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NESHOBA COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2019

NESHOBA COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Neshoba County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-13, 53-54, 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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020, on our consideration of the Neshoba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Neshoba 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 Neshoba County School District's internal control over financial reporting and compliance.

Philadelphia, Mississippi
March 19, 2020

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Neshoba 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 \$667,200, including a prior period adjustment of \$1,110, which represents a 4.0% increase from fiscal year 2018. Total net position for 2018 decreased \$4,492,976, including a prior period adjustment of (\$2,699,307), which represents a 36.4% decrease from fiscal year 2017.
- General revenues amounted to \$23,326,395 and \$22,670,765, or 81% and 79% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,646,605, or 19% of total revenues for 2019, and \$5,877,011, or 21% of total revenues for 2018.
- The District had \$28,306,910 and \$30,351,445 in expenses for fiscal years 2019 and 2018; only \$5,646,605 for 2019 and \$5,887,011 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,326,395 for 2019 were adequate to provide for these programs. General revenues of \$22,670,765 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$22,668,050 in revenues and \$19,735,970 in expenditures for 2019, and \$21,857,184 in revenues and \$19,738,232 in expenditures in 2018. The General Fund's fund balance increased by \$843,481, including a prior period adjustment of \$1,944, from 2018 to 2019, and increased by \$1,467,352 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$920,093 for 2019 and decreased by \$116,809 for 2018. The increase for 2019 was due to an increase in construction projects.
- Long-term debt, including compensated absences payable, increased by \$47,450 for 2019 and decreased by \$869,451 for 2018. This increase for 2019 was due primarily to the issuance of a capital lease. The liability for compensated absences increased by \$108 for 2019 and increased by \$25,934 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 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.

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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 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 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 \$16,176,840 as of June 30, 2019.

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

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 10,124,744	\$ 9,274,376	9.17 %
Restricted assets	2,500,777	2,171,455	15.17 %
Capital assets, net	36,941,719	36,021,626	2.55 %
Total assets	49,567,240	47,467,457	4.42 %
 Deferred outflows of resources	 2,602,782	 3,964,899	 -34.35 %
 Current liabilities	 874,414	 610,932	 43.13 %
Long-term debt outstanding	25,820,507	25,773,057	0.18 %
Net OPEB liability	2,560,320	2,656,079	-3.61 %
Net pension liability	37,087,533	37,744,747	-1.74 %
Total liabilities	66,342,774	66,784,815	-0.66 %
 Deferred inflows of resources	 2,004,088	 1,491,581	 34.36 %
 Net position:			
Net investment in capital assets	11,337,054	10,464,303	8.34 %
Restricted	3,519,423	3,459,548	1.73 %
Unrestricted	(31,033,317)	(30,767,891)	-0.86 %
Total net position	\$ (16,176,840)	\$ (16,844,040)	3.96 %

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)	\$ (31,033,317)
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	39,049,159
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 8,015,842</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 \$920,093.
- The principal retirement of \$280,000 of long-term debt.

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

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$28,973,000 and \$28,557,776, respectively. The total cost of all programs and services was \$28,306,910 for 2019 and \$30,351,445 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

	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 733,737	\$ 644,910	13.77 %
Operating grants and contributions	4,912,868	5,242,101	(6.28) %
General revenues:			
Property taxes	4,791,023	4,505,914	6.33 %
Grants and contributions not restricted	17,523,894	17,564,795	(0.23) %
Investment earnings	317,227	31,937	893.29 %
Sixteenth section sources	516,381	346,263	49.13 %
Other	177,870	221,856	(19.83) %
Total revenues	28,973,000	28,557,776	1.45 %
Expenses:			
Instruction	14,234,118	14,536,483	(2.08) %
Support services	7,926,523	8,293,148	(4.42) %
Non-instructional	1,566,952	1,566,537	0.03 %
Sixteenth section	100,269	75,780	32.32 %
Pension expense	3,417,480	4,778,456	(28.48) %
OPEB expense	109,257	125,886	(13.21) %
Interest on long-term liabilities	952,311	975,155	(2.34) %
Total expenses	28,306,910	30,351,445	(6.74) %
Increase (Decrease) in net position	666,090	(1,793,669)	137.14 %
Net Position, July 1, as previously reported	(16,844,040)	(12,351,064)	(36.38) %
Prior Period Adjustment	1,110	(2,699,307)	100.04 %
Net Position, July 1, as restated	(16,842,930)	(15,050,371)	(11.91) %
Net Position, June 30	\$ (16,176,840)	\$ (16,844,040)	3.96 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 14,234,118	\$ 14,536,483	(2.08) %
Support services	7,926,523	8,293,148	(4.42) %
Non-instructional	1,566,952	1,566,537	0.03 %
Sixteenth section	100,269	75,780	32.32 %
Pension Expense	3,417,480	4,778,456	(28.48) %
OPEB Expense	109,257	125,886	(13.21) %
Interest on long-term liabilities	952,311	975,155	(2.34) %
Total expenses	\$ 28,306,910	\$ 30,351,445	(6.74) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (11,588,339)	\$ (11,753,485)	(1.41) %
Support services	(6,913,072)	(7,215,096)	(4.19) %
Non-instructional	209,765	272,678	(23.07) %
Sixteenth section	(44,100)	(42,864)	2.88 %
Pension Expense	(3,417,480)	(4,778,456)	(28.48) %
OPEB Expense	(109,257)	(125,886)	(13.21) %
Interest on long-term liabilities	(797,822)	(821,325)	(2.86) %
Total net (expense) revenue	\$ (22,660,305)	\$ (24,464,434)	(7.37) %

