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MARSHALL COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2019

St. Clair CPA, PLLC  
Carriere, MS

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## INDEPENDENT AUDITOR'S REPORT

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Marshall County School District

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall 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 Marshall 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***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Summary of Opinions***

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – Food Service Fund	Qualified
Major Fund – Title I-A Basic Fund	Unmodified
Major Fund – IDEA, Part B Fund	Unmodified
Major Fund – QSCB Debt Retirement Fund	Unmodified
Aggregate Remaining fund Information	Unmodified

### ***Basis for Qualified Opinion on Major Fund – Food Service Fund***

Due to the timing of the engagement, I was unable to observe the counting of the physical inventories included in the Major fund. Furthermore, I was unable to apply other appropriate procedures to establish the existence of inventories. The possible effects on the Major Fund – Food Service Fund of undetected misstatements, if any, could be material but not pervasive.

### ***Qualified Opinion***

In my opinion, except the possible effects of the matter described in the “Basis for Qualified Opinion on Major Fund – Food Service Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County School District, as of June 30, 2019, and the changes in financial position of the Major Fund – Food Service Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District’s Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 9-16, 51-54, 55, 56, 57 and 58, 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*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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, I do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 12, 2019, on my consideration of the Marshall County School District's internal control over financial reporting and on my 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 my 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 Marshall 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 Marshall County School District's internal control over financial reporting and compliance.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
December 12, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2019 increased \$2,108,390, which represents a 9% increase from fiscal year 2018. Total net position for 2018 decreased \$3,715,047, including a prior period adjustment of (\$2,407,954), which represents a 20% decrease from fiscal year 2017.
- General revenues amounted to \$21,870,650 and \$20,718,853, or 75% and 78% 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 \$7,270,919, or 25% of total revenues for 2019, and \$5,719,305, or 22% of total revenues for 2018.
- The District had \$27,033,179 and \$27,745,251 in expenses for fiscal years 2019 and 2018; only \$7,270,919 for 2019 and \$5,719,305 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,870,650 for 2019 were adequate to provide for these programs. General revenues of \$20,718,853 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$21,236,206 in revenues and \$22,436,698 in expenditures for 2019, and \$20,256,836 in revenues and \$19,859,368 in expenditures in 2018. The General Fund's fund balance increased by \$1,484,354, including a prior period adjustment of (\$79,064) from 2018 to 2019, and increased by \$77,518 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$1,780,992 for 2019 and decreased by \$651,613 for 2018. The increase for 2019 was due primarily to the addition of leased property under capital leases and the donation of land valued at \$480,000.
- Long-term debt increased by \$1,626,895 for 2019 and decreased by \$1,247,035 for 2018. This increase for 2019 was due primarily to the addition of obligations under capital leases. The liability for compensated absences decreased \$4,906 for 2019 and decreased by \$8,028 for 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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, pension expense, OPEB expense, and interest on long-term liabilities.

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

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



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

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

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

## **Notes to the financial statements**

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

## **Required Supplementary Information**

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

## **Supplementary Information**

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

## **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$20,119,382 as of June 30, 2019.

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

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

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Percentage Change</b>
Current assets	\$ 5,790,813	\$ 4,242,355	36.50 %
Restricted assets	3,100,871	2,803,886	10.59 %
Capital assets, net	19,004,301	17,223,309	10.34 %
<b>Total assets</b>	<b>27,895,985</b>	<b>24,269,550</b>	<b>14.94 %</b>
 <b>Deferred outflows of resources</b>	 <b>2,451,662</b>	 <b>3,279,179</b>	 <b>(25.24) %</b>
 Current liabilities	 439,678	 431,369	 1.93 %
Long-term debt outstanding	7,343,724	5,716,829	28.46 %
Net OPEB liability	2,303,883	2,400,753	(4.03) %
Net pension liability	36,422,714	37,863,271	(3.80) %
<b>Total liabilities</b>	<b>46,509,999</b>	<b>46,412,222</b>	<b>0.21 %</b>
 <b>Deferred inflows of resources</b>	 <b>3,957,030</b>	 <b>3,364,279</b>	 <b>17.62 %</b>
 <b>Net position:</b>			
Net investment in capital assets	13,823,412	13,623,309	1.47 %
Restricted	3,027,177	2,674,397	13.19 %
Unrestricted	(36,969,971)	(38,525,478)	4.04 %
<b>Total net position</b>	<b>\$ (20,119,382)</b>	<b>\$ (22,227,772)</b>	<b>9.49 %</b>

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)	\$ (36,969,971)
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	40,231,965
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,261,994</u>

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

- Increase in net capital assets in the amount of \$1,780,992.
- The principal retirement of \$1,001,564 of long-term debt.
- Inception of obligation under capital lease in the amount of \$2,251,500.

#### **Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$29,141,569 and \$26,438,158, respectively. The total cost of all programs and services was \$27,033,179 for 2019 and \$27,745,251 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**

	<b>Year Ended June 30, 2019</b>	<b>Year Ended June 30, 2018</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 923,579	\$ 761,360	21.31 %
Operating grants and contributions	5,867,340	4,957,945	18.34 %
Capital Grants and Contributions	480,000	0	N/A
General revenues:			
Property taxes	6,754,275	5,797,679	16.50 %
Grants and contributions not restricted	14,803,266	14,840,491	(0.25) %
Investment earnings	83,307	78,483	6.15 %
Other	229,802	2,200	10,345.55 %
<b>Total revenues</b>	<b>29,141,569</b>	<b>26,438,158</b>	<b>10.23 %</b>
<b>Expenses:</b>			
Instruction	12,916,149	12,512,989	3.22 %
Support services	9,968,759	9,244,782	7.83 %
Non-instructional	1,874,983	1,969,987	(4.82) %
Pension expense	2,096,322	3,762,413	(44.28) %
OPEB expense	98,774	118,547	(16.68) %
Interest on long-term liabilities	78,192	136,533	(42.73) %
<b>Total expenses</b>	<b>27,033,179</b>	<b>27,745,251</b>	<b>(2.57) %</b>
<b>Increase (Decrease) in net position</b>	<b>2,108,390</b>	<b>(1,307,093)</b>	<b>261.30 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(22,227,772)</b>	<b>(18,512,725)</b>	<b>(20.07) %</b>
<b>Prior Period Adjustment</b>	<b>0</b>	<b>(2,407,954)</b>	<b>100.00 %</b>
<b>Net Position, July 1, as restated</b>	<b>(22,227,772)</b>	<b>(20,920,679)</b>	<b>(6.25) %</b>
<b>Net Position, June 30</b>	<b>\$ (20,119,382)</b>	<b>\$ (22,227,772)</b>	<b>9.49 %</b>

