financed by general revenue, which is primarily made up of property taxes (\$4,481,906 for 2019 and \$8,136,654 for 2018) and state and federal revenues (\$5,165,469 for 2019 and \$5,107,596 for 2018). In addition, there was \$181,533 and \$420,420 in Sixteenth Section sources for 2019 and 2018, respectively.
- ◆ Investment earnings amounted to \$92,161 for 2019 and \$4,225 for 2018.

Kemper 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 \$9,575,858, an increase of \$521,152 which includes a prior period adjustment of \$(12,710) and a decrease in inventory of \$(2,366). \$6,871,124 or 71.75% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,704,734 or 28.25% is either nonexpendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,210,655 which includes a prior period adjustment of \$3,775. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,786,188, which included a prior period adjustment of \$(2,366). The increase (decrease) in fund balances for other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 60,414
Food Service Fund	36,271
Title I School Improvement Fund	No increase or decrease

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were not significant when compared to total revenues and expenditures of the District.

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



Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - As of June 30, 2019, the District's total capital assets were \$10,771,632, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment and any intangible assets. This amount represents a decrease of \$113,736 from 2018. Total accumulated depreciation as of June 30, 2019 was \$4,833,923, and total depreciation expense for the year was \$417,856, resulting in total net capital assets of \$5,937,709.

Table 4  
Capital Assets, Net of Accumulated Depreciation

	June 30, 2019	June 30, 2018	Percentage Change
Land	\$ 25,410	\$ 25,410	- %
Buildings	3,338,984	3,427,685	(2.59)%
Building improvements	507,295	530,354	(4.35)%
Improvements other than buildings	161,335	168,651	(4.34)%
Mobile equipment	1,717,419	1,922,486	(10.67)%
Furniture and equipment	187,266	226,056	(17.16)%
Total	<u>\$ 5,937,709</u>	<u>\$ 6,300,642</u>	(5.76)%

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 \$2,002,815 in outstanding long-term debt of which \$- is due within one year. The liability for compensated absences increased by \$7,336 from the prior year.

Table 5  
Outstanding Long-Term Debt

	June 30, 2019	June 30, 2018	Percentage Change
Shortfall note payable	\$ 1,933,500	\$ -	N/A
Compensated absences payable	69,315	61,979	11.84 %
Total	<u>\$ 2,002,815</u>	<u>\$ 61,979</u>	3,131.44 %

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

Kemper County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

KEMPER COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

## EXHIBIT A

Kemper County School District  
Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 6,011,512
Due from other governments	529,934
Other receivables, net	1,956,552
Inventories	8,611
Restricted assets	1,675,921
Capital assets, nondepreciable:	
Land	25,410
Capital assets, net of accumulated depreciation:	
Buildings	3,338,984
Building improvements	507,295
Improvements other than buildings	161,335
Mobile equipment	1,717,419
Furniture and equipment	187,266
Total Assets	<u>16,120,239</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	2,857,240
Deferred outflows -OPEB	131,864
Total deferred outflows of resources	<u>2,989,104</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	606,672
Interest payable on long-term liabilities	3,936
Long-term liabilities, due within one year:	
Net OPEB liability	57,083
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	2,002,815
Net pension liabilities	20,108,098
Net OPEB liabilities	1,333,930
Total Liabilities	<u>24,112,534</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	600,931
Deferred inflows -OPEB	99,112
Total deferred inflows of resources	<u>700,043</u>
<b>Net Position</b>	
Net investment in capital assets	5,937,709
Restricted for:	
Expendable:	
School-based activities	739,042
Debt service	3,454
Capital improvements	50
Forestry improvements	199,763
Unemployment benefits	41,646
Nonexpendable:	
Sixteenth section	1,675,123
Unrestricted	(14,300,021)
Total Net Position	<u>\$ (5,703,234)</u>

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

## EXHIBIT B

Kemper County School District  
Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,503,435	\$ 1,018,096	\$ -	\$ -	\$ (5,485,339)
Support services	6,373,845	1,181,052	24,634	-	(5,168,159)
Non-instructional	739,780	788,689	-	-	48,909
Sixteen section	79,623	-	-	-	(79,623)
Pension expense	2,486,374	-	-	-	(2,486,374)
OPEB expense	74,641	-	-	-	(74,641)
Interest on long-term liabilities	<u>3,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,936)</u>
Total Governmental Activities	<u>\$ 6,261,634</u>	<u>\$ 2,987,837</u>	<u>\$ 24,634</u>	<u>\$ -</u>	<u>(13,249,163)</u>
General Revenues:					
Taxes:					
General purpose levies					4,481,906
Unrestricted grants and contributions:					
State					5,077,017
Federal					88,452
Unrestricted investment earnings					92,161
Sixteenth section sources					181,533
Other					<u>200,470</u>
Total General Revenues					<u>10,121,539</u>
Change in Net Position					<u>(3,127,624)</u>
Net Position - Beginning, as previously reported					(2,562,900)
Prior period adjustments					<u>(12,710)</u>
Net Assets - Beginning - as restated					<u>(2,575,610)</u>
Net Position - Ending					<u>\$ (5,703,234)</u>