- Net cost of governmental activities (\$22,660,305 for 2019 and \$24,464,434 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$4,791,023 for 2019 and \$4,505,914 for 2018) and state and federal revenues (\$17,523,894 for 2019 and \$17,564,795 for 2018). In addition, there was \$516,381 and \$346,263 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$317,227 for 2019 and \$31,937 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 \$11,975,069, an increase of \$919,235, which includes a prior period adjustment of \$1,110 and a decrease in inventory of \$1,501. \$7,581,996 or 63% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,393,073 or 37% 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.

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

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 \$843,481, which includes a prior period adjustment of \$1,944. The fund balance of Other Governmental Funds showed an increase in the amount of \$218,611, which includes a prior period adjustment of (\$834) and a decrease in reserve for inventory of \$1,501. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
New HS/ADA Renovation Fund	\$ (437,300)
Qualified School Construction Fund	\$ 294,443

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 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 \$52,945,921, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,164,138 from 2018. Total accumulated depreciation as of June 30, 2019, was \$16,004,202, and total depreciation expense for the year was \$1,313,291, resulting in total net capital assets of \$36,941,719.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 783,993	\$ 783,993	0.00 %
Construction in Progress	164,473	5,007	3,184.86 %
Buildings	31,603,077	32,445,559	(2.60) %
Improvements other than buildings	2,307,635	957,747	140.94 %
Mobile equipment	1,324,776	1,336,598	(0.88) %
Furniture and equipment	412,372	492,722	(16.31) %
Leased property under capital leases	345,393	-	N/A
Total	\$ 36,941,719	\$ 36,021,626	2.55 %

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

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

Debt Administration. At June 30, 2019, the District had \$25,820,507 in outstanding long-term debt, of which \$659,511 is due within one year. The liability for compensated absences increased \$108 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	\$ 13,160,000	\$ 13,440,000	(2.08) %
Certificates of participation payable	9,300,000	9,300,000	0.00 %
Discount	(173,062)	(182,677)	(5.26) %
Obligations under capital leases	317,727	-	N/A
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	215,842	215,734	0.05 %
Total	<u>\$ 25,820,507</u>	<u>\$ 25,773,057</u>	0.18 %

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

CURRENT ISSUES

The Neshoba 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 plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities 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 Neshoba County School District, 580 East Main Street, Philadelphia, MS 39350.

BASIC FINANCIAL STATEMENTS

NESHOBA COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,289,330
Due from other governments	799,432
Other receivables, net	11,819
Inventories	24,163
Restricted assets	2,500,777
Capital assets, non-depreciable:	
Land	783,993
Construction in progress	164,473
Capital assets, net of accumulated depreciation:	
Buildings	31,603,077
Improvements other than buildings	2,307,635
Mobile equipment	1,324,776
Furniture and equipment	412,372
Leased property under capital leases	345,393
Total Assets	<u>49,567,240</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,483,923
Deferred outflows - OPEB	118,859
Total deferred outflows of resources	<u>2,602,782</u>
Liabilities	
Accounts payable and accrued liabilities	650,380
Unearned revenue	72
Interest payable on long-term liabilities	223,962
Long-term liabilities, due within one year:	
Capital related liabilities	659,511
Net OPEB liability	113,646
Long-term liabilities, due beyond one year:	
Capital related liabilities	24,945,154
Non-capital related liabilities	215,842
Net pension liability	37,087,533
Net OPEB liability	2,446,674
Total Liabilities	<u>66,342,774</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,741,247
Deferred inflows - OPEB	262,841
Total deferred inflows of resources	<u>2,004,088</u>
Net Position	
Net investment in capital assets	11,337,054
Restricted for:	
Expendable:	
School-based activities	1,043,089
Debt service	1,595,335
Capital improvements	435,238
Forestry improvements	236,054
Unemployment benefits	57,370
Non-expendable:	
Sixteenth section	152,337
Unrestricted	(31,033,317)
Total Net Position	<u>\$ (16,176,840)</u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2019