### **Governmental activities**

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, 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**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Instruction	\$ 12,916,149	\$ 12,512,989	3.22 %
Support services	9,968,759	9,244,782	7.83 %
Non-instructional	1,874,983	1,969,987	(4.82) %
Pension Expense	2,096,322	3,762,413	(44.28) %
OPEB Expense	98,774	118,547	(16.68) %
Interest on long-term liabilities	78,192	136,533	(42.73) %
<b>Total expenses</b>	<b>\$ 27,033,179</b>	<b>\$ 27,745,251</b>	<b>(2.57) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Instruction	\$ (10,823,572)	\$ (10,287,184)	(5.21) %
Support services	(7,061,041)	(7,986,562)	11.59 %
Non-instructional	395,641	265,293	49.13 %
Pension Expense	(2,096,322)	(3,762,413)	44.28 %
OPEB Expense	(98,774)	(118,547)	16.68 %
Interest on long-term liabilities	(78,192)	(136,533)	42.73 %
<b>Total net (expense) revenue</b>	<b>\$ (19,762,260)</b>	<b>\$ (22,025,946)</b>	<b>10.28 %</b>

- Net cost of governmental activities (\$19,762,260 for 2019 and \$22,025,946 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$6,754,275 for 2019 and \$5,797,679 for 2018) and state and federal revenues (\$14,803,266 for 2019 and \$14,840,491 for 2018).
- Investment earnings amounted to \$83,307 for 2019 and \$78,483 for 2018.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,482,281, an increase of \$1,812,291, which includes an increase in inventory of \$4,340. \$4,988,143 or 59% 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 \$3,494,138 or 41% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for

the fiscal year was \$1,484,354, which includes a prior period adjustment of (\$79,064). The fund balance of Other Governmental Funds showed an increase in the amount of \$279,104, which includes a prior period adjustment of \$79,064. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Food Service Fund	\$	(139,939)
Title I-A Basic Fund		no increase or decrease
IDEA, Part B Fund		no increase or decrease
QSCB Debt Retirement Fund		188,772

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$35,538,059, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$2,839,653 from 2018. Total accumulated depreciation as of June 30, 2019, was \$16,533,758, and total depreciation expense for the year was \$1,110,271, resulting in total net capital assets of \$19,004,301.

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

	June 30, 2019	June 30, 2018	Percentage Change
Land	\$ 1,083,751	\$ 603,751	79.50 %
Buildings	10,598,454	10,979,118	(3.47) %
Building improvements	2,356,926	2,520,426	(6.49) %
Improvements other than buildings	1,802,135	1,924,447	(6.36) %
Mobile equipment	748,218	852,381	(12.22) %
Furniture and equipment	365,952	343,186	6.63 %
Leased property under capital leases	2,048,865	0	N/A
<b>Total</b>	<b>\$ 19,004,301</b>	<b>\$ 17,223,309</b>	<b>10.34 %</b>

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 \$7,343,724 in outstanding long-term debt, of which \$431,509 is due within one year. The liability for compensated absences decreased \$4,906 from the prior year.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 0	\$ 600,000	(100.00) %
Good faith deposit	179,700	0	N/A
Shortfall notes payable	202,165	0	N/A
Obligations under capital leases	2,001,189	0	N/A
Obligations under energy efficiency leases	1,856,100	2,007,353	(7.53) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	104,570	109,476	(4.48) %
<b>Total</b>	<b><u>\$ 7,343,724</u></b>	<b><u>\$ 5,716,829</u></b>	<b>28.46 %</b>

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

## **CURRENT ISSUES**

The Marshall County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Marshall County School District, 122 Spring Street, Holly Springs, Mississippi 38635.

## BASIC FINANCIAL STATEMENTS

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

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,772,846
Due from other governments	569,408
Other receivables, net	139,645
Inventories	52,311
Prepaid items	256,603
Restricted assets (Note 4)	3,100,871
Non-depreciable capital assets (Note 5)	1,083,751
Depreciable capital assets, net (Note 5)	17,920,550
Total Assets	<u>27,895,985</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	2,347,438
Deferred outflow - OPEB (Note 8)	104,224
Total Deferred Outflows of Resources	<u>2,451,662</u>
Liabilities	
Accounts payable and accrued liabilities	409,403
Interest payable on long-term liabilities	30,275
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	201,553
Non-capital related liabilities	229,956
Net OPEB liability (Note 8)	99,533
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,979,336
Non-capital related liabilities	1,932,879
Net OPEB liability (Note 8)	2,204,350
Net pension liability (Note 7)	36,422,714
Total Liabilities	<u>46,509,999</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	3,733,295
Deferred inflows - OPEB (Note 8)	223,735
Total Deferred Inflows of Resources	<u>3,957,030</u>
Net Position	
Net investment in capital assets	13,823,412
Restricted net position	
Expendable	
School-based activities	900,766
Debt service	1,900,414
Capital Projects	179,706
Unemployment benefits	46,291
Unrestricted	<u>(36,969,971)</u>
Total Net Position	<u>\$ (20,119,382)</u>
The notes to the financial statements are an integral part of this statement.	

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

Exhibit B

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	\$ 12,916,149	613,612	1,478,965		(10,823,572)
Support services	9,968,759	204,632	2,223,086	480,000	(7,061,041)
Non-instructional	1,874,983	105,335	2,165,289		395,641
Pension expense	2,096,322				(2,096,322)
OPEB expense	98,774				(98,774)
Interest on long-term liabilities	78,192				(78,192)
Total Governmental Activities	27,033,179	923,579	5,867,340	480,000	(19,762,260)
General Revenues					
Taxes					
General purpose levies					5,898,497
Debt purpose levies					855,778
Unrestricted grants and contributions					
State					14,556,196
Federal					247,070
Unrestricted investment earnings					83,307
Other					229,802
Total General Revenues					21,870,650
Changes in Net Position					2,108,390
Net Position - Beginning					(22,227,772)
Net Position - Ending					\$ (20,119,382)

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

MARSHALL COUNTY SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2019

Exhibit C

	Major Funds						
	General Fund	Food Service Fund	Title I-A Basic Fund	IDEA, Part B Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents (Note 2)	\$ 4,772,847	702,813			1,699,267	698,790	7,873,717
Due from other governments	186,099		140,790	97,682		144,837	569,408
Other receivables, net	134,694						134,694
Due from other funds (Note 3)	419,630					74,108	493,738
Inventories		52,311					52,311
Prepaid items	256,603						256,603
Total Assets	<u>5,769,873</u>	<u>755,124</u>	<u>140,790</u>	<u>97,682</u>	<u>1,699,267</u>	<u>917,735</u>	<u>9,380,471</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	345,044	8,965	40,707	6,735		7,952	409,403
Due to other funds (Note 3)		106,103	100,083	90,947		191,654	488,787
Total Liabilities	<u>345,044</u>	<u>115,068</u>	<u>140,790</u>	<u>97,682</u>	<u>0</u>	<u>199,606</u>	<u>898,190</u>
Fund Balances							
Nonspendable							
Inventory		52,311					52,311
Prepaid items	256,603						256,603
Restricted							
Debt service					1,699,267	231,422	1,930,689
Capital projects						179,706	179,706
Unemployment benefits						46,291	46,291
Grant activities		587,745				260,710	848,455
Assigned							
School activities	180,083						180,083
Unassigned	4,988,143						4,988,143
Total Fund Balances	<u>5,424,829</u>	<u>640,056</u>	<u>0</u>	<u>0</u>	<u>1,699,267</u>	<u>718,129</u>	<u>8,482,281</u>
Total Liabilities and Fund Balances	<u>\$ 5,769,873</u>	<u>755,124</u>	<u>140,790</u>	<u>97,682</u>	<u>1,699,267</u>	<u>917,735</u>	<u>9,380,471</u>