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

Kemper County School District  
Governmental Funds  
Balance Sheet  
June 30, 2019

	Major Fund		
	General Fund	Sixteenth Section Principal Fund	School Food Service Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,943,696	\$ 1,675,921	\$ 534,697
Due from other governments	76,241	-	-
Note proceeds receivable	1,933,500	-	-
Due from other funds	469,143	-	-
Inventories	-	-	8,611
Total Assets	<u>\$ 7,422,580</u>	<u>\$ 1,675,921</u>	<u>\$ 543,308</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 505,795	-	\$ 29,274
Due to other funds	-	798	45,000
Total Liabilities	<u>505,795</u>	<u>798</u>	<u>74,274</u>
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Inventory	-	-	8,611
Permanent fund principal	-	1,675,123	-
<b>Restricted:</b>			
Debt service	-	-	-
Capital projects	-	-	-
Forestry improvements	-	-	-
Grant activities	-	-	-
Unemployment benefits	-	-	-
Child Nutrition	-	-	460,423
<b>Assigned:</b>			
Activity funds	45,661	-	-
Unassigned:	<u>6,871,124</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>6,916,785</u>	<u>1,675,123</u>	<u>469,034</u>
Total Liabilities and Fund Balances	<u>\$ 7,422,580</u>	<u>\$ 1,675,921</u>	<u>\$ 543,308</u>

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

## EXHIBIT C

<u>Title I School Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 533,120	\$ 7,687,434
34,250	419,443	529,934
-	-	1,933,500
-	-	469,143
-	-	8,611
<u>\$ 34,250</u>	<u>\$ 952,563</u>	<u>\$ 10,628,622</u>
\$ -	\$ 71,603	\$ 606,672
34,250	366,044	446,092
<u>34,250</u>	<u>437,647</u>	<u>1,052,764</u>
-	-	8,611
-	-	1,675,123
-	3,454	3,454
-	50	50
-	199,763	199,763
-	270,008	270,008
-	41,641	41,641
-	-	460,423
-	-	45,661
-	-	6,871,124
-	514,916	9,575,858
<u>\$ 34,250</u>	<u>\$ 952,563</u>	<u>\$ 10,628,622</u>

Kemper County School District  
Governmental Funds  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position  
June 30, 2019

Total Fund Balances for Governmental Funds			\$ 9,575,858
Amounts reported for governmental activities in the statement of net position are different because:			
1.	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
	Land	25,410	
	Buildings	6,427,498	
	Building improvements	576,472	
	Improvements other than buildings	221,341	
	Mobile equipment	2,868,050	
	Furniture and equipment	652,861	
	Accumulated depreciation	<u>(4,833,923)</u>	5,937,709
2.	Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
	Net pension liability	(20,108,098)	
	Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
	Deferred outflows of resources related to pensions	2,857,240	
	Deferred inflows of resources related to pensions	<u>(600,931)</u>	(17,851,789)
3.	Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
	Net OPEB liability	(1,391,013)	
	Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
	Deferred outflows of resources related to OPEB	131,864	
	Deferred inflows of resources related to OPEB	<u>(99,112)</u>	(1,358,261)
3.	Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
	Notes payable	(1,933,500)	
	Compensated absences	(69,315)	
	Accrued interest payable	<u>(3,936)</u>	(2,006,751)
	Net position of governmental activities		<u>\$ (5,703,234)</u>

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



Kemper County School District  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2019

	Major Fund		
	General Fund	Sixteenth Section Principal Fund	School Food Service Fund
Revenues:			
Local sources	\$ 4,883,906	\$ -	\$ 42,944
State sources	5,120,734	-	7,442
Federal sources	108,221	-	838,483
Sixteenth section sources	<u>116,625</u>	<u>60,414</u>	<u>-</u>
Total Revenues	<u>10,229,486</u>	<u>60,414</u>	<u>888,869</u>
Expenditures:			
Instruction	5,924,895	-	-
Support services	5,229,421	-	91,398
Noninstructional services	4,602	-	713,834
Sixteen section	14,925	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Total Expenditures	<u>11,173,843</u>	<u>-</u>	<u>805,232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(944,357)</u>	<u>60,414</u>	<u>83,637</u>
Other Financing Sources (Uses):			
Notes issued	1,933,500	-	-
Insurance recovery	28,392	-	-
Operating transfers in	1,796,501	-	-
Other financing sources	-	-	-
Operating transfers out	<u>(607,156)</u>	<u>-</u>	<u>(45,000)</u>
Total Other Financing Sources (Uses)	<u>3,151,237</u>	<u>-</u>	<u>(45,000)</u>
Net Change in Fund Balances	<u>2,206,880</u>	<u>60,414</u>	<u>38,637</u>
Fund Balances:			
July 1, 2018, as previously reported	4,706,130	1,614,709	432,763
Prior period adjustments	<u>3,775</u>	<u>-</u>	<u>-</u>
July 1, 2018, as restated	<u>4,709,905</u>	<u>1,614,709</u>	<u>432,763</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>(2,366)</u>
June 30, 2019	<u>\$ 6,916,785</u>	<u>\$ 1,675,123</u>	<u>\$ 469,034</u>