					Net (Expense)
					Revenue and
					Changes in
					Net Position

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2019

Exhibit C

	Major Funds					
	General Fund	Title I-A Basic Fund	New HS/ADA Renovation Fund	Qualified School Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 7,758,813	\$ -	\$ 171,346	\$ -	\$ 2,134,496	\$ 10,064,655
Cash with fiscal agents	-	-	-	334	165	499
Investments	-	-	-	1,724,953	-	1,724,953
Due from other governments	245,978	318,874	-	-	234,580	799,432
Other receivables, net	10,987	832	-	-	-	11,819
Due from other funds	604,922	-	-	-	78	605,000
Inventories	-	-	-	-	24,163	24,163
Total assets	\$ 8,620,700	\$ 319,706	\$ 171,346	\$ 1,725,287	\$ 2,393,482	\$ 13,230,521
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 379,604	\$ 14,020	\$ 161,361	\$ -	\$ 95,395	\$ 650,380
Due to other funds	78	305,686	-	-	299,236	605,000
Unearned revenue	-	-	-	-	72	72
Total Liabilities	379,682	319,706	161,361	-	394,703	1,255,452
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	24,163	24,163
Permanent fund principal	-	-	-	-	152,337	152,337
Restricted:						
Debt service	-	-	-	1,725,287	94,010	1,819,297
Capital projects	-	-	9,985	-	425,253	435,238
Forestry improvement purposes	-	-	-	-	236,054	236,054
Grant activities	9,334	-	-	-	1,009,592	1,018,926
Unemployment benefits	-	-	-	-	57,370	57,370
Assigned:						
Vocational	134,689	-	-	-	-	134,689
Student activities	435,383	-	-	-	-	435,383
Building improvements	79,616	-	-	-	-	79,616
Unassigned	7,581,996	-	-	-	-	7,581,996
Total Fund Balances	8,241,018	-	9,985	1,725,287	1,998,779	11,975,069
Total Liabilities and Fund Balances	\$ 8,620,700	\$ 319,706	\$ 171,346	\$ 1,725,287	\$ 2,393,482	\$ 13,230,521

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 11,975,069

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 783,993	
Construction in progress	164,473	
Buildings	40,974,429	
Improvements other than buildings	4,235,689	
Mobile equipment	4,631,613	
Furniture and equipment	1,795,940	
Leased property under capital leases	359,784	
Accumulated depreciation	<u>(16,004,202)</u>	36,941,719

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

Net pension liability (37,087,533)

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	2,483,923	
Deferred inflows of resources related to pensions	<u>(1,741,247)</u>	(36,344,857)

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

Net OPEB liability Current Portion (113,646)
Net OPEB liability Noncurrent Portion (2,446,674)

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	118,859	
Deferred inflows of resources related to OPEB	<u>(262,841)</u>	(2,704,302)

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

General obligation bonds	(13,160,000)	
Certificates of participation	(9,300,000)	
Unamortized discount	173,062	
Qualified school construction bonds payable	(3,000,000)	
Capital lease obligations	(317,727)	
Compensated absences payable	(215,842)	
Accrued interest payable	<u>(223,962)</u>	(26,044,469)

Net position of governmental activities \$ (16,176,840)

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds					
	General Fund	Title I-A Basic Fund	New HS/ADA Renovation Fund	Qualified School Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 4,680,823	\$ -	\$ 23,053	\$ 93,248	\$ 1,098,586	\$ 5,895,710
State sources	16,678,535	-	-	-	758,570	17,437,105
Federal sources	782,281	1,318,649	-	154,489	2,744,238	4,999,657
Sixteenth section sources	526,411	-	-	-	110,807	637,218
Total Revenues	22,668,050	1,318,649	23,053	247,737	4,712,201	28,969,690
Expenditures:						
Instruction	12,115,545	1,095,825	-	-	1,776,172	14,987,542
Support services	7,576,338	242,214	-	-	646,694	8,465,246
Noninstructional services	1,500	36,088	-	-	1,604,489	1,642,077
Sixteenth section	42,587	-	-	-	59,692	102,279
Facilities acquisition and construction	-	-	1,493,252	-	524,257	2,017,509
Debt service:						
Principal	-	-	-	-	280,000	280,000
Interest	-	-	-	180,900	752,819	933,719
Other	-	-	-	1,950	4,000	5,950
Total Expenditures	19,735,970	1,374,127	1,493,252	182,850	5,648,123	28,434,322
Excess (Deficiency) of Revenues over (under) Expenditures	2,932,080	(55,478)	(1,470,199)	64,887	(935,922)	535,368
Other Financing Sources (Uses):						
Capital leases issued					317,727	317,727
Insurance recovery	66,531	-	-	-	-	66,531
Payment to escrow agent	-	-	-	(201,195)	-	(201,195)
Payment held by escrow agent	-	-	-	201,195	-	201,195
Operating transfers in	147,429	200,000	1,032,899	229,556	1,562,108	3,171,992
Operating transfers out	(2,304,503)	(144,522)	-	-	(722,967)	(3,171,992)
Total Other Financing Sources (Uses)	(2,090,543)	55,478	1,032,899	229,556	1,156,868	384,258
Net Change in Fund Balances	841,537	-	(437,300)	294,443	220,946	919,626
Fund Balances:						
July 1, 2018, as previously reported	7,397,537	-	447,285	1,430,844	1,780,168	11,055,834
Prior period adjustments	1,944	-	-	-	(834)	1,110
July 1, 2018, as restated	7,399,481	-	447,285	1,430,844	1,779,334	11,056,944
Increase (Decrease) in reserve for inventory	-	-	-	-	(1,501)	(1,501)
June 30, 2019	\$ 8,241,018	\$ -	\$ 9,985	\$ 1,725,287	\$ 1,998,779	\$ 11,975,069

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 919,626

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,260,422	
Depreciation expense	<u>(1,313,291)</u>	947,131

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(27,038)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Capital leases issued	(317,727)	
Payments of debt principal	280,000	
Accrued interest payable	<u>(3,027)</u>	(40,754)

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

Pension expense	(3,417,480)	
Contributions subsequent to the measurement date	<u>2,288,130</u>	(1,129,350)