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

MARSHALL COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 8,482,281
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	1,083,751	
Buildings	19,375,673	
Building Improvements	4,087,509	
Improvement other than buildings	3,057,799	
Mobile equipment	4,088,211	
Furniture and equipment	1,593,616	
Leased property under capital leases	2,251,500	
Accumulated depreciation	<u>(16,533,758)</u>	19,004,301
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	(36,422,714)	
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	2,347,438	
Deferred inflows of resources related to pensions	<u>(3,733,295)</u>	(37,808,571)
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	(2,303,883)	
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	104,224	
Deferred inflows of resources related to OPEB	<u>(223,735)</u>	(2,423,394)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school construction bonds	(3,000,000)	
Shortfall notes payable	(202,165)	
Obligations under capital lease - Buses	(2,001,189)	
Energy efficiency lease obligations	(1,856,100)	
Compensated absences	(104,570)	
Good Faith Deposit from underwriter for FY 2020 bond issue	(179,700)	
Accrued interest payable	<u>(30,275)</u>	(7,373,999)
Total Net Position - Governmental Activities		<u>\$ (20,119,382)</u>

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

## MARSHALL COUNTY SCHOOL DISTRICT

Exhibit D

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2019

	Major Funds						
	General Fund	Food Service Fund	Title I-A Basic Fund	IDEA, Part B Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Local sources	\$ 6,772,560	112,657			17,214	862,730	7,765,161
State sources	14,216,576	16,620				914,959	15,148,155
Federal sources	247,070	2,115,984	1,743,099	644,118		768,180	5,518,451
Total Revenues	21,236,206	2,245,261	1,743,099	644,118	17,214	2,545,869	28,431,767
Expenditures							
Instruction	12,695,591		774,405	192,469		643,705	14,306,170
Support services	9,594,906	174,836	787,721	451,649		905,472	11,914,584
Noninstructional services	32,592	2,108,601	15,440			4,997	2,161,630
Debt service							
Principal (Note 6)	113,609					887,955	1,001,564
Interest						102,298	102,298
Other						737	737
Total Expenditures	22,436,698	2,283,437	1,577,566	644,118	0	2,545,164	29,486,983
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,200,492)	(38,176)	165,533	0	17,214	705	(1,055,216)
Other Financing Sources (Uses)							
Proceeds of general obligation bonds (Note 6)						179,700	179,700
Proceeds of loans (Note 6)	202,165					0	202,165
Inception of capital leases (Note 6)	2,251,500					0	2,251,500
Insurance loss recoveries (Note 13)	229,802					0	229,802
Operating transfers in (Note 3)	387,265				171,558	455,985	1,014,808
Operating transfers out (Note 3)	(306,822)	(106,103)	(165,533)			(436,350)	(1,014,808)
Total Other Financing Sources (Uses)	2,763,910	(106,103)	(165,533)	0	171,558	199,335	2,863,167
Net Change in Fund Balances	1,563,418	(144,279)	0	0	188,772	200,040	1,807,951
Fund Balances							
July 1, 2018, as previously reported	3,940,475	779,995			1,510,495	439,025	6,669,990
Prior period adjustments (Note 9)	(79,064)	0				79,064	0
July 1, 2018, as restated	3,861,411	779,995	0	0	1,510,495	518,089	6,669,990
Increase in reserve for inventory	0	4,340	0	0	0	0	4,340
June 30, 2019	\$ 5,424,829	640,056	0	0	1,699,267	718,129	8,482,281

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

## MARSHALL COUNTY SCHOOL DISTRICT

Exhibit D-1

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

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 1,807,951

Amounts reported for governmental activities in the Statement of Activities are different because:

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, those amounts are:

Capital outlay	2,896,664	
Depreciation expense	<u>(1,110,271)</u>	1,786,393

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 asset sold.

(5,401)

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:

Bonds and notes issued	(202,165)	
Capital lease issued	(2,251,500)	
Payments of debt principal	1,001,564	
Good Faith Deposit from underwriter for FY 2020 bond issue	(179,700)	
Accrued interest payable	<u>24,843</u>	(1,606,958)

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

Pension expense	(2,096,322)	
Contributions made subsequent to the measurement date	<u>2,212,722</u>	116,400

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

OPEB expense	(98,774)	
Contributions made subsequent to the measurement date	<u>99,533</u>	759

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 the governmental funds. These activities include:

Change in compensated absences	4,906	
Change in inventory reserve	<u>4,340</u>	<u>9,246</u>

Changes in Net Position of Governmental Activities	<u><u>\$ 2,108,390</u></u>
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The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2019

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 1,415,322
Other receivables	<u>3,193</u>
Total Assets	<u><u>1,418,515</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,380,900
Due to other funds (Note 3)	4,951
Due to student clubs	<u>32,664</u>
Total Liabilities	<u><u>\$ 1,418,515</u></u>

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

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## MARSHALL COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2019

#### **Note 1 – Summary of Significant Accounting Policies**

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

##### **A. Financial Reporting Entity**

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

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

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

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

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

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

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

## MARSHALL COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2019

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

The school district reports the following major governmental funds:

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

**Food Service Fund** - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with the child nutrition program of the school district.

**Title I-A Basic Fund** - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with providing supplemental educational service to students.

**IDEA, Part B Fund** - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

**QSCB Debt Retirement Fund** - This Debt Service Fund is used to account for the resources that will be used to retire the QSCB debt at such time the balloon debt payment becomes due and payable.

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

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used as a clearing account for payroll and payroll related transactions.

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

**Student Club Accounts** - These funds are used to account for the transaction of student clubs.

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.

#### FIDUCIARY FUNDS

**Agency Funds** - Agency Funds are used to report resources held by the district in a purely custodial capacity

MARSHALL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

(assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

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

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

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

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

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.

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

### **D. Encumbrances**

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

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

#### **1. Cash, Cash equivalents and Investments**

##### **Cash and cash equivalents**

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

##### **Investments**

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

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

Investments for the district are reported at fair market value.

#### **2. Receivables and payables**

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

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

#### **3. Due from Other Governments**

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

#### **4. Inventories and Prepaid Items**

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

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the resources of certain Federal programs are classified as restricted assets since their use is limited by federal statute, rule or regulation.

### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

MARSHALL COUNTY SCHOOL DISTRICT

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an outflow of resources (expense/expenditure) until then. The deferred outflows are directly 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 deferred inflows are directly related to pension reporting and OPEB reporting.

