



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

QUITMAN COUNTY SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2019

L. Reeves CPA, PLLC  
CERTIFIED PUBLIC ACCOUNTANT  
BRANDON, MS 39042



## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	23
Notes to the Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	53
Budgetary Comparison Schedule - Title I Fund	54
Budgetary Comparison Schedule - School Improvement Fund	55
Schedule of the District's Proportionate Share of the Net Pension Liability	56
Schedule of District Contributions (Pension)	57
Schedule of the District's Proportionate Share of the Net OPEB Liability	58
Schedule of District Contributions (OPEB)	59
Notes to the Required Supplementary Information	60
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	65
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	66
Notes to the Supplementary Information	67
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	71
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	72
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	75
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	77
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	85
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR YEAR AUDIT FINDINGS	89

(This page left blank intentionally)

## INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

**L. Reeves CPA, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**305 PARK RIDGE DRIVE**  
**BRANDON, MS 39042**  
**601-624-0777**

**INDEPENDENT AUDITOR'S REPORT**

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

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

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

**Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Quitman 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 7-14, 53-55, 56-57, and 58-59, 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 my 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 Quitman 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.

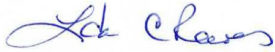
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 my report dated March 16, 2021, on our consideration of the Quitman 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 Quitman 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 Quitman County School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "L. Reeves".

L. Reeves, CPA, PLLC  
Brandon, Mississippi  
March 16, 2021

(This page left blank intentionally)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

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

The following discussion and analysis of Quitman 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 \$237,117, including a prior period adjustment of \$1,049,712, which represents a 2% increase from fiscal year 2018. Total net position for 2018 decreased \$2,928,357, including a prior period adjustment of (\$1,726,675), due primarily to the effect of recording the net OPEB liability, which represents a 26% decrease from fiscal year 2017.
- General revenues amounted to \$9,381,326 and \$9,067,153, or 69% and 68% 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 \$4,150,976, or 31% of total revenues for 2019, and \$4,263,517, or 32% of total revenues for 2018.
- The District had \$14,344,897 and \$14,532,352 in expenses for fiscal years 2019 and 2018; only \$4,150,976 for 2019 and \$4,263,517 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,381,326 for 2019 and \$9,067,153 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,068,551 in revenues and \$9,473,366 in expenditures for 2019, and \$8,883,868 in revenues and \$8,987,988 in expenditures in 2018. The General Fund's fund balance decreased by \$ 113,189 from 2018 to 2019 and decreased by \$1,046,276 including a prior period adjustment of \$40,213 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$1,288,561 for 2019 and increased by \$417,245 for 2018. The increase for 2019 was due to the addition of completed construction, mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$284,261 for 2019 and decreased by \$245,000 for 2018. This increase for 2019 was due primarily to the issuance of installment purchases notes. The liability for compensated absences decreased by \$4,078 for 2019 and decreased by \$6,136 for 2018.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

statements.

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,789,560 as of June 30, 2019.

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

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

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

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

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	1,885,790	1,774,233	6.29%
Restricted assets	375,436	414,939	-9.52%
Capital assets, net	7,639,906	6,351,345	20.29%
<b>Total assets</b>	<u>9,901,132</u>	<u>8,540,517</u>	<b>15.93%</b>
 <b>Deferred outflows of resources</b>	 <u>2,689,108</u>	 <u>2,638,784</u>	 <b>1.91%</b>
 Current liabilities	 717,402	 672,560	 6.67%
Long-term debt outstanding	5,617,914	5,337,731	5.25%
Net OPEB liability	1,315,760	1,254,099	4.92%
Net pension liability	17,949,803	16,096,767	11.51%
<b>Total liabilities</b>	<u>25,600,879</u>	<u>23,361,157</u>	9.59%
 <b>Deferred inflows of resources</b>	 <u>778,921</u>	 <u>1,844,821</u>	 <b>-57.78%</b>
 Net position:			
Net investment in capital assets	2,085,645	1,081,345	92.88%
Restricted	779,177	827,007	-5.78%
Unrestricted	(16,654,382)	(15,935,029)	-4.51%
<b>Total net position</b>	<u>(13,789,560)</u>	<u>(14,026,677)</u>	<b>1.69%</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (16,654,382)
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	17,355,376
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 700,994</u>

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

- Increase in net capital assets in the amount of \$1,288,561.
- The principal retirement of \$315,275 of long-term debt.

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

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$13,532,302 and \$13,330,670 respectively. The total cost of all programs and services was \$14,344,897 for 2019 and \$14,532,352 for 2018.

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

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	346,416	153,217	126.10%
Operating grants and contributions	3,804,560	4,110,300	-7.44%
General revenues:			
Property taxes	3,667,268	3,455,988	6.11%
Grants and contributions not restricted	5,424,401	5,264,037	3.05%
Investment earnings	32,748	21,444	52.71%
Sixteenth section sources	256,909	258,390	-0.57%
Other	-	67,294	-100.00%
Total revenues	<u>13,532,302</u>	<u>13,330,670</u>	<u>1.51%</u>
Expenses:			
Instruction	6,124,240	5,992,744	2.19%
Support services	5,028,397	5,469,588	-8.07%
Non-instructional	1,085,928	1,054,961	2.94%
Pension expense	1,871,664	1,780,176	5.14%
OPEB expense	75,985	67,249	12.99%
Interest on long-term liabilities	158,683	167,634	-5.34%
Total expenses	<u>14,344,897</u>	<u>14,532,352</u>	<u>-1.29%</u>
Increase (Decrease) in net position	(812,595)	(1,201,682)	32.38%
Net Position (Deficit), July 1, as previously reported	(14,026,677)	(11,098,320)	-26.39%
Prior Period Adjustment	<u>1,049,712</u>	<u>(1,726,675)</u>	<u>160.79%</u>
Net Position (Deficit), July 1, as restated	<u>(12,976,965)</u>	<u>(12,824,995)</u>	<u>-1.18%</u>
Net Position (deficit), June 30	<u>(13,789,560)</u>	<u>(14,026,677)</u>	<u>1.69%</u>

**Governmental activities**

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

QUITMAN 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
	2019	2018	Change
Instruction	6,124,240	5,992,744	2.19%
Support services	5,028,397	5,469,588	-8.07%
Non-instructional	1,085,928	1,054,961	2.94%
Pension expense	1,871,664	1,780,176	5.14%
OPEB expense	75,985	67,249	12.99%
Interest on long-term liabilities	158,683	167,634	-5.34%
Total expenses	14,344,897	14,532,352	-1.29%