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

OPEB expense	(109,257)	
Recording of proportionate share of contributions to OPEB trust	3,310	
Contributions subsequent to the measurement date	<u>113,646</u>	7,699

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

Change in compensated absences	(108)	
Change in inventory reserve	(1,501)	
Amortization of deferred charges, premiums and discounts	<u>(9,615)</u>	(11,224)

Change in net position of governmental activities \$ 666,090

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

NESHOBA COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2019

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 51,066	\$ 1,395,189
Total Assets	<u>51,066</u>	<u><u>1,395,189</u></u>
Liabilities		
Accounts payable and accrued liabilities	1,000	\$ 1,242,122
Due to student clubs	-	153,067
Total Liabilities	<u>1,000</u>	<u><u>\$ 1,395,189</u></u>
Net Position		
Reserved for endowments	50,066	
Total Net Position	<u><u>\$ 50,066</u></u>	

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

NESHOBA COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 1,037
Total Additions	<u>1,037</u>
Deductions	
Scholarships awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	<u>37</u>
Net Position	
July 1, 2018	<u>50,029</u>
June 30, 2019	<u>\$ 50,066</u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

The Neshoba County School District Finance Corporation ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local education agencies programs.

New HS/ADA Renovation Fund – This is a capital projects fund used to account for the bond proceeds issued for the construction or renovation of major capital facilities.

Qualified School Construction Fund – This is a debt service fund that accounts for the activity related to the Qualified School Construction Bond.

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

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

The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the District in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the District in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Scholarship Trust Funds – These funds are private purpose trust funds used to account for scholarship endowments.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

D. Encumbrances

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

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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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

5. Restricted Assets

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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 an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow related to pensions in accordance with GASB 68 and a deferred outflow related to OPEB in accordance with GASB 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow related to pensions in accordance with GASB 68 and a deferred inflow related to OPEB in accordance with GASB 75.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

See Note 18 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order 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 business manager pursuant to authorization established by formal school board policy.

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$10,064,655 and \$1,446,255, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$499.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments
(Continued)**

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012	Aaa	Varies - Averages 5 years	\$ 1,724,953
Total			<u>\$ 1,724,953</u>

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

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

- QSCB Construction Bonds Common Trust Funds 2012 type of investments of \$1,724,953 are valued using quoted market prices (Level 1 inputs)

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2019, the district had the following investments:

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2012	\$ 1,724,953	100%

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 305,686
	Other governmental funds	299,236
Other governmental funds	General Fund	78
Total		<u>\$ 605,000</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative federal program fund cash flows and to recognize the effects of inter-fund loans between funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	New HS/ADA Renovation Fund	\$ 863,917
	Other governmental funds	1,440,586
Title I-A Basic Fund	General Fund	23,000
	Other governmental funds	121,522
Other governmental funds	General Fund	124,429
	Title I-A Basic Fund	200,000
	New HS/ADA Renovation Fund	168,982
	Qualified School Construction Fund	229,556
Total		<u>\$ 3,171,992</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balances, totaling \$152,337, \$171,346, \$153,688, \$272,165 and \$25,789, of the Sixteenth Section Principal Fund (Permanent Fund), the New HS/ADA Renovation Fund (Capital Projects Fund), the Building Grounds Upgrades Fund (Capital Projects Fund), the MEMA Cafeteria Fund (Capital Projects Fund), and the Stadium Lighting Fund (Capital Projects Fund), which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$165, of the Certificate of Participation Debt Service Fund. Also included in restricted assets are the cash with fiscal agents and investment balance, totaling \$334 and \$1,724,953, respectively, of the QSCB Bond Retirement Fund.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 783,993	\$ -	\$ -	\$ -	783,993
Construction-in-progress	5,007	2,017,509	-	(1,858,043)	164,473
Total non-depreciable capital assets	789,000	2,017,509	-	(1,858,043)	948,466
<u>Depreciable capital assets:</u>					
Buildings	40,974,429	-	-	-	40,974,429
Improvements other than buildings	2,737,430	-	-	1,498,259	4,235,689
Mobile equipment	4,437,892	200,808	7,087	-	4,631,613
Furniture and equipment	1,843,032	42,105	89,197	-	1,795,940
Leased property under capital leases	-	-	-	359,784	359,784
Total depreciable capital assets	49,992,783	242,913	96,284	1,858,043	51,997,455
<u>Less accumulated depreciation for:</u>					
Buildings	8,528,870	842,482	-	-	9,371,352
Improvements other than buildings	1,779,683	148,371	-	-	1,928,054
Mobile equipment	3,101,294	211,921	6,378	-	3,306,837
Furniture and equipment	1,350,310	96,126	62,868	-	1,383,568
Leased property under capital leases	-	14,391	-	-	14,391
Total accumulated depreciation	14,760,157	1,313,291	69,246	-	16,004,202
Total depreciable capital assets, net	35,232,626	(1,070,378)	27,038	1,858,043	35,993,253
Governmental activities capital assets, net	\$ 36,021,626	\$ 947,131	\$ 27,038	\$ -	\$ 36,941,719

An adjustment was made to capitalize construction projects completed during the year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 918,750
Support services	377,835
Non-instructional	16,706
Total depreciation expense - Governmental activities	\$ 1,313,291