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

## EXHIBIT D

Title I School Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,032	\$ 4,927,882
-	466,172	5,594,348
274,888	1,185,276	2,406,868
-	4,494	181,533
<u>274,888</u>	<u>1,656,974</u>	<u>13,110,631</u>
13,027	1,134,039	7,071,961
262,581	1,046,735	6,630,135
-	36,139	754,575
-	64,699	79,624
-	-	-
-	-	-
-	-	-
<u>275,608</u>	<u>2,281,612</u>	<u>14,536,295</u>
<u>(720)</u>	<u>(624,638)</u>	<u>(1,425,664)</u>
-	-	1,933,500
-	-	28,392
-	607,156	2,403,657
-	-	-
-	(1,751,501)	(2,403,657)
<u>-</u>	<u>(1,144,345)</u>	<u>1,961,892</u>
<u>(720)</u>	<u>(1,768,983)</u>	<u>536,228</u>
-	2,301,104	9,054,706
720	(17,205)	(12,710)
<u>720</u>	<u>2,283,899</u>	<u>9,041,996</u>
-	-	(2,366)
<u>\$ -</u>	<u>\$ 514,916</u>	<u>\$ 9,575,858</u>

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

Net Change in Fund Balances - Total Governmental Funds		\$ 536,228
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	\$ 97,523	
Depreciation expense	<u>(417,856)</u>	(320,333)
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.		(42,600)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Notes issued	(1,933,500)	
Accrued interest payable	<u>(3,936)</u>	(1,937,436)
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues//expenditures in the governmental funds. These activities includes:		
Pension expense	(2,486,374)	
Contributions subsequent to the measurement date	<u>1,148,685</u>	(1,337,689)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues//expenditures in the governmental funds. These activities includes:		
OPEB expense	(74,641)	
Contributions subsequent to measurement date	<u>58,549</u>	(16,092)
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(7,336)	
Change in inventory reserve	<u>(2,366)</u>	(9,702)
Change in net position of Governmental Activities		\$ <u>(3,127,624)</u>

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

## EXHIBIT E

Kemper County School District  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>58,160</u>
Total Assets	\$ <u><u>58,160</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 10,640
Due to other funds	23,051
Due to student clubs	<u>24,469</u>
Total Liabilities	\$ <u><u>58,160</u></u>

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 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 board member is elected by the citizens of each defined county district.

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

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

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

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

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The school district reports the following major governmental funds:

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

Title I School Improvement Fund - This fund is a special revenue account for the federal revenue received and expenditures incurred related to the District's Title I School Improvement Program.

School Food Service Fund - This fund accounts for the School Food Service local, state, and federal revenues that are received and the expenses associated with School Food Service.

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

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

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

The District's fiduciary funds include the following:

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

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

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

**D. Encumbrances**

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



Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

8. Compensated Absences

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

**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 \$7,687,434 and \$58,160, respectively. The bank balance was \$8,502,570.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

NOTE 3 - INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sixteenth Section Principal Fund	\$ 798
	Food Service Fund	45,000
	Title I - School Improvement Fund	34,250
	Other governmental funds	366,044
	Fiduciary funds	23,051
Total		<u>\$ 469,143</u>

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 3 - INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

B. Inter-fund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 607,156
Food Service Fund	General Fund	45,000
Other Governmental fund	General Fund	<u>1,751,501</u>
Total		<u>\$ 2,403,657</u>

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

NOTE 4 – RESTRICTED ASSETS

The restricted assets represent the cash balance totaling \$1,675,921 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 25,410	\$ -	\$ -	\$ 25,410
Total non-depreciable capital assets	<u>25,410</u>	<u>-</u>	<u>-</u>	<u>25,410</u>
<u>Depreciable capital assets:</u>				
Buildings	6,427,498	-	-	6,427,498
Building improvements	576,472	-	-	576,472
Improvements other than buildings	221,341	-	-	221,341
Mobile equipment	2,988,686	90,623	211,259	2,868,050
Furniture and equipment	645,961	6,900	-	652,861
Total depreciable capital assets	<u>10,859,958</u>	<u>97,523</u>	<u>211,259</u>	<u>10,746,222</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,999,813	88,701	-	3,088,514
Building improvements	46,118	23,059	-	69,177
Improvements other than buildings	52,690	7,316	-	60,006
Mobile equipment	1,066,200	253,090	168,659	1,150,631
Furniture and equipment	419,905	45,690	-	465,595
Total accumulated depreciation	<u>4,584,726</u>	<u>417,856</u>	<u>168,659</u>	<u>4,833,923</u>
Total depreciable capital assets, net	<u>6,275,232</u>	<u>(320,333)</u>	<u>42,600</u>	<u>5,912,299</u>
Governmental activities capital assets, net	<u>\$ 6,300,642</u>	<u>\$ (320,333)</u>	<u>\$ 42,600</u>	<u>\$ 5,937,709</u>