	Net (Expenses) Revenue		Percentage
	2019	2018	Change
Instruction	(4,183,090)	(4,199,174)	0.38%
Support services	(3,953,953)	(4,311,109)	8.28%
Non-instructional	49,454	256,507	-80.72%
Pension expense	(1,871,664)	(1,780,176)	-5.14%
OPEB expense	(75,985)	(67,249)	-12.99%
Interest on long-term liabilities	(158,683)	(167,634)	5.34%
Total expenses	(10,193,921)	(10,268,835)	0.73%

- Net cost of governmental activities (\$10,193,921 for 2019 and \$10,268,835 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$3,667,268 for 2019 and \$ 3,455,988 for 2018) and state and federal revenues (\$5,424,401 for 2019 and \$5,264,037 for 2018). In addition, there was \$256,909 and \$258,390 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$32,748 for 2019 and \$21,444 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 \$1,574,723, an increase of \$4,047, which includes a prior period adjustment of \$(5,372) and an increase in inventory of \$926. \$729,013 or 46% 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,

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

committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$845,710 or 54% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$113,189. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,589, which includes a prior period adjustment of \$(5,372) and an increase in reserve for inventory of \$926. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I fund	\$ -
School Improvement fund	\$ -
QSCB fund	\$ 115,647

## BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each 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 \$11,935,490, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a(n) increase of \$1,824,107 from 2018. Total accumulated depreciation as of June 30, 2019, was \$4,295,584, and total depreciation expense for the year was \$366,178, resulting in total net capital assets of \$7,639,906.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage</u> <u>Change</u>	
Land	\$ 76,602	\$ 76,602	0.00	%
Construction in Progress	-	3,395,582	(100.00)	%
Buildings	3,345,601	230,327	1,352.54	%
Building improvements	2,727,883	1,861,642	46.53	%
Improvements other than buildings	546,018	242,248	125.40	%
Mobile equipment	911,391	507,483	79.59	%
Furniture and equipment	32,411	37,461	(13.48)	%
<b>Total</b>	<b>\$ 7,639,906</b>	<b>\$ 6,351,345</b>	<b>20.29</b>	<b>%</b>

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

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

**Debt Administration.** At June 30, 2019, the District had \$5,617,914 in outstanding long-term debt, of which \$319,093 is due within one year. During the fiscal year, the District received proceeds from the issuance of installment purchase loans payable totaling \$599,536. The liability for compensated absences decreased \$4,078 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	\$ 3,130,000	\$ 3,360,000	(6.85) %
Three mill notes payable	910,000	935,000	(2.67) %
Installment purchase loans payable	539,261	-	N/A %
Qualified school construction bonds payable	975,000	975,000	0.00 %
Compensated absences payable	63,653	67,731	(6.02) %
<b>Total</b>	<b><u>\$ 5,617,914</u></b>	<b><u>\$ 5,337,731</u></b>	<b>5.25 %</b>

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

## CURRENT ISSUES

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

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Quitman County School District, P. O. Drawer E. Marks, MS 38666.

## FINANCIAL STATEMENTS

(This page left blank intentionally)

**QUITMAN COUNTY SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,291,547
Due from other governments	573,920
Inventories	20,323
Restricted assets	375,436
Capital assets, non-depreciable:	
Land	76,602
Capital assets, net of accumulated depreciation:	
Buildings	3,345,601
Building improvements	2,727,883
Improvements other than buildings	546,018
Mobile equipment	911,391
Furniture and equipment	32,411
Total Assets	<u>9,901,132</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	2,533,145
Deferred outflows - OPEB	155,963
Total Deferred Outflows of Resources	<u>2,689,108</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	670,559
Due to other governments	-
Unearned revenue	15,944
Interest payable on long-term liabilities	30,899
Long-term liabilities, due within one year:	
Capital related liabilities	315,910
Non-capital related liabilities	3,183
Net OPEB liability	54,887
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,238,351
Non-capital related liabilities	60,470
Net pension liability	17,949,803
Net OPEB liability	1,260,873
Total Liabilities	<u>25,600,879</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	685,170
Deferred inflows - OPEB	93,751
Total Deferred Inflows of Resources	<u>778,921</u>
 <b>Net Position</b>	
Net investment in capital assets	2,085,645
Restricted for:	
Expendable:	
School-based activities	162,576
Debt service	347,460
Capital improvements	176,202
Forestry improvements	63,091
Unemployment benefits	29,848
Unrestricted	(16,654,382)
Total Net Position (deficit)	<u>\$ (13,789,560)</u>

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2019**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,124,240	\$ 187,444	\$ 1,753,706	\$ -	\$ (4,183,090)
Support services	5,028,397	111,000	963,444	-	(3,953,953)
Non-instructional	1,085,928	47,972	1,087,410	-	49,454
Pension expense	1,871,664	-	-	-	(1,871,664)
OPEB expense	75,985	-	-	-	(75,985)
Interest on long-term liabilities	158,683	-	-	-	(158,683)
Total Governmental Activities	\$ 14,344,897	\$ 346,416	\$ 3,804,560	\$ -	\$ (10,193,921)

**General Revenues:**

**Taxes:**

General purpose levies 3,253,409

Debt purpose levies 413,859

**Unrestricted grants and contributions:**

State 5,360,885

Federal 63,516

Unrestricted investment earnings 32,748

Sixteenth section sources 256,909

**Total General Revenues 9,381,326**

**Change in Net Position (812,595)**

**Net Position - Beginning, as previously reported (14,026,677)**

**Prior Period Adjustments 1,049,712**

**Net Position - Beginning, as restated (12,976,965)**

**Net Position (deficit) - Ending \$ (13,789,560)**

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2019**

	Major Funds				Other	Total
	General	Title I	School Improvement	QSCB	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 761,305	\$	\$	\$	568,254	1,329,559
Cash with fiscal agents				6,424		6,424
Investments				331,000		331,000
Due from other governments	58,468	239,625	139,420		134,276	571,789
Due from other funds	433,636					433,636
Inventories					20,323	20,323
Total assets	\$ 1,253,409	\$ 239,625	\$ 139,420	337,424	\$ 722,853	\$ 2,692,731
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 488,762	\$ 57,767	\$ 37,681	\$	86,349	670,559
Due to other funds		181,858	101,739		147,908	431,505
Unavailable revenue - federal programs					15,944	15,944
Total Liabilities	488,762	239,625	139,420		250,201	1,118,008
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory					20,323	20,323
Advances						-
<b>Restricted:</b>						
Debt service				337,424	40,935	378,359
Capital projects					176,202	176,202
Forestry improvement purposes					63,091	63,091
Grant activities					142,253	142,253
Unemployment benefits					29,848	29,848
<b>Assigned:</b>						
Activity funds	35,634					35,634
<b>Unassigned</b>	729,013					729,013
Total Fund Balances	764,647	-	-	337,424	472,652	1,574,723
Total Liabilities and Fund Balances	\$ 1,253,409	\$ 239,625	\$ 139,420	337,424	\$ 722,853	\$ 2,692,731