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

	Spent to June 30, 2019	Remaining Commitment
Governmental activities:		
Saferoom/Cafeteria Project	\$ 164,473	\$ 45,552
Total governmental activities	\$ 164,473	\$ 45,552

Construction projects included in governmental activities are funded with district funds and proceeds from the issuance of certificates of participation to be used for improvements.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General obligation bonds payable	\$ 13,440,000	\$ -	\$ 280,000	\$ 13,160,000	\$ 280,000
B. Certificates of participation payable	9,300,000	-	-	9,300,000	360,000
Discount	(182,677)	-	(9,615)	(173,062)	(9,615)
C. Obligations under capital leases	-	317,727	-	317,727	29,126
D. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
E. Compensated absences payable	215,734	108	-	215,842	-
Total	\$ 25,773,057	\$ 317,835	\$ 270,385	\$ 25,820,507	\$ 659,511

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2015	2.375-3.25%	11/12/2015	11/1/2035	\$ 9,000,000	\$ 8,460,000
2. General obligation bonds, Series 2016	2.25-3.00%	5/11/2016	5/1/2036	5,000,000	4,700,000
Total				\$ 14,000,000	\$ 13,160,000

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

1. General obligation bond issue of November 12, 2015:

Year Ending June 30	Principal	Interest	Total
2020	\$ 180,000	\$ 237,206	\$ 417,206
2021	180,000	231,806	411,806
2022	360,000	223,706	583,706
2023	360,000	212,906	572,906
2024	360,000	202,106	562,106
2025 – 2029	2,070,000	866,335	2,936,335
2030 – 2034	3,295,000	528,222	3,823,222
2035 – 2036	1,655,000	53,684	1,708,684
Total	\$ 8,460,000	\$ 2,555,971	\$ 11,015,971

This debt will be retired from the General Obligation Bond 2015 Fund (debt service fund).

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities (Continued)

2. General obligation bond issue of May 11, 2016:

Year Ending June 30	Principal	Interest	Total
2020	\$ 100,000	\$ 127,150	\$ 227,150
2021	100,000	124,150	224,150
2022	215,000	121,150	336,150
2023	220,000	114,700	334,700
2024	230,000	108,100	338,100
2025 – 2029	1,250,000	439,100	1,689,100
2030 – 2034	1,770,000	262,762	2,032,762
2035 – 2036	815,000	33,688	848,688
Total	<u>\$ 4,700,000</u>	<u>\$ 1,330,800</u>	<u>\$ 6,030,800</u>

This debt will be retired from the General Obligation Bond 2016 Fund (debt service fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 280,000	\$ 364,356	\$ 644,356
2021	280,000	355,956	635,956
2022	575,000	344,856	919,856
2023	580,000	327,606	907,606
2024	590,000	310,206	900,206
2025 – 2029	3,320,000	1,305,435	4,625,435
2030 – 2034	5,065,000	790,984	5,855,984
2035 – 2036	2,470,000	87,372	2,557,372
Total	<u>\$ 13,160,000</u>	<u>\$ 3,886,771</u>	<u>\$ 17,046,771</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2019, the amount of outstanding bonded indebtedness was equal to 11.1% of property assessments as of October 1, 2018.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities (Continued)

B. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation payable	3.00-5.00%	2/1/2017	2/1/2037	\$ 9,300,000	\$ 9,300,000
Total				<u>\$ 9,300,000</u>	<u>\$ 9,300,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 360,000	\$ 380,063	\$ 740,063
2021	385,000	362,063	747,063
2022	400,000	342,812	742,812
2023	425,000	322,812	747,812
2024	435,000	303,688	738,688
2025 – 2029	2,845,000	1,283,414	4,128,414
2030 – 2034	2,545,000	727,468	3,272,468
2035 – 2037	1,905,000	194,962	2,099,962
Total	<u>\$ 9,300,000</u>	<u>\$ 3,917,282</u>	<u>\$ 13,217,282</u>

This debt will be retired from the Certificate of Participation/Debt Service 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 football stadium lighting at a cost of \$317,727. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. Ownership will transfer to the school district at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Football stadium lighting	3.35%	2/7/2019	2/8/2029	\$ 317,727	\$ 317,727
Total				<u>\$ 317,727</u>	<u>\$ 317,727</u>

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 29,126	\$ 11,383	\$ 40,509
2021	30,113	10,396	40,509
2022	31,122	9,387	40,509
2023	32,165	8,344	40,509
2024	33,242	7,267	40,509
2025 – 2029	161,959	40,586	202,545
Total	<u>\$ 317,727</u>	<u>\$ 87,363</u>	<u>\$ 405,090</u>

This debt will be retired from the Capital Lease/Stadium Lights Fund (debt service fund).