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental Activities:	
Instruction	\$ 117,628
Support services	275,307
Non-instructional	<u>24,921</u>
Total depreciation expense-Governmental Activities	<u>\$ 417,856</u>

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

NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
A. Shortfall note payable	\$ -	\$1,933,500	\$ -	\$ 1,933,500	\$ -
B. Compensated absences payable	<u>61,979</u>	<u>7,336</u>	<u>-</u>	<u>69,315</u>	<u>-</u>
Total	<u>\$ 61,979</u>	<u>\$1,940,836</u>	<u>\$ -</u>	<u>\$ 2,002,815</u>	<u>\$ -</u>



Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 6 - LONG-TERM LIABILITIES (Continued)

A. Shortfall Notes Payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall Note, Series 2019	2.70%	9-4-19	4-1-23	\$ <u>1,933,500</u>	\$ <u>1,933,500</u>
Total				\$ <u>1,933,500</u>	\$ <u>1,933,500</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 issued of 2019:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	627,407	82,802	710,209
2022	644,347	35,265	679,612
2023	<u>661,746</u>	<u>17,867</u>	<u>679,613</u>
Total	\$ <u>1,933,500</u>	\$ <u>135,934</u>	\$ <u>2,069,434</u>

This debt will be retired from the Debt Service Fund.

B. Compensated absences payable

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN

**General Information about the Pension Plan**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$1,148,685, \$1,215,927, and \$1,028,231, respectively, which equaled the required contributions for each year.

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

**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 \$20,108,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.120893 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.015683 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.

For the year ended June 30, 2019, the District recognized pension expense of \$2,486,374. 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	\$ 2,048,820	\$ 127,616
Net Difference between projected and actual earnings on pension plan investments	-	2,151,441
Changes of assumptions	1,523,953	52,768
Changes in proportion and differences between District contributions and proportionate share of contributions	(1,864,218)	(1,730,894)
District contributions subsequent to the measurement date	1,148,685	-
Total	<u>\$ 2,857,240</u>	<u>\$ 600,931</u>

\$1,148,685 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 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	\$ 525,732
2021	496,449
2022	175,873
2023	(90,430)
Total	<u>\$ 1,107,624</u>

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

*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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S Broad	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	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%. 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 current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore,, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ 26,476,595	\$ 20,108,098	\$ 14,815,036

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

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan.**

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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 \$58,549 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$1,391,013 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 0.17981219 percent. This was an increase of 0.00959378 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 \$74,641. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,812	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Changes of assumptions	-	99,112
Changes in proportion and differences between District contributions and proportionate share of contributions	70,503	-
District contributions subsequent to the measurement date	58,549	-
<b>Total</b>	<b>\$ 131,864</b>	<b>\$ 99,112</b>

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

\$58,549 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$	(6,301)
2021		(6,310)
2022		(6,310)
2023		(6,310)
2024		(566)
Total	\$	<u>(25,797)</u>

*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	7.75 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75 percent by 2028

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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 plan had no assets as of the measurement date of 2018.

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

The trust was established on June 28, 2018 with an initial contribution of \$1,000,00. 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%)	Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,541,903	\$ 1,391,013	\$ 1,261,242



Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

*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	1,288,537	1,391,013	1,507,395

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

NOTE 9 - SIXTEENTH SECTION LANDS

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 114,972
2021	103,480
2022	92,577
2023	82,056
2024	51,764
2025 - 2029	190,378
2030 - 2034	88,580
2035 - 2039	72,470
2040 - 2044	90,361
	<u>\$ 886,638</u>

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

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

Exhibit B - Statement of Activities

Explanation

Write- off of prior year assets and liabilities \$ (12,710)

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

Fund

Explanation

General fund	Write- off of prior year assets	\$ 3,775
Title I School		
Improvement Fund	Write- off of prior year assets	720
Other governmental fund	Write- off of prior year liabilities	(17,205)
		<u>\$ (12,710)</u>

NOTE 11 - CONTINGENCIES

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

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

NOTE 12 - RISK MANAGEMENT

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

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 12 - RISK MANAGEMENT (Continued)

Participation in Public Entity Risk Pool

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

NOTE 13 - ALTERNATIVE SCHOOL CONSORTIUM

The school district entered into an Alternative School Agreement dated August 19, 1994 creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Kemper County School District, Forest Municipal School District, Philadelphia Public School District, Scott County School District, Newton Municipal School District, Enterprise Public School District and Newton County School District.

