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

QUITMAN SCHOOL DISTRICT
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	19
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	21
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	25
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position	29
Exhibit F - Statement of Changes in Fiduciary Net Position	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	59
Budgetary Comparison Schedule - Title I Fund	61
Budgetary Comparison Schedule - IDEA Part B Fund	63
Schedule of the District's Proportionate Share of the Net Pension Liability	65
Schedule of District Contributions (PERS)	67
Schedule of the District's Proportionate Share of the Net OPEB Liability	69
Schedule of District Contributions (OPEB)	71
Notes to the Required Supplementary Information	73
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	79
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	81
Notes to the Supplementary Information	83
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	87
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	89
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	95
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	99
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	103
AUDITEE'S CORRECTIVE ACTION PLAN	105

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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Quitman 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 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 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 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.

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BRANDON, MISSISSIPPI 39043
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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, 59-63, 65-67, and 69-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

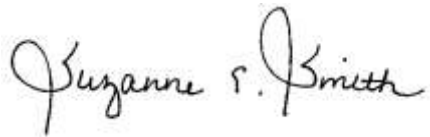
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quitman School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the Quitman 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 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 School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suzanne E. Smith". The signature is written in dark ink and is positioned above the printed name and date.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
November 21, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Quitman 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 \$1,132,946, including a prior period adjustment of (\$136,304), which represents a 45% increase from fiscal year 2018. Total net position for 2018 decreased \$1,879,813, including a prior period adjustment of (\$1,847,877), which represents a 291% decrease from fiscal year 2017.
- General revenues amounted to \$15,791,672 and \$15,599,558, or 79% and 82% 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 \$4,176,096, or 21% of total revenues for 2019, and \$3,527,826, or 18% of total revenues for 2018.
- The District had \$18,698,518 and \$19,159,320 in expenses for fiscal years 2019 and 2018; only \$4,176,096 for 2019 and \$3,527,826 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,791,672 for 2019 were adequate to provide for these programs, while general revenues of \$15,599,558 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,764,632 in revenues and \$13,760,472 in expenditures for 2019, and \$14,938,371 in revenues and \$13,616,363 in expenditures in 2018. The General Fund's fund balance increased by \$332,647, including a prior period adjustment of (\$88,819), from 2018 to 2019, and increased by \$778,844 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$587,373 for 2019 and decreased by \$460,558 for 2018. The decrease for 2019 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$334,234 for 2019 and decreased by \$305,627 for 2018. This decrease for 2019 was due primarily to payments on outstanding debt. The liability for compensated absences decreased by \$19,234 for 2019 and decreased by \$627 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 SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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 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 \$1,393,253 as of June 30, 2019.

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

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 7,880,049	\$ 7,427,205	6.10 %
Restricted assets	9,451,690	8,142,305	16.08 %
Capital assets, net	12,290,001	12,877,374	-4.56 %
Total assets	29,621,740	28,446,884	4.13 %
 Deferred outflows of resources	 1,771,448	 2,718,899	 -34.85 %
Current liabilities	357,196	241,954	47.63 %
Long-term debt outstanding	4,250,636	4,584,870	-7.29 %
Net pension liability	24,577,544	25,005,408	-1.71 %
Net OPEB liability	1,687,391	1,747,998	-3.47 %
Total liabilities	30,872,767	31,580,230	-2.24 %
 Deferred inflows of resources	 1,913,674	 2,111,752	 -9.38 %
 Net position:			
Net investment in capital assets	8,220,257	8,499,537	-3.29 %
Restricted	10,126,569	8,818,302	14.84 %
Unrestricted	(19,740,079)	(19,844,038)	0.52 %
Total net position	\$ (1,393,253)	\$ (2,526,199)	44.85 %

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)	(\$19,740,079)
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	26,462,417
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 6,722,338</u>

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

- Decrease in net capital assets in the amount of \$587,373.
- The principal retirement of \$315,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$19,967,768 and \$19,127,384, respectively. The total cost of all programs and services was \$18,698,518 for 2019 and \$19,159,320 for 2018.