See Notes 7 and 8 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities.

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.

## MARSHALL COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2019

#### 12. Fund Balances

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

Governmental fund balance is classified as 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. This formal action is documented in the board minutes of the school board. 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 of education and/or the business manager pursuant to authorization established by the school board.

*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.

The school board of Marshall County School District has adopted a minimum fund balance policy for the General Fund that consists of 7% of total district revenues.

#### **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

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,873,717 and \$1,415,322, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In 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	Major Fund - Food Service Fund	\$ 106,103
	Major Fund - Title I-A Basic Fund	25,975
	Major Fund - IDEA, Part B Fund	90,947
	Other Governmental Funds	191,654
	Fiduciary Funds	4,951
Other Governmental Funds	Major Fund - Title I-A Basic Fund	74,108
Total		<u>\$ 493,738</u>

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

#### B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 306,822
Major Fund - Food Service Fund	General Fund	106,103
Major Fund - Title I-A Basic Fund	General Fund	16,370
	Other Governmental Funds	149,163
Other governmental funds	Major Fund - QSCB Debt Retirement Fund	171,558
	General Fund	264,792
Total		<u>\$ 1,014,808</u>

The transfer out of the General Fund was for the purpose of funding debt service in the Other Governmental Funds. The transfers from the Major Fund – Food Service Fund and Major Fund – Title I-A Basic Fund to the



**MARSHALL COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2019

General Fund were for indirect cost. The transfer from the Major Fund – Title I-A Basic Fund to the Other Governmental Funds was to the Consolidated Cost Pool. The transfers from Other Governmental Funds to the Major Fund – QSCB Debt Retirement Fund and the General Fund were to fund debt service.

**Note 4 – Restricted Assets**

The restricted assets of \$3,100,871 represent the cash balance of various special revenue funds, capital funds, and debt service funds.

**Note 5 – Capital Assets**

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

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 603,751	480,000 <sup>1</sup>		1,083,751
Total non-depreciable capital assets	<u>603,751</u>	<u>480,000</u>	<u>0</u>	<u>1,083,751</u>
<u>Depreciable capital assets:</u>				
Buildings	19,375,673			19,375,673
Building improvements	4,087,509			4,087,509
Improvements other than buildings	3,057,799			3,057,799
Mobile equipment	4,061,711	26,500		4,088,211
Furniture and equipment	1,511,963	138,664	57,011	1,593,616
Leased property under capital leases		2,251,500		2,251,500
Total depreciable capital assets	<u>32,094,655</u>	<u>2,416,664</u>	<u>57,011</u>	<u>34,454,308</u>
<u>Less accumulated depreciation for:</u>				
Buildings	8,396,555	380,664		8,777,219
Building improvements	1,567,083	163,500		1,730,583
Improvements other than buildings	1,133,352	122,312		1,255,664
Mobile equipment	3,209,330	130,663		3,339,993
Furniture and equipment	1,168,777	110,497	51,610	1,227,664
Leased property under capital leases		202,635		202,635
Total accumulated depreciation	<u>15,475,097</u>	<u>1,110,271</u>	<u>51,610</u>	<u>16,533,758</u>
Total depreciable capital assets, net	<u>16,619,558</u>	<u>1,306,393</u>	<u>5,401</u>	<u>17,920,550</u>
Governmental activities capital assets, net	<u>\$ 17,223,309</u>	<u>1,786,393</u>	<u>5,401</u>	<u>19,004,301</u>

<sup>1</sup> The school district received a donation of 40 acres of land during the current fiscal year. The property is located at Highway 309 North, Byhalia, MS with an appraised value of \$480,000.

Depreciation expense was charged to the following governmental functions:

MARSHALL COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
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	Amount
<b>Governmental activities:</b>	
Instruction	\$ 12,493
Support services	1,028,305
Non-instructional	69,473
Total depreciation expense - Governmental activities	<u>\$ 1,110,271</u>

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General obligation bonds payable	\$ 600,000		600,000	0	0
Good faith deposit		179,700 *		179,700	0
B. Shortfall notes payable		202,165		202,165	65,874
C. Obligations under capital leases		2,251,500	250,311	2,001,189	201,553
D. Obligations under energy efficiency leases	2,007,353		151,253	1,856,100	155,324
E. Qualified school construction bonds payable	3,000,000			3,000,000	0
F. Compensated absences payable	109,476		4,906	104,570	8,758
Total	<u>\$ 5,716,829</u>	<u>2,633,365</u>	<u>1,006,470</u>	<u>7,343,724</u>	<u>431,509</u>

\* The district received a \$179,700 good faith deposit from the underwriter towards the \$8,985,000 bond issue to be delivered on July 18, 2019.

**A. General obligation bonds payable**

General obligation bonds, series 2010 were paid in full during the fiscal year.

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes, 2019	3.35	5/14/2019	4/1/2022	<u>\$ 202,165</u>	<u>202,165</u>

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

Shortfall notes payable issue of 2019:

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Year Ending June 30	Principal	Interest	Total
2020	\$ 65,874	5,715	71,589
2021	67,023	4,566	71,589
2022	69,268	2,320	71,588
Total	<u>\$ 202,165</u>	<u>12,601</u>	<u>214,766</u>

This debt will be retired from the Shortfall Note Retirement Fund (Debt Service Fund).

**C. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$2,251,500. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Equipment lease purchase, 2019	2.4364	6/7/2019	6/7/2028	<u>\$ 2,251,500</u>	<u>2,001,189</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 201,553	48,757	250,310
2021	206,464	43,846	250,310
2022	211,494	38,816	250,310
2023	216,647	33,663	250,310
2024	221,926	28,385	250,311
2025 – 2028	943,105	58,136	1,001,241
Total	<u>\$ 2,001,189</u>	<u>251,603</u>	<u>2,252,792</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

The obligations under capital lease, 2019 is secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds (“EEF Funds”), Section 37-61-33, Miss. Code Ann. (1972). The pledged EEF funds are currently in the approximate amount of \$94,514 per year.

This debt will be retired from the District Maintenance (General) Fund.

**D. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligation under energy efficiency lease	2.66	11/24/2014	11/14/2029	<u>\$ 2,405,589</u>	<u>1,856,100</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 155,324	48,587	203,911
2021	159,504	44,407	203,911
2022	163,796	40,115	203,911
2023	168,204	35,707	203,911
2024	172,731	31,180	203,911
2025 – 2029	935,931	83,624	1,019,555
2030	<u>100,610</u>	<u>1,345</u>	<u>101,955</u>
Total	<u>\$ 1,856,100</u>	<u>284,965</u>	<u>2,141,065</u>

This debt will be retired from the Schneider Electric Energy Efficiency Note Fund (Debt Service Fund).