Section 37-13-92 (6), Miss Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

NOTE 13 - ALTERNATIVE SCHOOL CONSORTIUM (Continued)

The following Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds is presented to detail the financial activity of the East Central Alternative School Consortium:

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
for the Year Ended June 30, 2019

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Scott County School District	\$ 203,622
Kemper County School District	108,803
Newton Municipal School District	108,803
Enterprise School District	108,803
Forrest Municipal School District	108,803
Philadelphia Public School District	<u>108,803</u>
Total tuition from other LEA's within the state	<u>747,637</u>
Interest	<u>4,666</u>
Total local sources	<u>752,303</u>
Total Revenues	<u>752,303</u>
Expenditures	
Salaries	568,044
Employee benefits	177,190
Purchased property services	43,251
Other purchased services	219
Supplies	11,006
Property	1,373
Other	<u>18,479</u>
Total Expenditures	<u>819,562</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(67,259)</u>
Other Financing Sources(Uses):	
Operating transfers in	113,415
Operating transfers out	<u>(57,334)</u>
Total Other Financing Sources/Uses	<u>56,081</u>
Net Change in Fund Balance	<u>(11,178)</u>
Fund Balance:	
July 1, 2018	<u>215,218</u>
June 30, 2019	<u>\$ 204,040</u>

Kemper County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 14 - INSURANCE LOSS RECOVERIES**

The Kemper County School District received \$28,392 in insurance loss recoveries related to damage to property and equipment during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

**NOTE 15 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The unrestricted net position amount of \$(14,300,021) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount \$1,148,685 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$1,708,555 balance of deferred outflow of resources 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 \$(14,300,021) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$600,931 balance of deferred inflow of resources from 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 \$(14,300,021) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$58,549 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$73,315 balance of deferred outflow of resources from OPEB at June 30, 2019 will be recognized as expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(14,300,021) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$99,112 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 16 - SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Kemper County School District evaluated the activity of the district through February 21, 2020, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

KEMPER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Kemper County School District  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,811,817	\$ 4,580,863	\$ 4,883,906	\$(3,230,954)	\$ 303,043
State sources	5,103,544	4,967,440	5,120,734	(136,104)	153,294
Federal sources	179,763	168,868	108,221	(10,895)	(60,647)
Sixteenth section sources	<u>208,256</u>	<u>198,000</u>	<u>116,625</u>	<u>(10,256)</u>	<u>(81,375)</u>
Total Revenues	<u>13,303,380</u>	<u>9,915,171</u>	<u>10,229,486</u>	<u>(3,388,209)</u>	<u>314,315</u>
Expenditures:					
Instruction	6,181,526	5,901,183	5,924,895	280,343	(23,712)
Support services	5,036,794	5,020,515	5,229,421	16,279	(208,906)
Noninstructional services	-	-	4,602	-	(4,602)
Sixteenth section	<u>25,000</u>	<u>10,700</u>	<u>14,925</u>	<u>14,300</u>	<u>(4,225)</u>
Total Expenditures	<u>11,243,320</u>	<u>10,932,398</u>	<u>11,173,843</u>	<u>310,922</u>	<u>(241,445)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,060,060</u>	<u>(1,017,227)</u>	<u>(944,357)</u>	<u>(3,077,287)</u>	<u>72,870</u>
Other Financing Sources (Uses):					
Notes issued	-	1,933,500	1,933,500	1,933,500	-
Insurance recovery	-	10,000	28,392	10,000	18,392
Operating transfers in	1,007,665	1,121,236	1,796,501	113,571	675,265
Operating transfers out	<u>(1,460,690)</u>	<u>(1,558,444)</u>	<u>(607,156)</u>	<u>(97,754)</u>	<u>951,288</u>
Total Other Financing Sources (Uses)	<u>(453,025)</u>	<u>1,506,292</u>	<u>3,151,237</u>	<u>1,959,317</u>	<u>1,644,945</u>
Net Change in Fund Balances	<u>1,607,035</u>	<u>489,065</u>	<u>2,206,880</u>	<u>(1,117,970)</u>	<u>1,717,815</u>
Fund Balances:					
July 1, 2018 , as previously reported	6,858,324	4,151,096	4,706,130	(2,707,228)	555,034
Prior period adjustments	<u>-</u>	<u>-</u>	<u>3,775</u>	<u>-</u>	<u>3,775</u>
July 1, 2018, as restated	<u>6,858,324</u>	<u>4,151,096</u>	<u>4,709,905</u>	<u>(2,707,228)</u>	<u>558,809</u>
June 30, 2019	<u>\$ 8,465,359</u>	<u>\$ 4,640,161</u>	<u>\$ 6,916,785</u>	<u>\$(3,825,198)</u>	<u>\$ 2,276,624</u>