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

**QUITMAN 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** \$ 1,574,723

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	\$ 76,602	
Buildings	4,396,713	
Building improvements	4,184,365	
Improvements other than buildings	726,132	
Mobile equipment	2,066,442	
Furniture and equipment	485,236	
Accumulated depreciation	<u>(4,295,584)</u>	7,639,906

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	(17,949,803)	
-----------------------	--------------	--

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	2,533,145	
Deferred inflows of resources related to pensions	<u>(685,170)</u>	(16,101,828)

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

Net OPEB liability	(1,315,760)	
--------------------	-------------	--

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	155,963	
Deferred inflows of resources related to OPEB	<u>(93,751)</u>	(1,253,548)

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	(3,130,000)	
Other bonds payable	(975,000)	
Three mill notes payable	(910,000)	
Installment purchase loan payable	(539,261)	
Compensated absences	(63,653)	
Accrued interest payable	<u>(30,899)</u>	(5,648,813)

**Net Position of governmental activities** **\$ (13,789,560)**

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Exhibit D**

**For the Year Ended June 30, 2019**

	Major Funds					
	General Fund	Title I Fund	School Improvement Fund	QSCB Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 3,463,870			\$ 6,646	\$ 464,917	\$ 3,935,433
State sources	5,284,256				562,451	5,846,707
Federal sources	63,516	\$ 1,006,132	\$ 711,060		1,601,545	3,382,253
Sixteenth section sources	256,909					256,909
Total Revenues	9,068,551	1,006,132	711,060	6,646	- 2,628,913	13,421,302
<b>Expenditures:</b>						
Instruction	4,968,512	356,287	685,378		927,169	6,937,346
Support services	4,351,084	520,963			673,991	5,546,038
Noninstructional services	81,170	89,964			971,704	1,142,838
Debt service:						
Principal	60,275			-	255,000	315,275
Interest	12,325			44,460	122,569	179,354
Other				554	1,940	2,494
Total Expenditures	9,473,366	967,214	685,378	45,014	2,952,373	14,123,345
Excess (Deficiency) of Revenues over (under) Expenditures	(404,815)	38,918	25,682	(38,368)	(323,460)	(702,043)
<b>Other Financing Sources (Uses):</b>						
Bonds and notes issued	599,536					599,536
Payments held by escrow agent				109,000		109,000
Payment to QSCB debt escrow agent				(109,000)		(109,000)
Operating transfers in	133,322			154,015	454,230	741,567
Other financing sources	111,000					111,000
Operating transfers out	(552,232)	(38,918)	(25,682)		(124,735)	(741,567)
Total Other Financing Sources (Uses)	291,626	(38,918)	(25,682)	154,015	329,495	710,536
Net Change in Fund Balances	(113,189)	-	-	115,647	6,035	8,493
<b>Fund Balances:</b>						
July 1, 2018, as previously reported	877,836			221,777	471,063	1,570,676
Prior period adjustments					(5,372)	(5,372)
July 1, 2018, as restated	877,836	-	-	221,777	465,691	1,565,304
Increase (Decrease) in inventory					926	926
June 30, 2019	\$ 764,647	\$ -	\$ -	\$ 337,424	\$ 472,652	\$ 1,574,723

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

**QUITMAN 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** \$ 8,493

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	\$ 607,265	
Depreciation expense	<u>(366,178)</u>	241,087

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. (7,610)

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:

Bonds and notes issued	(599,536)	
Payments of debt principal	315,275	
Accrued interest payable	<u>23,165</u>	(261,096)

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

Pension expense	(1,871,664)	
Contributions subsequent to the measurement date	<u>1,090,755</u>	(780,909)

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	(75,985)	
Contributions subsequent to the measurement date	<u>58,421</u>	(17,564)

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	4,078	
Change in inventory	<u>926</u>	5,004

**Change in Net Position of governmental activities** \$ (812,595)

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2019**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 21,181
Total Assets	<u>\$ 21,181</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 4,570
Due to other funds	2,131
Due to student clubs	14,480
Total Liabilities	<u>\$ 21,181</u>

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

(This page left blank intentionally)

## NOTES TO THE FINANCIAL STATEMENTS

(This page left blank intentionally)

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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

The school district reports the following major governmental funds:

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

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

School Improvement Grant Fund – This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the School Improvement Grants program.

QSCB Fund – This is a debt service fund that accounts for the repayment of the district's 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 District's fiduciary funds include the following:

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.

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

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.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### FIDUCIARY FUNDS

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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

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

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

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

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

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

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

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

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

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

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

**D. Encumbrances**

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

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

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

**Cash and cash equivalents**

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

**Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type of 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.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g., Qualified School Construction Bond sinking fund. The restricted assets represent the unexpended bond and note proceeds.

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 deferred outflows which are presented as a deferred outflow related to pensions and a deferred outflow related to OPEB.

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB.

See Note 16 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.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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. The formal action required is approval in the official board minutes. Currently there is no committed fund balance for this school district.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 3% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## **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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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 \$1,329,559 and \$21,181, 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. As of June 30, 2019, none of the district's bank balance of \$2,310,137 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$6,424.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	N/A	1 to 5	\$ 331,000
Total			<u>\$ 331,000</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:

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

- Level 1 type of investments of \$331,000 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.

### Note 3 – Inter-fund Receivables, Payables and Transfers

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

#### A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Title I Fund	\$ 181,858
	School Improvement Fund	101,739
	Other Governmental Funds	147,908
	Fiduciary Funds	2,131
Total		<u>\$ 433,636</u>

The inter fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenues funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government. Interfund balances also include amounts in agency funds (fiduciary funds) due to the General Fund.