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

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

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 337,650	298,056	13.28 %
Operating grants and contributions	3,757,241	3,229,770	16.33 %
Capital Grants and Contributions	81,205	-	N/A %
General revenues:			
Property taxes	5,438,536	5,320,608	2.22 %
Grants and contributions not restricted	8,436,926	8,836,483	(4.52) %
Investment earnings	510,646	160,153	218.85 %
Sixteenth section sources	1,053,146	912,362	15.43 %
Other	352,418	369,952	(4.74) %
Total revenues	<u>19,967,768</u>	<u>19,127,384</u>	4.39 %
Expenses:			
Instruction	8,164,197	7,892,620	3.44 %
Support services	7,282,242	6,938,854	4.95 %
Non-instructional	1,176,958	1,218,940	(3.44) %
Sixteenth section	78,182	147,948	(47.16) %
Pension expense	1,776,661	2,722,794	(34.75) %
OPEB expense	61,985	72,513	(14.52) %
Interest on long-term liabilities	158,293	165,651	(4.44) %
Total expenses	<u>18,698,518</u>	<u>19,159,320</u>	(2.41) %
Increase (Decrease) in net position	<u>1,269,250</u>	<u>(31,936)</u>	4,074.35 %
Net Position, July 1, as previously reported	<u>(2,526,199)</u>	<u>(646,386)</u>	(290.82) %
Prior Period Adjustment	<u>(136,304)</u>	<u>(1,847,877)</u>	92.62 %
Net Position, July 1, as restated	<u>(2,662,503)</u>	<u>(2,494,263)</u>	(6.75) %
Net Position, June 30	<u><u>\$ (1,393,253)</u></u>	<u><u>(2,526,199)</u></u>	44.85 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 8,164,197	\$ 7,892,620	3.44 %
Support services	7,282,242	6,938,854	4.95 %
Non-instructional	1,176,958	1,218,940	(3.44) %
Sixteenth section	78,182	147,948	(47.16) %
Pension Expense	1,776,661	2,722,794	(34.75) %
OPEB Expense	61,985	72,513	(14.52) %
Interest on long-term liabilities	158,293	165,651	(4.44) %
Total expenses	\$ 18,698,518	\$ 19,159,320	(2.41) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (6,613,493)	\$ (6,599,468)	(0.21) %
Support services	(6,027,365)	(4,925,348)	(22.37) %
Non-instructional	112,680	(1,033,857)	110.90 %
Sixteenth section	(69,176)	(111,863)	38.16 %
Pension Expense	(1,776,661)	(2,722,794)	34.75 %
OPEB Expense	(61,985)	(72,513)	14.52 %
Interest on long-term liabilities	(86,422)	(165,651)	47.83 %
Total net (expense) revenue	\$ (14,522,422)	\$ (15,631,494)	7.10 %

- Net cost of governmental activities [(\$14,522,422) for 2019 and (\$15,631,494) for 2018] was financed by general revenue, which is primarily made up of property taxes (\$5,438,536 for 2019 and \$5,320,608 for 2018) and state and federal revenues (\$8,436,926 for 2019 and \$8,836,483 for 2018). In addition, there was \$1,053,146 and \$912,362 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$510,646 for 2019 and \$160,153 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.

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

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 \$17,057,912, an increase of \$1,645,596, which includes a prior period adjustment of (\$88,819) and an increase in inventory of \$524. \$5,780,598 or 34% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$11,277,314 or 66% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$332,647, which includes a prior period adjustment of (\$88,819). The fund balance of Other Governmental Funds showed an increase in the amount of \$81,659, which includes an increase in reserve for inventory of \$524. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No change
IDEA Part B Fund	No change
16th Section Principal Fund	\$ 1,231,290

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds 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 \$27,876,632, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$18,026 from 2018. Total accumulated depreciation as of June 30, 2019, was \$15,586,631, and total depreciation expense for the year was \$693,172, resulting in total net capital assets of \$12,290,001.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 174,918	\$ 174,918	0.00 %
Buildings	6,034,990	6,251,716	(3.47) %
Building improvements	3,799,365	3,974,810	(4.41) %
Improvements other than buildings	989,859	1,047,782	(5.53) %
Mobile equipment	1,126,799	1,299,380	(13.28) %
Furniture and equipment	164,070	128,768	27.42 %
Total	\$ 12,290,001	\$ 12,877,374	(4.56) %

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

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

Debt Administration. At June 30, 2019, the District had \$4,250,636 in outstanding long-term debt, including the liability for compensated absences, of which \$329,423 is due within one year. The liability for compensated absences decreased \$19,234 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Limited tax refunding notes	\$ 1,685,000	\$ 1,915,000	(12.01) %
General obligation certificates of participation	940,000	1,025,000	(8.29) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	125,636	144,870	(13.28) %
Total	<u>\$ 4,250,636</u>	<u>\$ 4,584,870</u>	<u>(7.29) %</u>

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

CURRENT ISSUES

The Quitman School District is financially stable. The District is proud of its community support of the public schools. The district has committed itself to financial excellence for many years. The District plans to continue its sound financial management to meet the challenges and to embrace the opportunities of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Quitman School District, 104 East Franklin Street, Quitman, MS 39355.

FINANCIAL STATEMENTS

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QUITMAN SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,779,435
Cash with fiscal agents	86
Investments	606,752
Accrued interest	1,949
Due from other governments	1,243,775
Other receivables, net	221,467
Inventories	20,708
Prepaid items	5,877
Restricted assets	9,451,690
Capital assets, net of accumulated depreciation	12,290,001
Total Assets	<u>29,621,740</u>
Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	55,256
Deferred outflows - pensions	1,638,202
Deferred outflows - OPEB	77,990
Total deferred outflows of resources	<u>1,771,448</u>
Liabilities	
Accounts payable and accrued liabilities	250,792
Interest payable on long-term liabilities	83,369
Unearned revenue	23,035
Long-term liabilities, due within one year:	
Capital related liabilities	320,000
Non-capital related liabilities	9,423
Net OPEB liability	74,554
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,805,000
Non-capital related liabilities	116,213
Net pension liability	24,577,544
Net OPEB liability	1,612,837
Total Liabilities	<u>30,872,767</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,694,122
Deferred inflows - OPEB	219,552
Total deferred inflows of resources	<u>1,913,674</u>
Net Position	
Net investment in capital assets	8,220,257
Restricted for:	
Expendable:	
School-based activities	372,139
Debt service	563,285
Forestry improvements	165,029
Unemployment benefits	17,100
Non-expendable:	
Sixteenth section	9,009,016
Unrestricted	(19,740,079)
Total Net Position	<u>\$ (1,393,253)</u>