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

Kemper County School District  
Required Supplementary Information  
Budgetary Comparison Schedule  
Governmental Funds  
Food Service 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	\$ 60,100	\$ 60,100	\$ 42,944	\$ -	\$ (17,156)
State sources	8,000	8,000	7,442	-	(558)
Federal sources	<u>800,000</u>	<u>800,000</u>	<u>838,483</u>	<u>-</u>	<u>38,483</u>
Total Revenues	<u>868,100</u>	<u>868,100</u>	<u>888,869</u>	<u>-</u>	<u>20,769</u>
Expenditures:					
Instruction	-	-	-	-	-
Support services	142,298	142,732	91,398	(434)	51,334
Noninstructional services	<u>690,732</u>	<u>807,785</u>	<u>713,834</u>	<u>(117,053)</u>	<u>93,951</u>
Total Expenditures	<u>833,030</u>	<u>950,517</u>	<u>805,232</u>	<u>(117,487)</u>	<u>145,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>35,070</u>	<u>(82,417)</u>	<u>83,637</u>	<u>(117,487)</u>	<u>166,054</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(9,930)</u>	<u>(127,417)</u>	<u>38,637</u>	<u>(117,487)</u>	<u>166,054</u>
Fund Balances:					
July 1, 2018	467,771	443,369	432,763	(24,402)	(10,606)
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>(2,366)</u>	<u>-</u>	<u>(2,366)</u>
June 30, 2019	<u>\$ 457,841</u>	<u>\$ 315,952</u>	<u>\$ 469,034</u>	<u>\$ (141,889)</u>	<u>\$153,082</u>

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



Kemper County School District  
Required Supplementary Information  
Budgetary Comparison Schedule  
Governmental Funds  
Title I - School Improvement Fund  
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ <u>433,601</u>	\$ <u>433,601</u>	\$ <u>274,888</u>	\$ <u>-</u>	\$ <u>(158,713)</u>
Total Revenues	<u>433,601</u>	<u>433,601</u>	<u>274,888</u>	<u>-</u>	<u>(158,713)</u>
Expenditures:					
Instructional	13,607	13,026	13,027	581	(1)
Support services	<u>419,994</u>	<u>234,434</u>	<u>262,581</u>	<u>185,560</u>	<u>(28,147)</u>
Total Expenditures	<u>433,601</u>	<u>247,460</u>	<u>275,608</u>	<u>186,141</u>	<u>(28,148)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>186,141</u>	<u>(720)</u>	<u>186,141</u>	<u>(186,861)</u>
Net Change in Fund Balances	<u>-</u>	<u>186,141</u>	<u>(720)</u>	<u>186,141</u>	<u>(186,861)</u>
Fund Balances :					
July 1, 2018 as previously reported	-	-	-	-	-
Period period adjustment	<u>-</u>	<u>-</u>	<u>720</u>	<u>-</u>	<u>720</u>
July 1, 2018, as restated	<u>-</u>	<u>-</u>	<u>720</u>	<u>-</u>	<u>720</u>
June 30, 2019	\$ <u>-</u>	\$ <u>186,141</u>	\$ <u>-</u>	\$ <u>186,141</u>	\$ <u>(186,141)</u>

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

Kemper County School District  
Required Supplementary Information  
Schedule of the District's Proportionate  
Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.120893%	0.105210%	0.111170%	0.113099%	0.101934%
District proportionate share of the net pension liability	\$ 20,108,098	\$ 17,489,473	\$ 19,857,738	\$ 17,482,875	\$ 12,372,921
District's covered payroll	\$ 7,720,169	\$ 6,528,451	7,111,841	7,065,803	6,225,835
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46 %	267.90 %	279.22 %	247.43 %	198.74 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.47 %	61.70 %	67.21 %

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

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,148,685	\$ 1,215,927	\$ 1,028,231	\$ 1,120,115	\$ 1,112,864
Contributions in relation to the contractually required contribution	<u>1,148,685</u>	<u>1,215,927</u>	<u>1,028,231</u>	<u>1,120,115</u>	<u>1,112,864</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>
District's covered payroll	\$ 7,293,238	\$ 7,720,169	\$ 6,528,451	\$ 7,111,841	7,065,803
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

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

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

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

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.01798219 %	0.01702184 %
District's proportionate share of the net OPEB liability	\$ 1,391,013	\$ 1,335,549
District's covered employee payroll	\$ 8,133,224	\$ 7,647,445
District's proportionate share of the net OPEB liability as a percent of its covered-employee payroll	17.10 %	17.46 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.13 %	0.00 %

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

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

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

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

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 58,549	\$ 56,936
Contribution in relation to the actuarially determined contribution	<u>58,549</u>	<u>56,936</u>
Contribution deficiency (excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>
District's covered-employee payroll	\$ 5,532,620	\$ 7,351,153
Contribution as a percentage of covered employee payroll	1.06 %	0.77 %

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

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

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

Budgetary Comparison Schedules

1. Basis of Presentation

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

Budget Amendments and Revisions

2. 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 mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disable lives.