#### B. Inter-fund Transfers

Transfer Out	Transfer In	Amount
Title I fund	General Fund	\$ 38,918
School Improvement fund	General Fund	25,682
Other governmental funds	General Fund	68,722
General fund	QCSB fund	98,001
General fund	Other governmental fund	454,230
Other governmental fund	QCSB fund	56,014
Total		<u>\$ 741,567</u>

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent balance and investment balance, totaling \$6,424 and \$331,000, respectively, of the Quitman County School District Qualified School Construction Bond Fund. In addition, the restricted assets represent the cash, totaling \$37,586 of the Quitman County School District Middle School Gym Debt Fund. Restricted assets also represent the cash totaling \$426 of the Limited Tax Note Debt Fund whose cash is restricted for future debt service requirements.

**Note 5 – Capital Assets**

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

	Balance 7/1/2018	Increase s	Decrease s	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	76,602	\$	\$	\$	76,602
Construction in progress	3,395,582			(3,395,582)	-
Total non-depreciable capital assets	3,472,184	-	-	(3,395,582)	76,602
<u>Depreciable capital assets:</u>					
Buildings	1,151,635			3,245,078	4,396,713
Building improvements	3,120,544			1,063,821	4,184,365
Improvements other than buildings	364,377			361,755	726,132
Mobile equipment	1,543,006	599,536	76,100		2,066,442
Furniture and equipment	459,637	7,729		17,870	485,236
Total depreciable capital assets	6,639,199	607,265	76,100	4,688,524	11,858,888
<u>Less accumulated depreciation for:</u>					
Buildings	921,308	64,902		64,902	1,051,112
Building improvements	1,258,902	134,096		63,484	1,456,482
Improvements other than buildings	122,129	29,045		28,940	180,114
Mobile equipment	1,035,523	126,022	68,490	61,996	1,155,051
Furniture and equipment	422,176	12,113		18,536	452,825
Total accumulated depreciation	3,760,038	366,178	68,490	237,858	4,295,584
Total depreciable capital assets, net	2,879,161	241,087	7,610	4,450,666	7,563,304
Governmental activities capital assets, net	6,351,345	\$ 241,087	\$ 7,610	1,055,084	\$ 7,639,906

Adjustments were made to capital asset beginning balances and accumulated depreciation to properly record construction projects that were completed in prior years.

Depreciation expense was charged to the following governmental functions:

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 3,000
Support services	361,499
Non-instructional	1,679
Total depreciation expense - Governmental activities	<u>\$ 366,178</u>

## Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General obligation bonds payable	\$ 3,360,000	\$	\$ 230,000	\$ 3,130,000	\$ 240,000
B. Three mill notes payable	935,000		25,000	910,000	25,000
C. Installment purchase loans payable	-	599,536	60,275	539,261	50,910
D. Qualified school construction bonds payable	975,000			975,000	
E. Compensated absences payable	67,731		4,078	63,653	3,183
Total	<u>\$ 5,337,731</u>	<u>\$ 599,536</u>	<u>\$ 319,353</u>	<u>\$ 5,617,914</u>	<u>\$ 319,093</u>

### 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
General obligation bonds, Series 2015	2.5-3.25%	4/1/2015	4/2/2030	\$ 4,000,000	\$ 3,130,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 240,000	\$ 85,506	\$ 325,506
2021	245,000	78,906	323,906
2022	255,000	72,475	327,475
2023	265,000	66,100	331,100
2024	275,000	59,475	334,475
2025 – 2029	1,515,000	184,625	1,699,625
2030 – 2034	335,000	10,050	345,050
Total	<u>\$ 3,130,000</u>	<u>\$ 557,137</u>	<u>\$ 3,687,137</u>

This debt will be retired from the G. O. Bond Debt Service Fund.

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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 3.8% of property assessments as of October 1, 2018.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2016	3.0-4.25%	5/16/2016	5/1/2031	\$ 985,000	\$ 910,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 25,000	\$ 29,100	\$ 54,100
2021	25,000	28,038	53,038
2022	25,000	26,975	51,975
2023	25,000	25,912	50,912
2024	30,000	24,850	54,850
2025 – 2029	510,000	93,125	603,125
2030 – 2034	270,000	12,650	282,650
Total	\$ 910,000	\$ 240,650	\$ 1,150,650

This debt will be retired from the Three mill 10/20 years Note Fund.

**C. Installment purchases loans payable**

The school district has entered into Master installment purchases agreement as listed below. Property under these installment purchases agreements are composed of the following:

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master installment purchase agreement No. 3188942	4.56%	8/1/2018	2/1/2028	\$ 599,536	\$ 539,261

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 50,910	\$ 21,690	\$ 72,600
2021	52,958	19,642	72,600
2022	55,088	17,512	72,600
2023	57,304	15,296	72,600
2024	59,608	12,992	72,600
2025 – 2028	263,393	27,007	290,400
Total	\$ 539,261	\$ 114,139	\$ 653,400

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

This debt will be retired from the District Maintenance Fund.

**D. Qualified school construction bonds payable**

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, Series 2013	4.56%	4/15/2013	12/1/2024	\$ 975,000	\$ 975,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$	\$ 44,460	\$ 44,460
2021		44,460	44,460
2022		44,460	44,460
2023		44,460	44,460
2024		44,460	44,460
2025	975,000	44,460	1,019,460
Total	\$ 975,000	\$ 266,760	\$ 1,241,760

The annual sinking bond payments will be paid from the Qualified School Construction Bond Debt Retirement Fund (debt service fund). It is secured with a pledge of Education Enhancement (EEF) Funds for buildings and buses that are to be used for repayment of the bonds. Proceeds of the bonds were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local funds and are payable through December 1, 2024. Annual sinking fund deposits are expected to require all of the district's annual allocation of such state revenues and other local funds to complete the required debt service payments. The total amount remaining to be paid on the bonds is \$975,000. The school district made a sinking fund payment totaling \$109,000 which was required for the current year. Interest payments of \$44,460 were made. Total state Education Enhancement Fund revenue for buildings and buses was \$56,014.

**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.

**Note 7 – Short-Term Financing**

During the fiscal year ended June 30, 2019, the school district participated in the following short-term financing(s) for the purpose of cash flow purposes.