**E. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	1.24	12/15/2009	12/15/2025	<u>\$ 3,000,000</u>	<u>3,000,000</u>

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

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

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Year Ending June 30	Principal	Interest	Total
2020	\$	37,200	37,200
2021		37,200	37,200
2022		37,200	37,200
2023		37,200	37,200
2024		37,200	37,200
2025 – 2026	3,000,000	74,400	3,074,400
Total	\$ 3,000,000	260,400	3,260,400

This debt will be retired from the QSCB Debt Retirement Fund (Debt Service Fund).

### F. Compensated absences payable

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

## Note 7 – 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.

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

*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 \$2,212,722, \$2,202,469 and \$2,301,333, respectively, which equaled the required contributions for each year.

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

At June 30, 2019, the school district reported a liability of \$36,422,714 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 .218979 percent, which was based on a measurement date of June 30, 2018. This was a decrease of .008792 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 \$2,096,322. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 118,733	\$ 538,385
Net difference between projected and actual earnings on pension plan investments	0	122,831
Changes of assumptions	15,983	14,958
Changes in proportion and differences between District contributions and proportionate share of contributions	0	3,057,121
District contributions subsequent to the measurement date	2,212,722	0
Total	\$ <u>2,347,438</u>	\$ <u>3,733,295</u>

\$2,212,722 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ (1,407,772)
2021	(1,407,772)
2022	(752,327)
2023	(30,708)

*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:

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 47,958,262	\$ 36,422,714	\$ 26,835,149

## MARSHALL COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2019

*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. 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 \$99,533 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 \$2,303,883 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



# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

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 .29783241percent. This was a decrease of .00814843 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 \$98,774. 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	\$ 4,691	\$ 0
Changes of assumptions	0	164,156
Net difference between projected and actual earnings on OPEB plan investments	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	59,579
District contributions subsequent to the measurement date	99,533	0
Total	<u>\$ 104,224</u>	<u>\$ 223,735</u>

\$99,533 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	\$ (43,349)
2021	(43,349)
2022	(43,349)
2023	(43,349)
2024	(36,905)
Thereafter	(8,743)

*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%

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

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

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

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

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

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

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

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

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

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 2,553,797	\$ 2,303,883	\$ 2,088,949

*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

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		Healthcare Cost Trend Rates	
	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 2,134,157	\$ 2,303,883	\$ 2,496,643

*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 – Prior Period Adjustments

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

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

Fund	Explanation	Amount
General Fund	Correction of a prior period error in recording an asset/liability	\$ (79,064)
Other governmental funds		79,064
Total		<u>\$ 0</u>

### Note 10 – Contingencies

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

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

### Note 11 – Risk Management

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

### Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments

# MARSHALL COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2019 was \$1,699,267. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2020	\$ 187,500
2021	187,500
2022	187,500
2023	187,500
2024	187,500
2025 – 2029	375,000
Total	<u>\$ 1,312,500</u>

### Note 13 - Insurance loss recoveries

The Marshall County School District received \$229,802 in insurance loss recoveries related to water damage to the school building during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
<u>\$ 229,802</u>	<u>100%</u>	Instruction

### Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$36,969,971) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,212,722 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$134,716 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$36,969,971) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,733,295 balance of deferred inflow of resources related to

MARSHALL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

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 (\$36,969,971) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$99,533 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$4,691 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$36,969,971) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$223,735 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

**Note 15 – State Compliance Testing**

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

**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 School District evaluated the activity of the district through December 12, 2019, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On June 24, 2019, the Board of Education of the Marshall County School District adopted a resolution directing the sale and award of general obligation bonds in the amount of \$8,985,000. The district received a good faith deposit from the highest bidder, Crew & Associates, Inc. as a guarantee that said bidder would carry out its contract and purchase said bonds upon acceptance of its bid. The delivery date of the bonds was July 18, 2019 and the funds were received by the school district on that date.

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## REQUIRED SUPPLEMENTARY INFORMATION

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MARSHALL COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the 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	\$ 6,775,898	6,772,560	6,772,560	(3,338)	0
State sources	14,206,455	14,216,576	14,216,576	10,121	0
Federal sources	68,000	123,697	247,070	55,697	123,373
Total Revenues	<u>21,050,353</u>	<u>21,112,833</u>	<u>21,236,206</u>	<u>62,480</u>	<u>123,373</u>
Expenditures					
Instruction	14,112,788	12,746,115	12,695,591	1,366,673	50,524
Support services	7,528,959	9,458,486	9,594,906	(1,929,527)	(136,420)
Noninstructional services	44,009	33,088	32,592	10,921	496
Facilities acquisition and construction	0	11,620	0	(11,620)	11,620
Debt service					
Principal	0	113,609	113,609	(113,609)	0
Total Expenditures	<u>21,685,756</u>	<u>22,362,918</u>	<u>22,436,698</u>	<u>(677,162)</u>	<u>(73,780)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(635,403)</u>	<u>(1,250,085)</u>	<u>(1,200,492)</u>	<u>(614,682)</u>	<u>49,593</u>
Other Financing Sources (Uses)					
Proceeds of loans	0	202,165	202,165	202,165	0
Inception of capital leases	0	2,251,500	2,251,500	2,251,500	0
Insurance loss recoveries	0	229,802	229,802	229,802	0
Sale of transportation equipment	1,000	0	0	(1,000)	0
Sale of other property	1,000	0	0	(1,000)	0
Operating transfers in	232,130	556,569	387,265	324,439	(169,304)
Operating transfers out	(401,411)	(476,126)	(306,822)	(74,715)	169,304
Total Other Financing Sources (Uses)	<u>(167,281)</u>	<u>2,763,910</u>	<u>2,763,910</u>	<u>2,931,191</u>	<u>0</u>
Net Change in Fund Balances			<u>1,563,418</u>		
Fund Balances					
July 1, 2018, as previously reported			3,940,475		
Prior period adjustments			(79,064)		
July 1, 2018, as restated			<u>3,861,411</u>		
June 30, 2019			<u>\$ 5,424,829</u>		

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

## MARSHALL COUNTY SCHOOL DISTRICT

## Budgetary Comparison Schedule for the Major Special Revenue Fund - 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	\$ 162,700	112,657	112,657	(50,043)	0
State sources	25,000	16,620	16,620	(8,380)	0
Federal sources	2,184,000	2,115,984	2,115,984	(68,016)	0
Total Revenues	<u>2,371,700</u>	<u>2,245,261</u>	<u>2,245,261</u>	<u>(126,439)</u>	<u>0</u>
Expenditures					
Support services	197,750	174,836	174,836	22,914	0
Noninstructional services	2,176,950	2,108,601	2,108,601	68,349	0
Total Expenditures	<u>2,374,700</u>	<u>2,283,437</u>	<u>2,283,437</u>	<u>91,263</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,000)</u>	<u>(38,176)</u>	<u>(38,176)</u>	<u>(35,176)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	193,000	0	0	(193,000)	0
Operating transfers out	(190,000)	(106,103)	(106,103)	83,897	0
Total Other Financing Sources (Uses)	<u>3,000</u>	<u>(106,103)</u>	<u>(106,103)</u>	<u>(109,103)</u>	<u>0</u>
Net Change in Fund Balances			<u>(144,279)</u>		
Fund Balances					
July 1, 2018			<u>779,995</u>		
Increase in reserve for inventory			<u>4,340</u>		
June 30, 2019			<u>\$ 640,056</u>		