D. Qualified school construction bonds payable

As more fully explained in Note 15, 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 Bond	6.03%	12/17/2010	12/17/2025	\$ 3,000,000	\$ 3,000,000
Total				<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:

Year Ending June 30	Principal	Interest	Total
2020	\$ -	\$ 180,900	\$ 180,900
2021	-	180,900	180,900
2022	-	180,900	180,900
2023	-	180,900	180,900
2024	-	180,900	180,900
2025 – 2026	3,000,000	361,800	3,361,800
Total	<u>\$ 3,000,000</u>	<u>\$ 1,266,300</u>	<u>\$ 4,266,300</u>

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

E. 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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Seventy-six (76) printers and copiers
2. One (1) postage meter
3. One (1) drivers' education vehicle

Lease expenditures for the year ended June 30, 2019, amounted to \$91,794.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 87,968
2021	87,681
2022	65,546
Total	<u>\$ 241,195</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 8 – Defined Benefit Pension Plan (Continued)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$2,288,130, \$2,242,665 and \$2,294,128, 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 \$37,087,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.222976 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.004082 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 \$3,417,480. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 8 – Defined Benefit Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,526	\$ 159,205
Net difference between projected and actual earnings on pension plan investments	-	697,000
Changes of assumptions	22,284	21,277
Changes in proportion and differences between District contributions and proportionate share of contributions	5,983	863,765
District contributions subsequent to the measurement date	2,288,130	-
Total	<u>\$ 2,483,923</u>	<u>\$ 1,741,247</u>

\$2,288,130 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	\$ 45,984
2021	(375,987)
2022	(1,048,667)
2023	(166,784)
Total	<u>\$ (1,545,454)</u>

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

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

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

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

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

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 8 – Defined Benefit Pension Plan (Continued)

<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	\$ 48,833,639	\$ 37,087,533	\$ 27,324,969

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

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

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 \$113,646 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 \$2,560,320 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.33098310 percent. This was a decrease of 0.00753949 percent from the proportionate share as of the measurement date of June 30, 2017.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$109,257. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,213	\$ -
Changes of assumptions	-	182,428
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	80,413
District contributions subsequent to the measurement date	113,646	-
Total	\$ <u>118,859</u>	\$ <u>262,841</u>

\$113,646 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	\$ (51,489)
2021	(51,489)
2022	(51,489)
2023	(51,489)
2024	(42,741)
Thereafter	<u>(8,931)</u>
Total	<u>\$ (257,628)</u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

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

Inflation	3.00 percent		
Salary increases	3.25-18.50 percent, including wage inflation		
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%		
Municipal Bond Index Rate			
Measurement Date	3.89%		
Prior Measurement Date	3.56%		
Year FNP is projected to be depleted			
Measurement Date	2018		
Prior Measurement Date	2017		
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation			
Measurement Date	3.89%		
Prior Measurement Date	3.56%		
Health Care Cost Trends			
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an 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%.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

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

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

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

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 2,838,051	\$ 2,560,320	\$ 2,321,463

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,371,702	\$ 2,560,320	\$ 2,774,535

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/>.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	\$ 110,621
2021	91,275
2022	86,631
2023	82,248
2024	73,868
2025 – 2029	310,815
2030 – 2034	230,721
2035 – 2039	163,312
2040 – 2044	95,365
Thereafter	8,662
Total	<u>\$ 1,253,518</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To void prior year outstanding checks	\$ 1,110
Total	<u>\$ 1,110</u>

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

Explanation	Amount
To void prior year outstanding checks	\$ 1,110
Total	<u>\$ 1,110</u>

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 14 – Trust Certificates

A trust agreement dated February 1, 2017, was executed by and between the school district and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$9,300,000. Approximately \$8,935,708 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$172,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 14 – Trust Certificates (Continued)

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

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

Note 15 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the 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. For the year ended June 30, 2019, the subsidy payments amounted to \$154,489.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2019 was \$1,725,287. 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	\$ 201,300
2021	201,300
2022	201,300
2023	201,300
2024	201,300
2025 – 2026	383,100
Total	<u>\$ 1,389,600</u>

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2019

Note 16 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Neshoba County School District, Philadelphia Public School District and East Central Community College.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba Vocational-Technical Center, and the operations of the consortium are included in its financial statements.

Note 17 - Insurance loss recoveries

The Neshoba County School District received \$66,531 in insurance loss recoveries related to property damage during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 66,531	100%	Support services
\$ 66,531	100%	

Note 18 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$31,033,317) 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 \$2,288,130 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 \$195,793 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 (\$31,033,317) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,741,247 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$31,033,317) 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 \$113,646 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 \$5,213 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.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 18 – Effect of Deferred Amounts on Net Position (Continued)

The unrestricted net position amount of (\$31,033,317) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$262,841 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 19 - 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 Neshoba County School District evaluated the activity of the district through March 19, 2020, (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 financial statements:

As of the date of this report, the world is enduring a pandemic involving the COVID-19 virus. This pandemic has caused extreme havoc in all areas of society to include governmental entities. The Governor of the State of Mississippi has called for all Mississippi schools to close through April 17, 2020. The long term effects of the closures are unknown as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,602,440	\$ 4,859,563	\$ 4,680,823	\$ 257,123	\$ (178,740)
State sources	16,824,539	16,673,690	16,678,535	(150,849)	4,845
Federal sources	525,000	782,281	782,281	257,281	-
Sixteenth section sources	315,467	519,853	526,411	204,386	6,558
Total Revenues	22,267,446	22,835,387	22,668,050	567,941	(167,337)
Expenditures:					
Instruction	12,432,268	12,220,452	12,115,545	211,816	104,907
Support services	8,363,402	8,006,348	7,576,338	357,054	430,010
Noninstructional services	2,000	2,000	1,500	-	500
Sixteenth section	123,200	42,990	42,587	80,210	403
Total Expenditures	20,920,870	20,271,790	19,735,970	649,080	535,820
Excess (Deficiency) of Revenues over (under) Expenditures	1,346,576	2,563,597	2,932,080	1,217,021	368,483
Other Financing Sources (Uses):					
Insurance recovery	-	66,531	66,531	66,531	-
Operating transfers in	528,150	495,884	147,429	(32,266)	(348,455)
Operating transfers out	(2,513,348)	(2,624,270)	(2,304,503)	(110,922)	319,767
Total Other Financing Sources (Uses)	(1,985,198)	(2,061,855)	(2,090,543)	(76,657)	(28,688)
Net Change in Fund Balances	(638,622)	501,742	841,537	1,140,364	339,795
Fund Balances:					
July 1, 2018, as previously reported	7,252,828	7,397,537	7,397,537	144,709	-
Prior period adjustments	-	-	1,944	-	1,944
July 1, 2018, as restated	7,252,828	7,397,537	7,399,481	144,709	1,944
June 30, 2019	\$ 6,614,206	\$ 7,899,279	\$ 8,241,018	\$ 1,285,073	\$ 341,739

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

NESHOBA COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
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	\$ 1,783,078	\$ 1,582,432	\$ 1,318,649	\$ (200,646)	\$ (263,783)
Total Revenues	1,783,078	1,582,432	1,318,649	(200,646)	(263,783)
Expenditures:					
Instruction	1,287,881	1,291,177	1,095,825	(3,296)	195,352
Support services	421,050	291,398	242,214	129,652	49,184
Noninstructional services	48,147	46,839	36,088	1,308	10,751
Total Expenditures	1,757,078	1,629,414	1,374,127	127,664	255,287
Excess (Deficiency) of Revenues over (under) Expenditures	26,000	(46,982)	(55,478)	(72,982)	(8,496)
Other Financing Sources (Uses):					
Operating transfers in	-	200,000	200,000	200,000	-
Operating transfers out	(26,000)	(153,018)	(144,522)	(127,018)	8,496
Total Other Financing Sources (Uses)	(26,000)	46,982	55,478	72,982	8,496
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

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

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.222976%	0.227058%	0.231634%	0.231141%	0.223056%
District's proportionate share of the net pension liability (asset) \$	37,087,533 \$	37,744,747 \$	41,375,617 \$	35,729,840 \$	27,074,914
District's covered payroll	14,239,143	14,565,892	14,818,216	14,440,343	13,629,873
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260%	259%	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,288,130	\$ 2,242,665	\$ 2,294,128	\$ 2,333,869	\$ 2,274,354
Contributions in relation to the contractually required contribution	2,288,130	2,242,665	2,294,128	2,333,869	2,274,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	14,527,810	14,239,143	14,565,892	14,818,216	14,440,343
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 No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	2019	2018
District's proportion of the net OPEB liability (asset)	0.330983%	0.338523%
District's proportionate share of the net OPEB liability (asset) \$	2,560,320 \$	2,656,079
District's covered-employee payroll	14,239,143	14,565,892
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	17.98%	18.23%
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.

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 113,646	\$ 113,233
Contributions in relation to the actuarially determined contribution	113,646	113,233
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	14,527,810	14,239,143
Contributions as a percentage of covered-employee payroll	0.78%	0.80%

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Required Supplementary Information For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to 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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to 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	5.00%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

SUPPLEMENTARY INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 281,471
National school lunch program	10.555	195MS326N1099	1,089,236
Total child nutrition cluster			<u>1,370,707</u>
Total passed-through Mississippi Department of Education			<u>1,370,707</u>
Total U.S. Department of Agriculture			<u>1,370,707</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx		69,314
Total U.S. Department of Defense			<u>69,314</u>
<u>Federal Communications Commission</u>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx		30,364
Total Federal Communications Commission			<u>30,364</u>
<u>U.S. Department of Education</u>			
Direct Program:			
Impact aid	84.041		642,325
Indian education grants to local educational agencies	84.060		61,418
Total direct programs			<u>703,743</u>
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	1,318,649
Career and technical education - basic grants to states	84.048	V048A180024	38,773
Rural education	84.358	ES358B180024	98,972
Improving teacher quality-State Grants	84.367	ES367A180023	255,475
Student support and academic enrichment program	84.424	ES424A180025	66,666
Subtotal			<u>1,778,535</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	705,218
Special education - preschool grants	84.173	H173A180113	41,546
Total special education cluster			<u>746,764</u>
Total passed-through Mississippi Department of Education			<u>2,525,299</u>
Total U.S. Department of Education			<u>3,229,042</u>
Total for All Federal Awards			<u>\$ 4,699,427</u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information
For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Neshoba County School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Neshoba County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Neshoba County 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 Neshoba County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the District and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$93,472.