**A. Mississippi School Boards Association (MSBA) cash flow management program.**

Under this program, the school district issued a revenue anticipation note payable, and the

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

proceeds from such issuance were held by the financial institution serving as trustee under the program. The school district made periodic withdrawals from the trustee based on its cash flow needs. A fixed rate of return was earned on the investable note proceeds held by the trustee, and such earnings were used to cover the interest and related issuance costs of the note. Depending upon whether the earnings were more or less than the interest and related issuance costs, the school district received a distribution from or made a payment to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

- B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2019 are as follows:

Description	7/1/2018	Additions	Reductions	Balance 6/30/2019
1. Tax Anticipation Note	\$	\$ 706,000	\$ 706,000	\$ -
Total	\$ -	\$ 706,000	\$ 706,000	\$ -

## Note 8 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Three (3) copiers at Quitman Curriculum Office
2. Five (5) copiers at Quitman Middle School
3. Six (6) copiers at Quitman Middle School

Lease expenditures for the year ended June 30, 2019, amounted to \$10,788.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 10,788
2021	6,496
2022	2,100
Total	\$ 19,384

## Note 9 – 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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at [www.pers.ms.gov](http://www.pers.ms.gov).

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

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$1,090,755, \$1,085,415, and \$978,363, 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 \$17,949,803 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 .107917 percent, which was based on a measurement date of June 30, 2018. This was an increase of .011085 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 \$1,871,664. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 72,604	\$ 67,895
Net difference between projected and actual earnings on pension plan investments		322,958
Changes of assumptions	9,503	8,934
Changes in proportion and differences between	1,360,283	285,383

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

District contributions and proportionate share  
of contributions

District contributions subsequent to the measurement date	1,090,755	
Total	\$ <u>2,533,145</u>	\$ <u>685,170</u>

\$1,090,755 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	\$ 400,519
2021	401,597
2022	35,824
2023	-80,722

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

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 23,634,740	\$ 17,949,803	\$ 13,224,870

*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 10 – Other Postemployment Benefits (OPEB)**

### **General Information about the OPEB Plan.**

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

### *Benefits provided.*

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$58,421 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$1,315,760 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 .17009373 percent. This was an increase of .01025629 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$75,985. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,679	\$
Changes of assumptions		93,751
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	94,863	
District contributions subsequent to the measurement date	58,421	
Total	\$ <u>155,963</u>	\$ <u>93,751</u>

\$58,421 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:

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

Year Ending June 30:

2020	\$	-195
2021		-195
2022		-195
2023		-195
2024		1,879
Thereafter		2,692

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

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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

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

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

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

***Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.***

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

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,458,487	\$ 1,315,760	\$ 1,193,010

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,218,829	\$ 1,315,760	\$ 1,425,846

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

## **Note 11 – 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.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

Year Ending June 30	Amount
2020	\$ 71,200
2021	<u>21,700</u>
Total	<u>\$ 92,900</u>

### Note 12 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. To correct asset balance from prior periods	\$ 1,055,084
2. To correct prior year accrual	(5,372)
Total	<u>\$ 1,049,712</u>

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

Fund	Explanation	Amount
Other governmental funds	To correct prior year accrual	\$ (5,372)
	Total	<u>\$ (5,372)</u>

### Note 13 – 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 14 – 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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

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 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 \$44,841.

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 \$ 337,424. 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	\$ 108,000
2021	108,000
2022	108,000
2023	108,000
2024	108,000
2025	108,000
Total	<u>\$ 648,000</u>

### **Note 16 - Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$16,654,382) 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 \$1,090,755 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 \$1,442,390 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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2019

years.

The unrestricted net position amount of (\$16,654,382) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$685,170 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 (\$16,654,382) 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 \$58,421 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 \$97,542 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$16,654,382) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$93,751 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 17 – 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 Quitman County School District evaluated the activity of the district through March 16, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On October 8, 2019, the school district issued a tax anticipation note with Hancock Whitney Bank for \$748,185 at 3.85% with a maturity date of May 1, 2020.

On September 16, 2020, the school district issued a tax anticipation note with First Security Bank for a maximum principal amount of \$2,204,634 at 2.3% with a maturity date of June 1, 2020.

(This page left blank intentionally)

## REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

**QUITMAN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,046,863	\$ 3,435,290	\$ 3,463,870	\$ 388,427	\$ 28,580
State sources	5,206,538	5,289,568	5,284,256	83,030	(5,312)
Federal sources	1,972	4,087	63,516	2,115	59,429
Sixteenth section sources	310,340	256,909	256,909	(53,431)	-
Total Revenues	8,565,713	8,985,854	9,068,551	420,141	82,697
<b>Expenditures:</b>					
Instruction	4,628,663	4,936,088	4,968,512	(307,425)	(32,424)
Support services	3,830,575	3,753,829	4,351,084	76,746	(597,255)
Noninstructional services	59,364	83,467	81,170	(24,103)	2,297
Debt service:					
Principal			60,275	-	(60,275)
Interest		14,586	12,325	(14,586)	2,261
Total Expenditures	8,518,602	8,787,970	9,473,366	(269,368)	(685,396)
Excess (Deficiency) of Revenues over (under) Expenditures	47,111	197,884	(404,815)	150,773	(602,699)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued			599,536	-	599,536
Operating transfers in	1,718,794	1,376,649	133,322	(342,145)	(1,243,327)
Other financing sources			111,000	-	111,000
Operating transfers out	(2,257,595)	(1,795,559)	(552,232)	462,036	1,243,327
Total Other Financing Sources (Uses)	(538,801)	(418,910)	291,626	119,891	710,536
Net Change in Fund Balances	(491,690)	(221,026)	(113,189)	270,664	107,837
<b>Fund Balances:</b>					
July 1, 2018	909,700	859,844	877,836	(49,856)	17,992
June 30, 2019	\$ 418,010	\$ 638,818	\$ 764,647	\$ 220,808	\$ 125,829

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I Fund**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original	Final
				to Final	to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,096,974	\$ 1,164,251	\$ 1,006,132	\$ 67,277	\$ (158,119)
Total Revenues	1,096,974	1,164,251	1,006,132	67,277	(158,119)
<b>Expenditures:</b>					
Instruction	356,717	439,416	356,287	(82,699)	83,129
Support services	624,284	576,493	520,963	47,791	55,530
Noninstructional services	65,973	108,342	89,964	(42,369)	18,378
Total Expenditures	1,046,974	1,124,251	967,214	(77,277)	157,037
Excess (Deficiency) of Revenues over (under) Expenditures					
	50,000	40,000	38,918	(10,000)	(1,082)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(50,000)	(40,000)	(38,918)	10,000	1,082
Total Other Financing Sources (Uses)	(50,000)	(40,000)	(38,918)	10,000	1,082
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 statement.