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

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QUITMAN SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 8,164,197	191,511	1,359,193		(6,613,493)
Support services	7,282,242	450	1,254,427		(6,027,365)
Non-instructional	1,176,958	136,683	1,071,750	81,205	112,680
Sixteenth section	78,182	9,006			(69,176)
Pension expense	1,776,661				(1,776,661)
OPEB expense	61,985				(61,985)
Interest on long-term liabilities	158,293		71,871		(86,422)
Total Governmental Activities	<u>\$ 18,698,518</u>	<u>337,650</u>	<u>3,757,241</u>	<u>81,205</u>	<u>(14,522,422)</u>
General Revenues:					
Taxes:					
General purpose levies					
					5,266,333
Debt purpose levies					
					172,203
Unrestricted grants and contributions:					
State					
					8,402,983
Federal					
					33,943
Unrestricted investment earnings					
					510,646
Sixteenth section sources					
					1,053,146
Other					
					352,418
Total General Revenues					<u>15,791,672</u>
Change in Net Position					<u>1,269,250</u>
Net Position - Beginning, as previously reported					(2,526,199)
Prior Period Adjustments					<u>(136,304)</u>
Net Position - Beginning, as restated					<u>(2,662,503)</u>
Net Position - Ending					<u>\$ (1,393,253)</u>

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

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QUITMAN SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2019

	Major Funds				Other	Total
	General	Title I	IDEA Part B	16th Section	Governmental	Governmental
	Fund	Fund	Fund	Principal Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 5,246,596			3,929,934	533,710	9,710,240
Cash with fiscal agents					552	552
Investments	606,752			4,843,370	655,000	6,105,122
Accrued interest receivable	1,950			15,570	6,479	23,999
Due from other governments	198,363	132,884	685,981		226,547	1,243,775
Due from other funds	968,707					968,707
Other receivables	1,324			220,142		221,466
Prepaid items	5,877					5,877
Inventories					20,708	20,708
Total assets	7,029,569	132,884	685,981	9,009,016	1,442,996	18,300,446
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	92,019	1767	27,843		26,647	148,276
Due to other funds		131,117	644,908		192,682	968,707
Other payables	102,516					102,516
Unearned revenue			13,230		9,805	23,035
Total Liabilities	194,535	132,884	685,981	0	229,134	1,242,534
Fund Balances:						
Nonspendable:						
Prepaid items	5,877					5,877
Inventory					20,708	20,708
Permanent fund principal				9,009,016		9,009,016
Restricted:						
Debt service					646,654	646,654
Forestry improvement purposes					165,029	165,029
Grant activities					345,554	345,554
Unemployment benefits					17,100	17,100
Committed:						
Debt service	863,000					863,000
Assigned:						
Student activities	93,073					93,073
Building improvement	92,486					92,486
Unemployment benefits					18,817	18,817
Unassigned	5,780,598					5,780,598
Total Fund Balances	6,835,034	0	0	9,009,016	1,213,862	17,057,912
Total liabilities and fund balances	\$ 7,029,569	132,884	685,981	9,009,016	1,442,996	18,300,446

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

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QUITMAN 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 \$ 17,057,912

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	\$ 174,918	
Buildings	11,882,062	
Building improvements	8,562,827	
Improvements other than buildings	1,860,780	
Mobile equipment	3,738,056	
Furniture and equipment	1,657,989	
Accumulated depreciation	<u>(15,586,631)</u>	12,290,001

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	(24,577,544)	
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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	1,638,202	
Deferred inflows of resources related to pensions	<u>(1,694,122)</u>	(24,633,464)

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	(1,687,391)	
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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	77,990	
Deferred inflows of resources related to OPEB	<u>(219,552)</u>	(1,828,953)

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:

Limited tax refunding bonds	(1,685,000)	
Deferred outflow from advance refunding of debt	55,256	
General obligation certificates of participation	(940,000)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(125,636)	
Accrued interest payable	<u>(83,369)</u>	(4,278,749)

Net Position of governmental activities		<u>\$ (1,393,253)</u>
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The notes to the financial statements are an integral part of this statement.