NESHOBA COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2019

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,007,546	15,096,071	1,353,313	1,085,857	2,472,305
Other	8,426,776	1,829,636	258,106	17,240	6,321,794
Total	<u>\$ 28,434,322</u>	<u>16,925,707</u>	<u>1,611,419</u>	<u>1,103,097</u>	<u>8,794,099</u>
Total number of students *	<u>2,853</u>				
Cost per student	<u>\$ 9,966</u>	<u>5,933</u>	<u>565</u>	<u>387</u>	<u>3,081</u>

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

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

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

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

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

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

OTHER INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 4,680,823	\$ 4,183,193	\$ 4,074,388	\$ 3,639,452
State sources	16,678,535	16,627,052	16,565,009	16,300,624
Federal sources	782,281	695,700	587,802	834,217
Sixteenth section sources	526,411	351,239	262,880	436,611
Total Revenues	22,668,050	21,857,184	21,490,079	21,210,904
Expenditures:				
Instruction	12,115,545	12,423,628	12,564,542	13,285,625
Support services	7,576,338	7,272,518	7,367,061	7,471,412
Noninstructional services	1,500	1,000	1,670	500
Sixteenth section	42,587	41,086	41,601	102,148
Total Expenditures	19,735,970	19,738,232	19,974,874	20,859,685
Excess (Deficiency) of Revenues over (under) Expenditures	2,932,080	2,118,952	1,515,205	351,219
Other Financing Sources (Uses):				
Insurance recovery	66,531	-	49,608	14,676
Sale of transportation equipment	-	-	5,945	-
Sale of other property	-	-	12,497	-
Operating transfers in	147,429	109,795	26,103	765,036
Operating transfers out	(2,304,503)	(761,395)	(969,438)	(699,958)
Total Other Financing Sources (Uses)	(2,090,543)	(651,600)	(875,285)	79,754
Net Change in Fund Balances	841,537	1,467,352	639,920	430,973
Fund Balances:				
Beginning of period, as previously reported	7,397,537	5,930,185	5,290,265	4,859,376
Prior period adjustments	1,944	-	-	(84)
Beginning of period, as restated	7,399,481	5,930,185	5,290,265	4,859,292
End of Period	\$ 8,241,018	\$ 7,397,537	\$ 5,930,185	\$ 5,290,265

*SOURCE - PRIOR YEAR AUDIT REPORTS

NESHOBA COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 5,895,710	\$ 5,363,140	\$ 5,174,690	\$ 4,033,537
State sources	17,437,105	17,771,899	17,438,532	17,127,215
Federal sources	4,999,657	5,034,996	4,622,643	4,772,350
Sixteenth section sources	637,218	387,741	282,753	492,024
Total Revenues	28,969,690	28,557,776	27,518,618	26,425,126
Expenditures:				
Instruction	14,987,542	15,361,084	15,123,959	15,687,776
Support services	8,465,246	8,560,882	8,004,377	8,128,857
Noninstructional services	1,642,077	1,670,444	1,707,635	1,720,781
Sixteenth section	102,279	75,780	91,986	196,629
Facilities acquisition and construction	2,017,509	1,022,113	16,019,428	4,554,134
Debt service:				
Principal	280,000	905,000	640,847	429,974
Interest	933,719	962,206	717,081	224,810
Other	5,950	7,233	177,300	258,949
Total Expenditures	28,434,322	28,564,742	42,482,613	31,201,910
Excess (Deficiency) of Revenues over (under) Expenditures	535,368	(6,966)	(14,963,995)	(4,776,784)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	9,300,000	14,000,000
Capital leases issued	317,727	-	-	-
Insurance recovery	66,531	-	49,608	14,676
Payment held by escrow agent	201,195	201,300	201,300	201,300
Premium (discount) on bonds issued	-	-	(192,292)	131,477
Sale of transportation equipment	-	-	5,945	-
Sale of other property	-	-	12,497	-
Operating transfers in	3,171,992	1,101,504	8,026,829	1,464,994
Operating transfers out	(3,171,992)	(1,101,504)	(8,026,829)	(1,464,994)
Payment to debt escrow agent	(201,195)	(201,300)	(201,300)	(201,300)
Total Other Financing Sources (Uses)	384,258	-	9,175,758	14,146,153
Net Change in Fund Balances	919,626	(6,966)	(5,788,237)	9,369,369
Fund Balances:				
Beginning of period, as previously reported	11,055,834	11,057,560	16,849,031	7,468,363
Prior period adjustments	1,110	-	-	9,916
Beginning of period, as restated	11,056,944	11,057,560	16,849,031	7,478,279
Increase (Decrease) in reserve for inventory	(1,501)	5,240	(3,234)	1,383
End of Period	\$ 11,975,069	\$ 11,055,834	\$ 11,057,560	\$ 16,849,031

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Superintendent and School Board
Neshoba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Neshoba County School District's basic financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Philadelphia, Mississippi
March 19, 2020

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA	Thomas J. Browder, CPA
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and Board of Education
Neshoba County School District

Report on Compliance for Each Major Federal Program

We have audited the Neshoba 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 Neshoba County School District's major federal program for the year ended June 30, 2019. Neshoba County School District's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Neshoba 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 its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Philadelphia, Mississippi
March 19, 2020

Watkins Ward and Stafford, P.C.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD and STAFFORD

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Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Neshoba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2019, which collectively comprise Neshoba County School District's basic financial statements and have issued our report thereon dated March 19, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

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

Philadelphia, Mississippi
March 19, 2020

Watkins Ward and Stafford, P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NESHOPA COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |

- | | | |
|----|--|------------|
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| | | |
| 9. | Auditee qualified as 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 |

NESHOBA COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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