**QUITMAN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**School Improvement Fund**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 810,259	\$ 923,349	\$ 711,060	\$ 113,090	\$ (212,289)
Total Revenues	810,259	923,349	711,060	113,090	(212,289)
<b>Expenditures:</b>					
Instruction	779,076	890,616	685,378	(111,540)	205,238
Total Expenditures	779,076	890,616	685,378	(111,540)	205,238
Excess (Deficiency) of Revenues over (under) Expenditures	31,183	32,733	25,682	1,550	(7,051)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(31,183)	(32,733)	(25,682)	(1,550)	7,051
Total Other Financing Sources (Uses)	(31,183)	(32,733)	(25,682)	(1,550)	7,051
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 statement.

**Quitman 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	0.107917%	0.096832%	0.097244%	0.108979%	0.100609%
District's proportionate share of the net pension liability	\$ 17,949,803	16,096,767	17,370,208	16,846,005	12,212,091
District's covered payroll	6,891,524	6,211,829	6,221,327	6,808,375	6,147,702
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.20%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

**Quitman County School District**  
**Required Supplementary Information**

Schedule of District Contributions

PERS

Last 10 Fiscal Years

		2019	2018	2017	2016	2015
Contractually required contribution	\$	1,090,755	1,085,415	978,363	979,859	1,072,319
Contributions in relation to the contractually required contribution		1,090,755	1,085,415	978,363	979,859	1,072,319
Contribution deficiency (excess)	\$	-	-	-	-	-
District's covered payroll		6,925,429	6,891,524	6,211,829	6,221,327	6,808,375
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%	15.75%

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

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

**Quitman 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	0.17009373%	0.15983744%
District's proportionate share of the net OPEB liability	\$ 1,315,760	1,254,099
District's covered - employee payroll	6,891,524	7,181,057
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	19.09%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

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

**Quitman County School District**  
**Required Supplementary Information**  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years\*

	2019	2018
Actuarially determined contribution	\$ 58,421	\$ 53,464
Contributions in relation to the actuarially determined contribution	58,421	53,464
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	6,925,429	4,494,756
Contributions as a percentage of covered - employee payroll	0.84%	1.19%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR 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.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR 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:

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2019

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

## SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

**QUITMAN 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
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 260,350
National school lunch program	10.555	195MS326N1099	570,973
National school lunch program - donated commodities	10.555	195MS326N1099	66,802
Summer food service program for children	10.559	195MS326N1099	10,566
Total child nutrition cluster			<u>908,691</u>
Total passed-through Mississippi Department of Education			<u>908,691</u>
<b>Total U.S. Department of Agriculture</b>			<u><u>908,691</u></u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A160024	9,911
Title I grants to local educational agencies	84.010	ES010A170024	59,187
Title I grants to local educational agencies	84.010	ES010A180024	937,035
Career and technical education - basic grants to states	84.048	V048A180024	23,392
Twenty-First Century Community Learning Centers	84.287	ES287C180024	155,756
Rural education	84.358	ES358B160024	
Rural education	84.358	ES358B170024	19,242
Rural education	84.358	ES358B180024	5,758
Supporting effective instruction state grants	84.367	ES367A160023	22,919
Supporting effective instruction state grants	84.367	ES367A170023	49,190
Supporting effective instruction state grants	84.367	ES367A180023	71,414
School Improvement Grants	84.377	ES377A150025	711,060
Student support and academic enrichment	84.424	ES424A180025	27,547
Subtotal			<u>2,092,411</u>
Special education cluster:			
Special education - grants to states	84.027	H027A160108	11,077
Special education - grants to states	84.027	H027A170108	15,396
Special education - grants to states	84.027	H027A180108	283,472
Special education - preschool grants	84.173	H173A160113	1,060
Special education - preschool grants	84.173	H173A170113	1,118
Special education - preschool grants	84.173	H173A180113	9,768
Total special education cluster			<u>321,891</u>
Total passed-through Mississippi Department of Education			<u>2,414,302</u>
<b>Total U.S. Department of Education</b>			<u><u>2,414,302</u></u>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	5,354
Total passed-through Mississippi Department of Education			<u>5,354</u>
<b>Total Department of Health and Human Services</b>			<u><u>5,354</u></u>
<b><u>U. S. Department of Social Security</u></b>			
Direct Program:			
Social security disability insurance	96.001	04-19-04MSD100	406
<b>Total Department of Social Security</b>			<u><u>406</u></u>
<b>Total for All Federal Awards</b>			<u><u>\$ 3,328,753</u></u>

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

**QUITMAN 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	\$ 10,001,046	7,240,330	738,959	684,322	1,337,435
Other	4,122,299	1,006,929	352,331	57,611	2,705,428
Total	<u>\$ 14,123,345</u>	<u>8,247,259</u>	<u>1,091,290</u>	<u>741,933</u>	<u>4,042,863</u>
Total number of students *	<u>918</u>				
Cost per student	<u>\$ 15,385</u>	<u>8,984</u>	<u>1,189</u>	<u>808</u>	<u>4,404</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

QUITMAN 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 Quitman 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 Quitman County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Quitman County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements. 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 Quitman County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

(This page left blank intentionally)

## OTHER INFORMATION

(This page left blank intentionally)

**QUITMAN COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 3,463,870	3,240,181	2,997,981	2,311,596
State sources	5,284,256	5,381,328	5,665,460	6,250,311
Federal sources	63,516	3,969	43,365	1,090
Sixteenth section sources	256,909	258,390	286,945	356,924
Total Revenues	9,068,551	8,883,868	8,993,751	8,919,921
<b>Expenditures:</b>				
Instruction	4,968,512	4,697,571	4,528,243	4,199,301
Support services	4,351,084	4,175,815	3,917,469	3,695,296
Noninstructional	81,170	114,602	87,036	103,218
Debt service:				
Principal	60,275			
Interest	12,325			
Total Expenditures	9,473,366	8,987,988	8,532,748	7,997,815
Excess (Deficiency) of Revenues over (under) Expenditures	(404,815)	(104,120)	461,003	922,106
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries				
Bond and notes issued	599,536			
Other financing sources	111,000			
Operating transfers in	133,322	292,926	88,918	36,500
Operating transfers out	(552,232)	(1,275,295)	(840,881)	(517,036)
Total Other Financing Sources (Uses)	291,626	(982,369)	(751,963)	(480,536)
Net Change in Fund Balances	(113,189)	(1,086,489)	(290,960)	441,570
<b>Fund Balances:</b>				
Beginning of period, as previously reported	877,836	1,924,112	2,366,474	1,928,408
Prior period adjustments		40,213	(151,402)	(3,504)
Beginning of period, as restated	877,836	1,964,325	2,215,072	1,924,904
End of Period	\$ 764,647	877,836	1,924,112	2,366,474