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QUITMAN SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2019

	Major Funds				Other	Total
	General Fund	Title I Fund	IDEA Part B Fund	16th Section Principal Fund	Governmental Funds	Governmental Funds
Revenues:						
Local sources	\$ 5,898,258				337,592	6,235,850
State sources	8,622,249				570,110	9,192,359
Federal sources	73,896	779,214	470,635		1,757,087	3,080,832
Sixteenth section sources	170,229			1,263,764	22,553	1,456,546
Total Revenues	14,764,632	779,214	470,635	1,263,764	2,687,342	19,965,587
Expenditures:						
Instruction	7,490,626	554,041	180,823		822,952	9,048,442
Support services	6,179,709	159,163	274,021		678,788	7,291,681
Noninstructional services		71,027			1,219,432	1,290,459
Sixteenth section	40,716			23,874	13,592	78,182
Facilities acquisition and construction	49,421					49,421
Debt service:						
Principal					315,000	315,000
Interest					152,777	152,777
Other					5,734	5,734
Total Expenditures	13,760,472	784,231	454,844	23,874	3,208,275	18,231,696
Excess (Deficiency) of Revenues over (under) Expenditures	1,004,160	(5,017)	15,791	1,239,890	(520,933)	1,733,891
Other Financing Sources (Uses):						
Payments held by escrow agent					89,000	89,000
Operating transfers in	73,993	5,017			651,670	730,680
Payments to QSCB debt escrow agent					(89,000)	(89,000)
Operating transfers out	(656,687)		(15,791)	(8,600)	(49,602)	(730,680)
Total Other Financing Sources (Uses)	(582,694)	5,017	(15,791)	(8,600)	602,068	0
Net Change in Fund Balances	421,466	0	0	1,231,290	81,135	1,733,891
Fund Balances:						
July 1, 2018, as previously stated	6,502,387	0	0	7,777,726	1,132,203	15,412,316
Prior period adjustments	(88,819)					(88,819)
July 1, 2018, as restated	6,413,568	0	0	7,777,726	1,132,203	15,323,497
Increase (Decrease) in reserve for inventory					524	524
June 30, 2019	\$ 6,835,034	0	0	9,009,016	1,213,862	17,057,912

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

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QUITMAN 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 \$ 1,733,891

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	\$ 153,288	
Depreciation expense	<u>(693,172)</u>	(539,884)

2. 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:

Payments of debt principal	315,000	
Amortization of deferred amount on refunding	(6,907)	
Accrued interest payable	<u>1,391</u>	309,484

3. 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	(1,776,661)	
Contributions subsequent to the measurement date	<u>1,507,912</u>	(268,749)

4. 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	(61,985)	
State contribution to plan	2,181	
Contributions subsequent to the measurement date	<u>74,554</u>	14,750

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

Change in compensated absences	19,234	
Change in inventory reserve	<u>524</u>	19,758

Change in Net Position of governmental activities		<u>\$ 1,269,250</u>
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The notes to the financial statements are an integral part of this statement.

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QUITMAN SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2019

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,027	\$ 446,464
Total Assets	<u>5,027</u>	<u>446,464</u>
Liabilities		
Accounts payable and accrued liabilities		395,793
Due to student clubs		50,671
Total Liabilities	<u>0</u>	<u>\$ 446,464</u>
Net Position		
Reserved for endowments	<u>\$ 5,027</u>	
Total Net Position		

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

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QUITMAN SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position
June 30, 2019

Exhibit F

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	\$ 5,737
Total Assets	<u>5,737</u>
Deductions	
Scholarships awarded	<u>7,250</u>
Total Liabilities	<u>7,250</u>
Change in Net Position	<u>(1,513)</u>
Net Position	
July 1, 2018	<u>6,540</u>
June 30, 2019	<u><u>\$ 5,027</u></u>

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

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QUITMAN 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 (5) member board to which each member is elected by the citizens of each defined county district.

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

Blended component unit

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

The Authority is governed by a five (5) member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 6).

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 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

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

externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I Fund – This special revenue fund accounts for the revenues and associated expenditures of the Title I grant, a federally funded grant received through the State of Mississippi.

IDEA Part B Fund – This special revenue fund accounts for the revenues and associated expenditures of the Special Education grant to states, a federally funded grant received through the State of Mississippi.

16th Section Principal Fund – This permanent fund accounts for the revenues associated with nonexpendable resources derived from 16th Section lands.

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

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

The District's fiduciary funds include the following:

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

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

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

Scholarship Trust Fund – This fund is used to administer trust monies set aside for student scholarships.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

D. Encumbrances

An encumbrance system is 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 fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair value.

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

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.

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

5. Restricted Assets

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

6. Capital Assets

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

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.

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

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.

Deferred outflows – advance refunding of debt

Deferred outflows - pensions

Deferred outflows – postemployment benefits other than pensions (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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows - pensions

Deferred inflows – postemployment benefits other than pensions (OPEB)

See Note 8 (pensions), Note 9 (OPEB), and Note 17 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, Miss. Code Ann. (1972). 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.

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of such a commitment by the school board. The school district committed \$863,000 of its General Fund's fund balance to the retirement of capital debt at June 30, 2019.

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,

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

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 action of the district business manager pursuant to authorization established by school board policy.

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

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

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

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

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

Investments. Sections 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorize 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 \$9,710,240 and \$451,491, 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

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

event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$552.