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

## MARSHALL COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I-A Basic Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 2,088,780	1,743,099	1,743,099	(345,681)	0
Total Revenues	<u>2,088,780</u>	<u>1,743,099</u>	<u>1,743,099</u>	<u>(345,681)</u>	<u>0</u>
Expenditures					
Instruction	847,847	790,403	774,405	57,444	15,998
Support services	1,192,151	834,268	787,721	357,883	46,547
Noninstructional services	30,153	15,498	15,440	14,655	58
Total Expenditures	<u>2,070,151</u>	<u>1,640,169</u>	<u>1,577,566</u>	<u>429,982</u>	<u>62,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,629</u>	<u>102,930</u>	<u>165,533</u>	<u>84,301</u>	<u>62,603</u>
Other Financing Sources (Uses)					
Operating transfers out	(18,629)	(165,533)	(165,533)	(146,904)	0
Total Other Financing Sources (Uses)	<u>(18,629)</u>	<u>(165,533)</u>	<u>(165,533)</u>	<u>(146,904)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2018			<u>0</u>		
June 30, 2019			<u>\$ 0</u>		

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

## MARSHALL COUNTY SCHOOL DISTRICT

## Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA, Part B Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)		
	Original	Final		Original to Final	Final to Actual	
Revenues						
Federal sources	\$	688,287	644,118	644,118	(44,169)	0
Total Revenues		688,287	644,118	644,118	(44,169)	0
Expenditures						
Instruction		215,086	192,469	192,469	22,617	0
Support services		472,101	451,649	451,649	20,452	0
Noninstructional services		1,100	0	0	1,100	0
Total Expenditures		688,287	644,118	644,118	44,169	0
Excess (Deficiency) of Revenues Over (Under) Expenditures		0	0	0	0	0
Total Other Financing Sources (Uses)		0	0	0	0	0
Net Change in Fund Balances			0			
Fund Balances						
July 1, 2018			0			
June 30, 2019			\$	0		

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

MARSHALL COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.218979%	0.227771%	0.230478%	0.241680%	0.233570%
District's proportionate share of the net pension liability	\$ 36,422,714	\$ 37,863,271	41,169,126	37,358,962	27,917,789
District's covered payroll	\$ 13,983,930	\$ 14,611,638	14,744,248	15,098,787	14,272,301
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	195.61%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the 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.

MARSHALL COUNTY SCHOOL DISTRICT  
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	\$ 2,212,722	2,202,469	2,301,333	2,322,219	2,378,059
Contributions in relation to the contractually required contribution	2,212,722	2,202,469	2,301,333	2,322,219	2,378,059
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 14,049,029	13,983,930	14,611,638	14,744,248	15,098,787
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 68 was implemented in the 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.

MARSHALL COUNTY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net OPEB Liability  
OPEB  
Last 10 Fiscal Years

	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.29783241%	0.30598084%
District's proportionate share of the net OPEB liability	\$ 2,303,883	2,400,753
Covered employee payroll	\$ 13,983,727	14,744,248
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.48%	16.28%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

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

MARSHALL COUNTY SCHOOL DISTRICT  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years

	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 99,533	102,348
Contributions in relation to the actuarially determined contribution	99,533	102,348
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 14,049,029	13,983,727
Contributions as a percentage of covered employee payroll	0.71%	0.73%

\* Prior year information is based on historical amounts reported in prior year audit report(s).

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

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



MARSHALL COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

MARSHALL COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

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

Actuarial cost method	Entry age
Amortization method	Level dollar

MARSHALL COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	
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%

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## SUPPLEMENTARY INFORMATION

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MARSHALL COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 766,435
National school lunch program	10.555	195MS326N1099	1,623,104
Total child nutrition cluster			<u>2,389,539</u>
Total passed-through Mississippi Department of Education			<u>2,389,539</u>
<b>Total U.S. Department of Agriculture</b>			<u>2,389,539</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Passed-through Mississippi Department of Environmental Quality			
EPA State Clean Diesel Grant Program	66.040	DS00D63217-1	30,000
Total passed-through Mississippi Department of Environmental Quality			<u>30,000</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>30,000</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	ES010A180024	1,957,859
Career and technical education - basic grants to states	84.048	V048A180024	31,099
Rural education	84.358	ES358B180024	66,108
English language acquisition grants	84.365	ES365A180024	28,122
Supporting effective instruction - state grants	84.367	ES367A180023	239,458
Student support and academic enrichment program	84.424	ES424A180025	88,353
Total			<u>2,410,999</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	678,318
Special education - preschool grants	84.173	H173A180113	29,163
Total special education cluster			<u>707,481</u>
Total passed-through Mississippi Department of Education			<u>3,118,480</u>
<b>Total U.S. Department of Education</b>			<u>3,118,480</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	4,840
Total passed-through Mississippi Department of Education			<u>4,840</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,840</u>
Total for All Federal Awards			<u>\$ 5,542,859</u>

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

MARSHALL COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information

For the Year Ended June 30, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(4) Noncash Awards

Donated commodities of \$162,648 are included in the National School Lunch Program.

(5) Other Items

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.



## MARSHALL COUNTY SCHOOL DISTRICT

## Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2019

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 19,357,983	15,024,723	909,171	1,368,190	2,055,899
Other	10,129,000	2,661,916	561,137	47,974	6,857,973
Total	29,486,983	17,686,639	1,470,308	1,416,164	8,913,872
Total number of students *	2,957				
Cost per student	\$ 9,972	5,981	497	479	3,015

Notes to the schedule.

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.

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## OTHER INFORMATION

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MARSHALL COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