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**QUITMAN 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*
<b>Revenues:</b>				
Local sources	\$ 3,935,433	3,697,943	3,500,781	2,721,963
State sources	5,846,707	5,963,782	6,224,776	6,856,868
Federal sources	3,382,253	3,410,555	2,837,256	2,889,908
Sixteenth section sources	256,909	258,390	286,945	356,924
Total Revenues	13,421,302	13,330,670	12,849,758	12,825,663
<b>Expenditures:</b>				
Instruction	6,937,346	6,581,019	5,931,237	5,833,480
Support services	5,546,038	5,857,011	6,356,566	5,219,079
Noninstructional services	1,142,838	1,110,640	1,101,585	1,051,127
Sixteenth section		530,673		
Facilities acquisition and construction	0	0	1,725,230	1,463,656
Debt service:				
Principal	315,275	245,000	240,000	358,000
Interest	179,354	174,631	180,948	163,367
Other	2,494	34	500	1,290
Total Expenditures	14,123,345	14,499,008	15,536,066	14,089,999
Excess (Deficiency) of Revenues over (under) Expenditures	(702,043)	(1,168,338)	(2,686,308)	(1,264,336)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes Issued	599,536			985,000
Payments held for QSCB escrow agent	109,000	109,000	109,000	
Payments to QSCB debt escrow agent	(109,000)	(109,000)	(109,000)	
Sale of other property				
Operating transfers in	741,567	1,568,221	929,799	657,685
Other financing sources	111,000			
Operating transfers out	(741,567)	(1,568,221)	(929,799)	(657,685)
Total Other Financing Sources (Uses)	710,536	0	0	985,000
Net Change in Fund Balances	8,493	(1,168,338)	(2,686,308)	(279,336)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,570,676	3,243,700	6,075,362	6,390,341
Prior period adjustments	(5,372)	(504,476)	(151,402)	(35,593)
Beginning of period, as restated	1,565,304	2,739,224	5,923,960	6,354,748
Increase (Decrease) in reserve for inventory	926	(210)	6,048	(50)
End of Period	\$ 1,574,723	1,570,676	3,243,700	6,075,362

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

**L. Reeves CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT  
305 PARK RIDGE DRIVE  
BRANDON, MS 39042  
601-624-0777

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Superintendent and School Board  
Quitman 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 Quitman County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Quitman County School District's basic financial statements, and have issued our report thereon dated March 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 and 2019-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-003 and 2019-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Quitman 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.

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

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

### **Purpose of this Report**

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

A handwritten signature in blue ink, appearing to read "L. Reeves".

L. Reeves, CPA, PLLC  
Brandon, Mississippi  
March 16, 2021

**L. Reeves CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT  
305 PARK RIDGE DRIVE  
BRANDON, MS 39042  
601-624-0777

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on  
Internal Control Over Compliance Required by the Uniform Guidance**

Superintendent and School Board  
Quitman County School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Quitman County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) 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 Quitman County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

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

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

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.



L. Reeves, CPA, PLLC  
Brandon, Mississippi  
March 16, 2021

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

(This page left blank intentionally)

# L. Reeves CPA, PLLC

CERTIFIED PUBLIC ACCOUNTANT

305 PARK RIDGE DRIVE

BRANDON, MS 39042

601-624-0777

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

Superintendent and School Board  
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2019, which collectively comprise Quitman County School District's basic financial statements and have issued our report thereon dated March 16, 2021. 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 the following instance of noncompliance. The noncompliance is reported in finding number SL-001 below.

### FINDING SL-001

#### Criteria:

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."

#### Condition:

During our test of classroom supply funds, we noted three (3) instances in which the district could not provide evidence that the eligible employee had received a EEF card or signed a card holder agreement.

#### Recommendation:

The district should implement procedures to ensure that all eligible employees are issued their EEF classroom supply cards. Evidence of receipt of card and agreement to abide by the cardholder agreement should be maintained by the district and available for audit.

#### Response:

The district will establish and adhere to a sound system of internal controls ensuring EEF cards issuances, receipts and card holder agreements are accurately recorded and maintained.

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 the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number SL-002 below.

#### FINDING SL-002

Criteria:

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.

Condition:

During our testwork we noted that the district recorded the first installment on the installment purchase notes payable as a expenditure for capital assets instead of a debt principal and interest payment.

Cause:

Procedures need to be implemented and followed to ensure compliance with state laws.

Recommendation:

The school district should implement policies and or procedures to ensure that expenditures are coded to the proper function.

Response:

The district will establish and adhere to a sound system of internal controls ensuring capital assets and their related principal and interest payments are accurately recorded.

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.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Quitman County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.



L. Reeves, CPA, PLLC  
Brandon, MS  
March 16, 2021

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

QUITMAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
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?       | Yes        |
| b.   | Significant deficiency(ies) identified? | Yes        |
| 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> |
|   | 10.553, 10,555 & 10.559                 | Child Nutrition Cluster                   |
|   | 84.377                                  | School Improvement Grants                 |
| 8. Dollar threshold used to distinguish between type A and type B programs:   |   |   |
|   |   | \$750,000                                 |
| 9. Auditee qualified as low-risk auditee?   |   |   |
|   |   | No  |
| 10. Prior fiscal year audit 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). |   |   |
|   |   | Yes                                       |

QUITMAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED JUNE 30, 2019

Section II: Financial Statement Findings

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

**Material Weakness**

Finding 2019-001 (Repeat Finding 2018-001)

Criteria:

The district is charged with the responsibility of designing and implementing a system of internal controls surrounding non-payroll expenditures and related liabilities that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an acceptably low level.

Condition:

The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement.