Investments

As of June 30, 2018, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturity (in years)</u>	<u>Fair Value</u>
Government Cash Reserves	Unrated	Less than 5 years	\$ 184,183
U. S. Treasury Deposits	Unrated	Less than 10 years	\$ 655,000
Asset Backed Federal Securities	Unrated	Less than 5 years	\$ 604,013
	Unrated	Less than 10 years	\$ 897,047
	Unrated	Less than 15 years	\$ 992,178
Corporate Bonds	A	Less than 5 years	\$ 125,283
	AA-	Less than 5 years	\$ 99,943
	A-	Less than 5 years	\$ 99,969
	BBB+	Less than 5 years	\$ 99,576
Municipal Bonds	AA	Less than 5 years	\$ 171,069
	AA-	Less than 5 years	\$ 399,496
	Aaa	Less than 15 years	\$ 17,031
U. S. Treasury/Agency Securities	AA+	Less than 5 years	\$ 1,474,520
	AA+	Less than 10 years	\$ 285,814
Total investments			<u>\$ 6,105,122</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, 2018:

- All investments are valued using quoted market prices (Level 1 inputs)

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

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

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

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

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

Issuer	Fair Value	% of Total Investments
State of Mississippi - Special obligation bonds	\$ 399,496	6.50%

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	\$ 131,117
	IDEA Part B Fund	644,908
	Other governmental funds	192,682
		<u>\$ 968,707</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.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Title I Fund	\$ 5,017
	Other governmental funds	651,670
IDEA Part B Fund	General Fund	15,791
16th Section Principal Fund	General Fund	8,600
Other governmental funds	General Fund	49,602
Total		<u>\$ 730,680</u>

Inter-fund transfers represent transfers of indirect costs from special revenue funds to the General Funds and operational transfers between governmental funds.

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance of \$3,929,934, the investment balance of \$4,843,370, and the accrued interest balance of \$15,570 of the Sixteenth Section Principal Fund (permanent fund) which is legally restricted and may not be used for purposes that support the district's programs.

Restricted assets also include cash balance of \$871, cash with fiscal agents balance of \$466, investment balance of \$655,000, and accrued interest balance of \$6,479 of the QSCB Bond Retirement Fund, which is legally restricted for debt service.

Restricted assets on the Statement of Net Position total \$9,451,690.

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 174,918				174,918
Total non-depreciable capital assets	174,918	-		-	174,918
<u>Depreciable capital assets:</u>					
Buildings	11,936,996			(54,934)	11,882,062
Building improvements	8,561,195	49,421		(47,789)	8,562,827
Improvements other than buildings	1,883,209			(22,429)	1,860,780
Mobile equipment	3,724,757			13,299	3,738,056
Furniture and equipment	1,577,531	103,867		(23,409)	1,657,989
Total depreciable capital assets	27,683,688	153,288		(135,262)	27,701,714
<u>Less accumulated depreciation for:</u>					
Buildings	5,685,280	187,503		(25,711)	5,847,072
Building improvements	4,586,385	206,779		(29,702)	4,763,462
Improvements other than buildings	835,427	61,374		(25,880)	870,921
Mobile equipment	2,425,377	173,911		11,969	2,611,257
Furniture and equipment	1,448,763	63,605		(18,449)	1,493,919
Total accumulated depreciation	14,981,232	693,172		(87,773)	15,586,631
net	12,702,456	(539,884)		(47,489)	12,115,083
Governmental activities capital assets, net	\$ 12,877,374	(539,884)		(47,489)	12,290,001

Depreciation expense was charged to the following governmental functions:

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

	Amount
Governmental activities:	
Instruction	\$ 94,750
Support services	567,531
Non-instructional	30,891
Total depreciation expense - Governmental activities	<u>\$ 693,172</u>

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 30-Jun-19	Amounts due within one year
A. Limited tax refunding notes	\$ 1,915,000		230,000	1,685,000	235,000
B. General obligation certificates of participation	1,025,000		85,000	940,000	85,000
C. Qualified school construction bonds payable	1,500,000			1,500,000	
D. Compensated absences payable	144,870		19,234	125,636	9,423
Total	<u>\$ 4,584,870</u>	-	<u>334,234</u>	<u>4,250,636</u>	<u>329,423</u>

A. Limited tax refunding notes

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, series 2014	1.6 - 2.6%	15-Jul-14	15-Apr-27	\$ 2,635,000	\$ 1,685,000
				<u>\$ 2,635,000</u>	<u>\$ 1,685,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 235,000	36,370	271,370
2021	240,000	32,610	272,610
2022	220,000	28,170	248,170
2023	205,000	23,770	228,770
2024	190,000	19,260	209,260
2025-2027	595,000	30,550	625,550
Total	<u>\$ 1,685,000</u>	<u>\$ 170,730</u>	<u>\$ 1,855,730</u>

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

This debt will be retired from the Three Mill Note Fund (debt service fund). It is secured with a Pledge of Education Enhancement (EEF) funds for buildings and buses that is to be used for repayment of the limited tax refunding notes. Proceeds from the notes 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 ad valorem revenues generated from a special levy to retire this debt and are payable through April 15, 2027. Annual principal and interest payments on the notes are expected to require all of the district's annual allocation of such state revenues and local ad valorem revenues levied to complete the required debt service payments. The total principal and interest payments remaining are \$1,855,730. Total principal and interest paid for the current year and total State Education Enhancement fund revenues for buildings and buses were \$270,970 and \$82,393, respectively.