	UNAUDITED			
	2019	2018*	2017*	2016*
Revenues				
Local sources	\$ 6,772,560	5,815,490	5,800,633	5,544,654
State sources	14,216,576	14,162,773	14,740,424	14,733,953
Federal sources	247,070	278,573	314,372	479,479
Total Revenues	<u>21,236,206</u>	<u>20,256,836</u>	<u>20,855,429</u>	<u>20,758,086</u>
Expenditures				
Instruction	12,695,591	12,483,381	13,279,449	13,214,628
Support services	9,594,906	7,345,536	7,260,399	7,252,132
Noninstructional services	32,592	26,030	91,412	96,738
Debt service				
Principal	113,609	2,342	14,526	12,940
Interest	0	2,079	1,070	2,463
Other	0	0	743	743
Total Expenditures	<u>22,436,698</u>	<u>19,859,368</u>	<u>20,647,599</u>	<u>20,579,644</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,200,492)</u>	<u>397,468</u>	<u>207,830</u>	<u>178,442</u>
Other Financing Sources (Uses)				
Proceeds of loans	202,165	0	0	206,445
Inception of capital leases	2,251,500	0	0	0
Insurance loss recoveries	229,802	0	0	0
Sale of transportation equipment	0	1,200	0	300
Sale of other property	0	1,000	0	0
Operating transfers in	387,265	101,400	778,984	181,037
Other financing sources	0	0	19,084	21,516
Operating transfers out	(306,822)	(420,920)	(202,348)	(382,746)
Other financing uses	0	(2,630)	(345)	0
Total Other Financing Sources (Uses)	<u>2,763,910</u>	<u>(319,950)</u>	<u>595,375</u>	<u>26,552</u>
Net Change in Fund Balances	<u>1,563,418</u>	<u>77,518</u>	<u>803,205</u>	<u>204,994</u>
Fund Balances:				
Beginning of period, as previously reported	3,940,475	3,862,957	3,059,752	2,916,688
Prior period adjustments	(79,064)	0	0	(61,930)
Beginning of period, as restated	<u>3,861,411</u>	<u>3,862,957</u>	<u>3,059,752</u>	<u>2,854,758</u>
End of period	<u>\$ 5,424,829</u>	<u>3,940,475</u>	<u>3,862,957</u>	<u>3,059,752</u>

\* Source - Prior year audit reports.

MARSHALL COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

	UNAUDITED			
	2019	2018*	2017*	2016*
Revenues				
Local sources	\$ 7,765,161	6,637,523	6,841,320	6,558,527
State sources	15,148,155	14,986,267	15,865,130	16,012,322
Federal sources	5,518,451	4,812,168	5,217,421	5,191,088
Total Revenues	<u>28,431,767</u>	<u>26,435,958</u>	<u>27,923,871</u>	<u>27,761,937</u>
Expenditures				
Instruction	14,306,170	13,924,368	14,839,316	14,780,073
Support services	11,914,584	9,197,732	9,096,603	9,468,013
Noninstructional services	2,161,630	2,283,998	2,124,265	2,223,903
Debt service				
Principal	1,001,564	1,235,020	1,211,865	1,134,670
Interest	102,298	136,032	171,116	234,977
Other	737	683	21,076	25,450
Total Expenditures	<u>29,486,983</u>	<u>26,777,833</u>	<u>27,464,241</u>	<u>27,867,086</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,055,216)</u>	<u>(341,875)</u>	<u>459,630</u>	<u>(105,149)</u>
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	179,700	0	0	0
Proceeds of loans	202,165	0	0	223,511
Inception of capital leases	2,251,500	0	0	0
Insurance loss recoveries	229,802	0	0	0
Sale of transportation equipment	0	1,200	0	300
Sale of other property	0	1,000	0	0
Operating transfers in	1,014,808	697,092	1,186,026	741,420
Other financing sources	0	0	19,084	21,516
Operating transfers out	(1,014,808)	(697,092)	(1,186,026)	(741,420)
Other financing uses	0	(2,630)	(345)	0
Total Other Financing Sources (Uses)	<u>2,863,167</u>	<u>(430)</u>	<u>18,739</u>	<u>245,327</u>
Net Change in Fund Balances	<u>1,807,951</u>	<u>(342,305)</u>	<u>478,369</u>	<u>140,178</u>
Fund Balances:				
Beginning of period, as previously reported	6,669,990	6,992,525	6,513,612	6,165,283
Prior period adjustments	0	0	0	222,069
Beginning of period, as restated	<u>6,669,990</u>	<u>6,992,525</u>	<u>6,513,612</u>	<u>6,387,352</u>
Increase (Decrease) in reserve for inventory	<u>4,340</u>	<u>19,770</u>	<u>544</u>	<u>(13,918)</u>
End of period	<u>\$ 8,482,281</u>	<u>6,669,990</u>	<u>6,992,525</u>	<u>6,513,612</u>

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board  
Marshall County School District

I 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 Marshall County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Marshall County School District's basic financial statements, and have issued my report thereon dated December 12, 2019.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Marshall 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Marshall County School District's internal control.

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

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses [2019-001, 2019-002 and 2019-003].

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies [2019-004 and 2019-005].

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Marshall County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
December 12, 2019



**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board  
Marshall County School District

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

I have audited Marshall County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marshall County School District's major federal programs for the year ended June 30, 2019. Marshall 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***

My responsibility is to express an opinion on compliance for each of Marshall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Marshall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In my opinion, Marshall 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 Marshall 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 my audit of compliance, I considered Marshall 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, I do not express an opinion on the effectiveness of Marshall County School District's internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
December 12, 2019

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

**Financial Statements:**

1. Type of auditor's report issued on the basic financial statements:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – Food Service Fund	Qualified
Major Fund – Title I-A Basic Fund	Unmodified
Major Fund – IDEA, Part B Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

2. Internal control over financial reporting:

- |                                       |     |
|---------------------------------------|-----|
| a. Material weakness identified?      | Yes |
| b. Significant deficiency identified? | Yes |

- |  |    |
|--|----|
| 3. Noncompliance material to the basic financial statements noted? | No |
|--|----|

**Federal Awards:**

- |  |            |
|--|------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unmodified |
|--|------------|

5. Internal control over major programs:

- |   |               |
|---|---------------|
| a. Material weaknesses identified?  | No            |
| b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

- |   |    |
|---|----|
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
|---|----|

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
|---|-----------|

- |   |     |
|---|-----|
| 9. Auditee qualified as a low-risk auditee? | Yes |
|---|-----|

- |   |    |
|---|----|
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |
|---|----|

Section II: Financial Statement Findings

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



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

**Deficiencies Considered to be Material Weaknesses**

**Finding 2019-001**

CRITERIA: Management is responsible for proper and timely recording of transactions in the financial statements.

CONDITION: During the testing of receivables and long-term liabilities, it was noted that \$8,901,786 of general obligations bonds was recorded in the general ledger. However according to the bond documentation the delivery date on the bonds was July, 18, 2019 and the district did not receive the funds until that date. This transaction should not have been recorded as a receivable and proceeds of bonds in the FY 2019. Therefore, it caused receivables and the fund balance to be overstated by \$8,901,786.

CAUSE: General obligation bonds transactions were recorded in the wrong accounting period and fiscal year.

EFFECT: Recording the transaction in the wrong accounting period and year resulted in a material overstatement of accounts receivable and fund balance in the year ended June 30, 2019. However, an audit adjustment was proposed to management and made to the financial statements.

RECOMMENDATION: Care should be taken to ensure that transactions are recorded in the proper accounting period.

VIEW OF RESPONSIBLE OFFICIAL: The Business Manager has implemented procedures after fiscal year-end to ensure that all transactions are recorded in the proper accounting period.

**Finding 2019-002**

CRITERIA: The auditing standards require that an independent observation and testing of a material inventory account balance be performed.

CONDITION: There was no independent observation of the year-end Child Nutrition inventory account. This account balance was material to the financial statements.