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

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

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

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

2. Change in benefit provisions

2016

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

3. *Method and assumptions used in calculation of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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

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

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

The Actuarially Determined Contribution 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 increase, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%



KEMPER COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

Kemper County School District  
Supplementary Information  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 273,075
National School Lunch Program	185MS326N1099	10.555	565,408
Summer Food Service Program for Children	185MS326N1099	10.559	21,149
Total Child Nutrition Cluster			<u>859,632</u>
 Total Passed-through the Mississippi Department of Education			<u>859,632</u>
Total U.S. Department of Agriculture			<u>859,632</u>
<u>U. S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	N/A	12.xxx	12,402
Total U.S. Department of Defense			<u>12,402</u>
<u>Federal Communications Commission</u>			
Administered through the Universal Service Administrative Company:			
The School and Libraries Program of the Universal Service Fund	N/A	32.xxx	52,654
Total Federal Communications Commission			<u>52,654</u>
<u>U. S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - Grants to Local Educational Agencies			
	ES010A170024	84.010	945,343
Higher Education Institutional Aid	V048A170024	84.031	18,341
Career and Technical Education - Basic Grants to States	V048A170024	84.048	21,864
Twenty-First Century Community Learning Centers	ES287C170024	84.287	135,223
Supporting Effective Instruction State Grants	ES010A170023	84.367	91,539
 Subtotal U.S. Department of Education			<u>1,212,310</u>

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

Kemper County School District  
Supplementary Information  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education</u>			
Special education cluster:			
Special education - grants to states	H027A170108	84.027	\$ 220,960
Special education - preschool grants	H173A170113	84.173	<u>5,745</u>
Total Special Education Cluster			<u>226,705</u>
Total Passed-through Mississippi Department of Education			<u>1,439,015</u>
Total U.S. Department of Education			<u>1,439,015</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medicaid Cluster			
Medical Assistance Program	1805MS5ADM	93.778	<u>7,801</u>
Total passed-through Mississippi Department of Education			<u>7,801</u>
Total U.S. Department of Health and Human Services			<u>7,801</u>
Total for All Federal Awards			<u>\$ 2,371,504</u>

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

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

Schedule of Expenditures of Federal Awards

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,201,441	6,727,566	810,720	667,072	1,996,083
Other	<u>4,334,854</u>	<u>1,893,038</u>	<u>354,573</u>	<u>100,288</u>	<u>1,986,955</u>
Total	<u>\$ 14,536,295</u>	<u>8,620,604</u>	<u>1,165,293</u>	<u>767,360</u>	<u>3,983,038</u>
Total number of students*	<u>986</u>				
Cost per student	<u>\$ 14,743</u>	<u>8,743</u>	<u>1,182</u>	<u>778</u>	<u>4,040</u>