B. General obligation certificates of participation

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation certificates of participation, series 2014	1.5 - 3.0 %	15-Jul-14	1-Jun-29	\$ 1,340,000	\$ 940,000
				<u>\$ 1,340,000</u>	<u>\$ 940,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 85,000	25,260	110,260
2021	85,000	23,220	108,220
2022	90,000	21,180	111,180
2023	90,000	19,020	109,020
2024	90,000	16,860	106,860
2025-2029	500,000	45,045	545,045
Total	<u>\$ 940,000</u>	<u>\$ 150,585</u>	<u>\$ 1,090,585</u>

This debt will be retired from the Three Mill Loan Fund (debt service fund).

C. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	5.40%	7-Oct-10	1-Aug-25	\$ 1,500,000	\$ 1,500,000
				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ -	81,000	81,000
2021	-	81,000	81,000
2022	-	81,000	81,000
2023	-	81,000	81,000
2024	-	81,000	81,000
2025	1,500,000	81,000	1,581,000
Total	<u>\$ 1,500,000</u>	<u>\$ 486,000</u>	<u>\$ 1,986,000</u>

This debt will be retired from the QSCB Bond Retirement Fund (debt service fund).

D. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

- Eighty-one (81) printers/desktop multi-function devices

Lease expenditures for the year ended June 30, 2019, amounted to \$98,635.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 98,796
2021	<u>98,796</u>
Total	<u>\$ 197,592</u>

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

Note 8– Defined Benefit Pension Plan

General Information about the Pension Plan

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

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 \$1,507,912, \$1,486,189 and \$1,519,834 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 \$24,577,544 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.147764 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.002659 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 \$1,776,661. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,528	\$ 105,471
Net difference between projected and actual earnings on pension plan investments		382,474
Changes of assumptions	14,762	14,828
Changes in proportion and differences between District contributions and proportionate share of contributions		1,191,349
District contributions subsequent to the measurement date	1,507,912	
Total	\$ <u>1,638,202</u>	\$ <u>1,694,122</u>

\$1,507,912 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	\$ (385,550)
2021	(375,274)
2022	(692,481)
2023	(110,527)

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	

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

Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	100	%

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 32,361,572	\$ 24,577,544	\$ 18,107,988

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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

health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$74,554 and \$74,520 for the years ended June 30, 2019 and June 30, 2018, respectively.

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 \$1,687,391 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.21813605 percent. This was a decrease of 0.0046498 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 \$61,985. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,436	\$
Changes of assumptions		120,230
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		99,322
District contributions subsequent to the measurement date	74,554	
Total	\$ 77,990	\$ 219,552

\$74,554 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

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

deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (43,851)
2021	(43,851)
2022	(43,851)
2023	(43,851)
2024	(34,992)
Thereafter	(5,720)

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

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

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

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

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

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

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

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

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

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

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,870,432	\$ 1,687,391	\$ 1,529,971

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	\$ 1,563,082	\$ 1,687,391	\$ 1,828,571

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 10– Sixteenth Section Lands

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

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

Year Ending June 30	Amount
2020	\$ 66,184
2021	66,184
2022	4,761
2023	4,761
2024	4,761
2025 – 2029	23,806
2030 – 2034	22,304
2035 – 2039	30,607
2040 – 2044	1,174
Total	<u>\$ 224,542</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Restatement of a prior period asset/liability	\$ (88,819)
Restatement of a capital asset and depreciation	(47,489)
Restatement of prior period OPEB liability	<u>4</u>
Total	<u>\$ (136,304)</u>

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

Fund	Explanation	Amount
General Fund	Restatement of a prior period asset/liability	\$ (88,819)
Total		<u>\$ (88,819)</u>

Note 12 – Contingencies

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

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

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

Note 13 – 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 \$71,871.

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 \$662,816, which included cash of \$871, cash with fiscal agents of \$466, investments of \$655,000, and accrued interest of \$6,479. 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	\$ 89,000
2021	89,000
2022	115,000
2023	120,000
2024	150,000
2025-2026	300,000
Total	<u>\$ 863,000</u>

Note 14 – Deficit Fund Balance of Individual Funds

The Three Mill Note Fund (debt service fund) has a deficit fund balance in the amount of \$16,412.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

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

Note 15 – Fund Balance Assignments

The amount assigned for unemployment (\$18,817) shown on Exhibit C represents the amount held in the Unemployment Compensation Fund at June 30, 2019, which is above the statutory requirement necessary to fill that fund.

Note 16 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 17 – Effect of Deferred Amounts on Net Position

The net investment in capital assets amount of \$8,220,257 includes the effect of deferring the recognition of expenses resulting from a deferred outflow on advance refunding of capital debt. A portion of the deferred outflow of resources related to refunded debt in the amount of \$55,256 will be recognized as an expense and will decrease the net investment in capital assets over the next seven (7) years.

The unrestricted net position amount of (\$19,740,079) 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 \$1,507,912 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 \$130,290 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$19,740,079) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,694,122 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 (\$19,740,079) 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 \$74,554 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 \$3,436 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 (\$19,740,079) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$219,552 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.