We performed detailed testing on ninety (90) non-payroll expenditure transactions. Our testing detected the following:

- Forty-one (41) instances were noted in which payment was made without receiving documentation of receipt of the goods or services.
- One (1) purchase order for \$5,190 was stamped with the superintendent's signature although district policy only permits the accounts payable clerk process purchase orders and affix the superintendent's signature on purchase orders \$500 and below.
- The accounts payable clerk was functioning as a purchasing agent however was not designated as a purchasing agent by the school board policy.

Cause:

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

Effect:

There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded. This risk further increases the likelihood that the financial statement information will not be complete and that a proper cut-off at the end of the fiscal year will not be made.

Recommendation:

We recommend the district develop a system of sound internal controls surrounding the cycle of non- payroll expenditures and related liabilities and begin steps to implement the system of controls.

Views of responsible officials:

See the Auditee's Corrective Action Plan for the District's response to this finding.

QUITMAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED JUNE 30, 2019

**Material Weakness**

Finding 2019-002

Criteria:

Management is responsible for the properly recording of transactions in the financial statements. Condition: The district failed to record the \$599,536 proceeds of installment purchases loans payable and the related capital assets purchased with the proceeds (seven buses) in the financial records.

Cause:

This is a failure of accounting controls in recording debt transactions.

Effect:

Failure to record debt issuances in the financial records could result in a material misstatement of debt proceeds and expenditures for capital assets. As a result, proposed adjustments were made during the audit to properly record debt issuances and related expenditures for capital assets.

Recommendation:

Accounting controls should be enhanced to ensure that all debt transactions are properly record in the district's financial records.

Views of responsible officials:

See the Auditee's Corrective Action Plan for the District's response to this finding.

**Significant Deficiency**

Finding 2019-003

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records. An important aspect of effective internal controls over capital assets owned by the district is the control activity of the timely update of capital assets records to the subsidiary ledger. The district should have a monthly reconciliation of additions and deletions to maintain accurate accounts of all assets. The district should do an annual inventory audit on assets district wide to make sure all assets are accounted for, in the proper location, properly tagged, and agree to the accounting records.

Condition:

During our test of internal controls over fixed assets we found that four buses were recorded in the capital asset records for the wrong amount.

Cause:

A lack of appropriate controls to ensure all capital assets are properly recorded. Effect:

This caused the district to misstate the capital asset balances at year end. As a result, proposed adjustments were made during the audit to properly present the capital asset balances.

**Recommendation:**

The district should implement procedures and internal controls with regard to the purchase and recording of capital assets by reconciling them monthly to current month additions.

**Views of responsible officials:**

See the Auditee's Corrective Action Plan for the District's response to this finding.

**Significant Deficiency**

Finding 2019-004 (Repeat 2018-002)

**Criteria:**

An effective system of internal control requires the bank reconciliations to be prepared in a timely manner.  
Condition:

We found that bank reconciliations were not performed until May 2020.

**Cause:**

This is the result of the lack of improper internal controls to ensure bank reconciliations are completed in a timely manner.

**Effect:**

Untimely bank reconciliations could result in not accurately reporting the financial condition of the district.

**Recommendation:**

We recommend the district implement policies and procedures to ensure all bank reconciliations are performed in a timely manner.

**Views of responsible officials:**

See the Auditee's Corrective Action Plan for the District's response to this finding.

Section III: Federal Award Findings and Questioned Costs

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



**Dr. Evelyn W. Jossell • Superintendent of Education**

**Quitman County Central Office:** Pauline Jones, Executive Assistant • Marilyn Autman, Accounts Payable  
• Miron Thompson, Business Manager • Sharan Farmer, Payroll/Insurance

P. O. Drawer E • Marks, MS 38646 • 662-326-5451 • Fax: 662-326-3694 • qcschools.com

#### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards

(UG), the Quitman County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2019:

- |          |  |
|----------|--|
| 2019-001 | <p>A. Name of Contact Person Responsible for Corrective Action</p> <p style="padding-left: 40px;">Name: Miron Thompson/Dorothy Smith</p> <p style="padding-left: 40px;">Title: Business Manager/Assistant Business Manager</p> <p>B. Corrective Action Planned:</p> <p style="padding-left: 40px;">The district will develop and implement a system of sound internal controls surrounding non payroll expenditures and related liabilities. In absence of packing slips, written documentation will be required as verification for goods/services. Additionally, an approved School Board secondary purchase agent will be designated.</p> <p>C. Anticipated Completion Date: 06/30/2021</p> |
| 2019-002 | <p>A. Name of Contact Person Responsible for Corrective Action</p> <p style="padding-left: 40px;">Name: Miron Thompson/Dorothy Smith</p> <p style="padding-left: 40px;">Title: Business Manager/Assistant Business Manager</p> <p>B. Corrective Action Planned:</p> <p style="padding-left: 40px;">Financial management controls will be enhanced to establish accurate reporting for capital asset and their associated liabilities.</p> <p>C. Anticipated Completion Date: 06/30/2021</p>  |
| 2019-003 | <p>A. Name of Contact Person Responsible for Corrective Action</p> <p style="padding-left: 40px;">Name: Miron Thompson/Dorothy Smith/Dwight Barfield</p> <p style="padding-left: 40px;">Title: Business Manager/Assistant Business Manager/Inventory Control</p>   |

- B. Corrective Action Planned:
- Financial management controls will be enhanced to establish accurate reporting for capital asset and their associated liabilities. Physical fiscal year close inventory procedures will be developed to ensure accountability and to safe guard assets.
- C. Anticipated Completion Date: 06/30/2021

2019-004

- A. Name of Contact Person Responsible for Corrective Action
- Name: Miron Thompson/Dorothy Smith
- Title: Business Manager/Assistant Business Manager
- B. Corrective Action Planned:
- Policies and procedures will be implemented to ensure all bank reconciliations are performed in a timely manner.
- C. Anticipated Completion Date: 06/30/2021



**Dr. Evelyn W. Jossell • Superintendent of Education**

---

**Quitman County Central Office:** Pauline Jones, Executive Assistant • Marilyn Autman, Accounts Payable  
• Miron Thompson, Business Manager • Sharan Farmer, Payroll/Insurance

P. O. Drawer E • Marks, MS 38646 • 662-326-5451 • Fax: 662-326-3694 • qcschools.com

#### SUMMARY OF PRIOR AUDIT FINDINGS

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

Finding	Status
2017-001	Repeat finding 2018-001 – Repeat finding 2019-001
2018-002	Repeat finding 2019-004
2018-003	Corrected