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

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

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

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

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

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

KEMPER COUNTY SCHOOL DISTRICT  
OTHER INFORMATION

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

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 4,883,906	\$ 8,095,437	\$ 7,790,083	\$ 5,841,809
State sources	5,120,734	4,982,495	5,266,117	5,251,095
Federal sources	108,221	159,346	130,289	131,137
Sixteenth section sources	<u>116,625</u>	<u>686,416</u>	<u>492,754</u>	<u>324,333</u>
Total Revenues	<u>10,229,486</u>	<u>13,923,694</u>	<u>13,679,243</u>	<u>11,548,374</u>
Expenditures:				
Instruction	5,924,895	6,260,292	5,987,701	5,975,963
Support services	5,229,421	6,368,128	5,138,186	4,574,943
Noninstructional services	4,602	83,610	85,965	78,849
Sixteenth section	14,925	25,857	27,180	34,265
Debt services:				
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>11,173,843</u>	<u>12,737,887</u>	<u>11,239,032</u>	<u>10,664,020</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(944,357)</u>	<u>1,185,807</u>	<u>2,440,211</u>	<u>884,354</u>
Other Financing Sources (Uses):				
Notes issued	1,933,500	-	-	-
Insurance recovery	28,392	14,178	3,239	-
Sale of transportation equipment	-	24,164	7,201	-
Operating transfers in	1,796,501	45,839	45,742	54,063
Other financing sources	-	-	16,550	20,000
Operating transfers out	<u>(607,156)</u>	<u>(2,300,177)</u>	<u>(692,374)</u>	<u>(1,311,629)</u>
Total Other Financing Sources (Uses)	<u>3,151,237</u>	<u>(2,215,996)</u>	<u>(619,642)</u>	<u>(1,237,566)</u>
Net Change in Fund Balances	<u>2,206,880</u>	<u>(1,030,189)</u>	<u>1,820,569</u>	<u>(353,212)</u>
Fund Balances:				
Beginning of period, as previously reported	4,706,130	5,735,244	3,909,759	4,270,806
Prior period adjustments,	<u>3,775</u>	<u>1,075</u>	<u>4,916</u>	<u>(7,835)</u>
Beginning of period, as restated	<u>4,709,905</u>	<u>5,736,319</u>	<u>3,914,675</u>	<u>4,262,971</u>
End of Period	<u>\$ 6,916,785</u>	<u>\$ 4,706,130</u>	<u>\$ 5,735,244</u>	<u>\$ 3,909,759</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 4,927,882	\$ 8,147,345	\$ 7,837,920	\$ 5,911,084
State sources	5,594,348	5,579,441	5,832,186	5,814,787
Federal sources	2,406,868	2,394,930	2,203,421	2,318,239
Sixteenth section sources	<u>181,533</u>	<u>972,212</u>	<u>705,253</u>	<u>460,676</u>
Total Revenues	<u>13,110,631</u>	<u>17,093,928</u>	<u>16,578,780</u>	<u>14,504,786</u>
Expenditures:				
Instruction	7,071,961	7,311,103	7,051,012	7,259,578
Support services	6,630,135	7,837,489	6,305,132	5,772,900
Noninstructional services	754,575	833,367	815,854	878,303
Sixteenth section	79,624	83,022	67,384	91,216
Facilities acquisition and construction	-	-	17,693	560,365
Debt services:				
Principal	-	210,000	205,000	200,000
Interest	-	5,250	9,863	13,863
Other	-	<u>2,722</u>	<u>1,350</u>	<u>1,350</u>
Total Expenditures	<u>14,536,295</u>	<u>16,282,953</u>	<u>14,473,288</u>	<u>14,777,575</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,425,664)</u>	<u>810,975</u>	<u>2,105,492</u>	<u>(272,789)</u>
Other Financing Sources (Uses):				
Proceeds of loans	1,933,500	-	-	-
Insurance recovery	28,392	14,178	3,239	-
Sale of transportation equipment	-	24,164	7,201	-
Sale of other property	-	-	-	1,952
Operating transfers in	2,403,657	2,346,016	738,116	1,393,846
Other financing sources	-	-	16,550	20,000
Operating transfers out	<u>(2,403,657)</u>	<u>(2,346,016)</u>	<u>(738,116)</u>	<u>(1,393,846)</u>
Total Other Financing Sources (Uses)	<u>1,961,892</u>	<u>38,342</u>	<u>26,990</u>	<u>21,952</u>
Net Change in Fund Balances	<u>536,228</u>	<u>849,317</u>	<u>2,132,482</u>	<u>(250,837)</u>
Fund Balances:				
Beginning of period, as previously reported	9,054,706	8,202,613	6,075,052	6,335,095
Prior period adjustments	<u>(12,710)</u>	<u>1,075</u>	<u>4,916</u>	<u>(18,074)</u>
Beginning of period, as restated	<u>9,041,996</u>	<u>8,203,688</u>	<u>6,079,968</u>	<u>6,317,021</u>
Increase (Decrease) in reserve for inventory	<u>(2,366)</u>	<u>1,701</u>	<u>(9,837)</u>	<u>8,868</u>
End of Period	<u>\$ 9,575,858</u>	<u>\$ 9,054,706</u>	<u>\$ 8,202,613</u>	<u>\$ 6,075,052</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS



KEMPER COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board  
Kemper County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Kemper County School District's basic financial statements and have issued our report thereon dated February 21, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-1 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Kemper County School District's Response to Findings**

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

## **Purpose of this Report**

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

*Brown, Emory & Co.*  
Ridgeland, Mississippi  
February 21, 2020





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

Superintendent and School Board  
Kemper County School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for limited purpose described in the 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.

*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.

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

*Brown, Ennis & Co.*

Ridgeland, Mississippi  
February 21, 2020

KEMPER COUNTY SCHOOL DISTRICT

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





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

Superintendent and School Board  
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2019, which collectively comprise the Kemper County School District's basic financial statements and have issued our report thereon dated February 21, 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.

*Brown, Emini & Co.*  
Ridgeland, Mississippi  
February 21, 2020



KEMPER COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified?   | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal 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 Number</u>	<u>Name of Federal Program or Cluster</u>
	Cluster: Child Nutrition
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.010	Title I Grants to Local Educational Agencies

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

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

Section 2: Financial Statement Findings

Finding 2019-1 (Repeat Finding 2018-1)

Significant Deficiency

**BANK RECONCILIATIONS**

Condition

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

Cause

Cash accounts were not reconciled during the year.

Effect

Weaknesses in the system of internal control over cash.

Criteria

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

Recommendation

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

Section 3: Federal Award Findings and Questioned Costs

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



## KEMPER COUNTY SCHOOLS

Post Office Box 219  
DeKalb, Mississippi 39328

*"Together We Can Make A Difference"*

Hilute Hudson  
Superintendent

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

March 24, 2020

Kaiser R. Brown, CPA  
BROWN, EWING & CO, P.A.  
308 Highland Park Cove  
Ridgeland, MS 39157

### RE: Audit Finding Response

Dear Mr. Brown,

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

2019- 1      Finding  
Cash accounts were not reconciled during the year

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

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

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

Sincerely,

Matilda Miller, Ph.D.  
Business Manager  
Kemper County School District  
[mmiller@kemper.k12.ms.us](mailto:mmiller@kemper.k12.ms.us)



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

As required by Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), the Kemper County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2019:

<u>Finding</u>	<u>Status</u>
2018-1	Corrective action not taken
2018-2	Corrected