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

Note 18 – 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 School District evaluated the activity of the district through November 21, 2019, and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,941,826	5,944,647	5,898,258	2,821	(46,389)
State sources	8,094,720	8,505,915	8,622,249	411,195	116,334
Federal sources	68,100	68,100	73,896	0	5,796
Sixteenth section sources	173,061	173,061	170,229	0	(2,832)
Total Revenues	14,277,707	14,691,723	14,764,632	414,016	72,909
Expenditures:					
Instruction	7,898,939	8,277,386	7,490,626	(378,447)	786,760
Support services	6,441,951	6,331,037	6,179,709	110,914	151,328
Noninstructional services	0	75,000	0	(75,000)	75,000
Sixteenth section	3,600	5,600	40,716	(2,000)	(35,116)
Facilities acquisition and construction	0	122,282	49,421	(122,282)	72,861
Total Expenditures	14,344,490	14,811,305	13,760,472	(466,815)	1,050,833
Excess (Deficiency) of Revenues over (under) Expenditures	(66,783)	(119,582)	1,004,160	(52,799)	1,123,742
Other Financing Sources (Uses):					
Operating transfers in	2,237,234	2,327,776	73,993	90,542	(2,253,783)
Operating transfers out	(2,799,150)	(2,896,503)	(656,687)	(97,353)	2,239,816
Total Other Financing Sources (Uses)	(561,916)	(568,727)	(582,694)	(6,811)	(13,967)
Net Change in Fund Balances	(628,699)	(688,309)	421,466	(59,610)	1,109,775
Fund Balances:					
July 1, 2018, as previously stated	5,265,549	6,502,387	6,502,387	1,236,838	0
Prior period adjustments	0	0	(88,819)	0	(88,819)
July 1, 2018, as restated	5,265,549	6,502,387	6,413,568	1,236,838	(88,819)
June 30, 2019	\$ 4,636,850	5,814,078	6,835,034	1,177,228	1,020,956

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

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 769,932	769,932	779,214	0	9,282
Total Revenues	769,932	769,932	779,214	0	9,282
Expenditures:					
Instruction	361,137	688,148	554,041	(327,011)	134,107
Support services	312,403	243,978	159,163	68,425	84,815
Sixteenth section	96,392	91,497	71,027	4,895	20,470
Total Expenditures	769,932	1,023,623	784,231	(253,691)	239,392
Excess (Deficiency) of Revenues over (under) Expenditures	0	(253,691)	(5,017)	(253,691)	248,674
Other Financing Sources (Uses):					
Operating transfers in	0	0	5,017	0	5,017
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	5,017	0	5,017
Net Change in Fund Balances	0	(253,691)	0	(253,691)	253,691
Fund Balances:					
July 1, 2018	0	0	0	0	0
June 30, 2019	\$ 0	(253,691)	0	(253,691)	253,691

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

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)		
	Original	Final		Original to Final	Final to Actual	
Revenues:						
Federal sources	\$	447,814	447,814	470,635	0	22,821
Total Revenues		447,814	447,814	470,635	0	22,821
Expenditures:						
Instruction		225,879	227,013	180,823	(1,134)	46,190
Support services		221,935	354,966	274,021	(133,031)	80,945
Total Expenditures		447,814	581,979	454,844	(134,165)	127,135
Excess (Deficiency) of Revenues over (under) Expenditures		0	(134,165)	15,791	(134,165)	149,956
Other Financing Sources (Uses):						
Operating transfers out		0	(15,791)	(15,791)	(15,791)	0
Total Other Financing Sources (Uses)		0	(15,791)	(15,791)	(15,791)	0
Net Change in Fund Balances		0	(149,956)	0	(149,956)	149,956
Fund Balances:						
July 1, 2018		0	0	0	0	0
June 30, 2019	\$	0	(149,956)	0	(149,956)	149,956

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

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	% 0.147764	0.150423	0.161408	0.163425	0.158659
District's proportionate share of the net pension liability	\$ 24,577,544	25,005,408	28,831,499	25,262,282	19,258,297
District's covered payroll	\$ 9,436,121	9,649,740	10,325,676	10,198,489	9,694,861
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.71%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

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

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

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

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,507,912	1,486,189	1,519,834	1,626,294	1,606,262
Contributions in relation to the contractually required contribution	\$ 1,507,912	1,486,189	1,519,834	1,626,294	1,606,262
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	9,574,045	9,436,121	9,649,740	10,325,676	10,198,489
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	% 0.21813605	0.22278585
District's proportionate share of the net OPEB liability	\$ 1,687,391	1,747,998
District's covered-employee payroll	\$ 9,436,121	10,009,156
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.88%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

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

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 74,554	74,520
Contributions in relation to the actuarially determined contribution	\$ 74,554	74,520
Contribution deficiency (excess)	\$ 0	0
District's covered-employee payroll	9,574,045	9,436,121
Contributions as a percentage of covered-employee payroll	0.78%	0.79%