CAUSE: The cause of this condition is an absence of controls regarding independent observation and testing of the inventory account balance when that account is material to financial statements.

EFFECT of Condition: The effect of this condition results in a qualified opinion on the financial statements.

RECOMMENDATION: It is recommended that the Child Nutrition Program inventory account be closely monitored at or near year-end to determine whether the account balance appears to be material to the financial statements. When the account appears to be material, then management should employ the services of an independent auditor to observe and test the year-end procedures performed by the district's staff.

VIEW OF RESPONSIBLE OFFICIAL: The Child Nutrition Director and the Business Manager has started implementing procedures to closely monitor the year-end inventory. If the year-end inventory on hand appears to be a material amount, an independent auditor will be notified to observe the year-end inventory.

**Finding 2019-003**

CRITERIA: An appropriately and properly designed system of internal accounting controls would have the duties of the payroll clerk segregated to the greatest extent possible.



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

CONDITION: The payroll clerk performs all aspects of the payroll process, i.e. enter data into the accounting system, process monthly payroll, prepares the direct deposit, has access to the blank payroll checks, reviews monthly reports and has full administrative rights into the accounting system.

CAUSE: The cause of this condition is an inadequately designed system of accounting controls.

EFFECT: This condition could lead to errors or misappropriation of district assets and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties of the payroll clerk be segregated to the greatest extent possible and rights in the accounting software be limited to that position.

VIEW OF RESPONSIBLE OFFICIAL: The district hired a Human Resource/Payroll Assistant on July 29, 2019 to help segregate some of the duties of the Human Resource/Payroll Director. The Business Manager will also monitor monthly payroll expenditures compared to budgeted salary amounts.

**Deficiencies Considered to be Significant Deficiencies**

**Finding 2019-004**

CRITERIA: An effective design and implementation of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets.

CONDITION: The controls surrounding the cycle of non-payroll expenditures and related liabilities is inadequate to reduce the risk of financial statement misstatement.

I performed detailed testing of one hundred and twenty-six (126) non-payroll expenditure transactions. I noted one (1) instance where there was no board declaration of an emergency purchase. I noted three (3) instances where a second quote was not obtained and three (3) instances where invoices for staffing services did not have approval of principals and/or purchasing agent.

Additionally, during the testing of accounts payable it was noted that there was a posting error in the amount of \$107,991 when a manual entry was made to void a check. This posting error caused accounts payable and the fund balance to be overstated by \$107,991 and expenditures to be understated. Audit adjustment was proposed and made to correct this posting error.

CAUSE: The district failed to design and implement a sound system of internal controls surrounding non-payroll expenditures.

EFFECT: There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded.

RECOMMENDATION: I recommend the district develop a system of sound internal controls surrounding the cycle of non-payroll expenditures and related reliabilities and begin steps to implement the system of controls.

VIEW OF RESPONSIBLE OFFICIALS: The Business Manager, Assistant Business Manager and Purchasing Agents have implemented procedures to ensure competitive bids/quotes are obtained according to purchasing laws. The district has implemented procedures to ensure that all transactions are recorded in the financial statements properly and the board minutes, as needed.

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

**Finding 2019-005**

CONDITION: Upon testing three high school event forms for two football games and a basketball game, it was noted that the “Event Summary Form” that reports ticket sales was not completed or signed by the person responsible for ticket sales at Potts Camp High School.

CRITERIA: A well designed system of controls would be such that the individuals responsible for selling the tickets at school events would properly account for the tickets sold at their respective gates.

CAUSE: The cause of the condition is inadequately designed system of controls.

EFFECT: The effect of this condition could result in errors or irregularities occurring in the reconciling of tickets sold to the cash received.

RECOMMENDATION: It is recommended that the individuals responsible for selling tickets at school events properly complete the school event form and reconcile the sum of ticket sales sold to the cash received for the event.

VIEW OF RESPONSIBLE OFFICIALS: See Auditee’s Corrective Action Plan.

**Section III: Federal Award Findings and Questioned Costs**

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

## AUDITEE'S CORRECTIVE ACTION PLAN

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*Dr. Lela S. Hale*  
Superintendent of Education

## ADUITEE'S CORRECTIVE ACTION PLAN

December 12, 2019

As required by 2 CFR 200.511 (a), the Marshall County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

### Finding 2019-001 Corrective Action Plan

- a. Contact person responsible for corrective action - Business Manager
- b. Description of correction action to be taken - The District has implemented procedures after fiscal year-end to ensure that all transactions are recorded in the proper accounting period.
- c. Anticipated completion date of corrective action - This action has already been completed.

### Finding 2019-002 Corrective Action Plan

- a. Contact person responsible for corrective action - Child Nutrition Director and Business Manager
- b. Description of correction action to be taken - The district has implemented procedures that the Child Nutrition Program be closely monitored at or near year-end to determine if the amount of inventory be material to the financial statements.
- c. Anticipated completion date of corrective action - The district began implementing these procedures November 2019 and will complete May 2020.

*"Preparing Students to Lead the Way"*

Finding 2019-003

Corrective Action Plan

- a. Contact person responsible for corrective action - Business Manager and Human Resource/Payroll Director.
- b. Description of correction action to be taken - Secretaries enter leave through Remote Link as of August 1<sup>st</sup>, 2019. A Human Resource /Payroll assistant was hired as of July 29, 2019. This employee will enter employee information, make changes for insurance, process direct deposits, and enter time for payments of employees. The Human Resource/Payroll Director will reconcile insurance bills, review and calculate overtime or docked time for employees and transmit direct deposit. The Business Manager will monitor monthly payroll expenditures compared to budgeted salary amounts.
- c. Anticipated completion date of corrective action - This action has been implemented.

Finding 2019-004

Corrective Action Plan

- a. Contact person responsible for corrective action - Business Manager, Assistant Business Manager and Purchasing Agents
- b. Description of correction action to be taken - The district has implemented procedures to ensure competitive bids/quotes are obtained according to purchasing laws. The district has also implemented procedures to ensure that all transactions are recorded in the financial statements properly and the board minutes, as needed.
- c. Anticipated completion date of corrective action - This action has been implemented.

Finding 2019-005

Corrective Action Plan

- a. Contact person responsible for corrective action - School Principals, Assistant Business Manager and Business Manager
- b. Contact person responsible for corrective action - Although some transmittal forms that report ticket sales were not complete, schools do use the Student Event Receipt Forms and Countdown Sheets to record and calculate ticket sales. Each school has the Student Event Receipt form and Countdown Sheet for each activity event. Personnel who work the games sign the forms. After each game, the principal signs off on the Student Event Receipt Form and Countdown sheet, the

deposit is made, and the forms are sent to the Assistant Business Manager who reviews them for accuracy and completion.

- c. Anticipated completion date of corrective action - This action has been implemented.

Sincerely,

A handwritten signature in cursive script that reads "Dr. Lela S. Hale". The signature is written in dark ink and is positioned above the printed name.

Superintendent of Education

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