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

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%

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

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%

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SUPPLEMENTARY INFORMATION

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QUITMAN SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 341,314
National school lunch program	10.555	195MS326N1099	971,964
National school lunch program - donated commodities	10.555	195MS326N1099	80,072
Summer food service program for children	10.559	195MS326N1099	2,053
Total child nutrition cluster			1,395,403
Child nutrition equipment grant	10.579		37,156
Total passed-through Mississippi Department of Education			1,432,559
Total U.S. Department of Agriculture			1,432,559
<u>U. S. Department of Defense</u>			
Direct Program:			
Junior reserve officers' training corp	12.XXX	N/A	35,399
Total U.S. Department of Defense			35,399
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024 ES010A180024 ES010A190024	898,723
Career and technical education - basic grants to states	84.048	V048A180024	29,926
Rural education	84.358	ES358B170024 ES358B190024	72,174
Supporting effective instruction state grants	84.367	ES367A170023 ES367A180023 ES367A190023	135,547
Student support and academic enrichment	84.424	ES424A180025 ES424A190025	29,821
Subtotal			1,166,191
Special education cluster:			
Special education - grants to states	84.027	H027A170108 H027A180108 H027A190108	474,363
Special education - preschool grants	84.173	H173A170113 H173A180113 H173A190113	33,479
Total special education cluster			507,842
Total passed-through Mississippi Department of Education			1,674,033
Total U.S. Department of Education			1,674,033
<u>U. S. Department of Social Security</u>			
Passed-through Mississippi Department of Education:			
Social security disability insurance	96.001	04-19-04MSD100	826
Total passed-through Mississippi Department of Education			826
Total Department of Social Security			826
Total for All Federal Awards			\$ 3,142,817

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

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QUITMAN SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2019

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,058,452	9,117,876	807,724	1,328,827	1,804,025
Other	5,173,244	1,630,166	261,363	8,871	3,272,844
Total	<u>\$ 18,231,696</u>	<u>10,748,042</u>	<u>1,069,087</u>	<u>1,337,698</u>	<u>5,076,869</u>
Total number of students *	<u>1,777</u>				
Cost per student	<u>\$ 10,260</u>	<u>6,048</u>	<u>602</u>	<u>753</u>	<u>2,857</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

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

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

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OTHER INFORMATION

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QUITMAN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 5,898,258	5,729,181	5,468,708	5,615,911
State sources	8,622,249	8,843,766	8,725,829	8,577,455
Federal sources	73,896	44,193	61,853	58,440
Sixteenth section sources	170,229	321,231	289,563	515,529
Total Revenues	14,764,632	14,938,371	14,545,953	14,767,335
Expenditures:				
Instruction	7,490,626	7,436,637	7,279,494	7,841,403
Support services	6,179,709	6,164,252	5,885,147	5,801,578
Noninstructional services			12,662	
Sixteenth section	40,716	15,474	120,627	44,584
Facilities acquisition and construction	49,421			
Total Expenditures	13,760,472	13,616,363	13,297,930	13,687,565
Excess (Deficiency) of Revenues over (under) Expenditures	1,004,160	1,322,008	1,248,023	1,079,770
Other Financing Sources (Uses):				
Insurance loss recoveries		6,414	102,691	6,453
Operating transfers in	73,993	59,992	89,080	82,622
Operating transfers out	(656,687)	(609,570)	(574,303)	(723,486)
Total Other Financing Sources (Uses)	(582,694)	(543,164)	(382,532)	(634,411)
Net Change in Fund Balances	421,466	778,844	865,491	445,359
Fund Balances:				
Beginning of period, as previously reported	6,502,387	5,723,543	4,858,052	4,490,573
Prior period adjustments	(88,819)			(77,880)
Beginning of period, as restated	6,413,568	5,723,543	4,858,052	4,412,693
End of Period	\$ 6,835,034	6,502,387	5,723,543	4,858,052

*SOURCE - PRIOR YEAR AUDIT REPORTS

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QUITMAN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 6,235,850	5,985,435	5,812,270	6,110,644
State sources	9,192,359	9,433,702	9,223,294	9,120,164
Federal sources	3,080,832	2,632,551	2,903,736	3,404,532
Sixteenth section sources	1,456,546	1,069,282	1,033,347	1,302,190
Total Revenues	19,965,587	19,120,970	18,972,647	19,937,530
Expenditures:				
Instruction	9,048,442	8,733,129	8,884,254	10,027,151
Support services	7,291,681	7,142,591	6,630,386	6,749,541
Noninstructional services	1,290,459	1,276,557	1,243,168	1,222,351
Sixteenth section	78,182	147,948	276,880	124,551
Facilities acquisition and construction	49,421			
Debt service:				
Principal	315,000	305,000	300,000	310,000
Interest	152,777	154,171	159,805	165,605
Other	5,734	5,647	5,415	5,237
Total Expenditures	18,231,696	17,765,043	17,499,908	18,604,436
Excess (Deficiency) of Revenues over (under) Expenditures	1,733,891	1,355,927	1,472,739	1,333,094
Other Financing Sources (Uses):				
Insurance loss recoveries		6,414	102,691	6,453
Payments held by escrow agent	89,000	90,102	92,000	71,000
Operating transfers in	730,680	849,484	732,178	806,108
Payments to QSCB debt escrow agent	(89,000)	(90,102)	(92,000)	(71,000)
Operating transfers out	(730,680)	(849,484)	(732,178)	(806,108)
Total Other Financing Sources (Uses)	0	6,414	102,691	6,453
Net Change in Fund Balances	1,733,891	1,362,341	1,575,430	1,339,547
Fund Balances:				
Beginning of period, as previously reported	15,412,316	14,051,053	12,479,710	11,141,120
Prior period adjustments	(88,819)	(2,163)		(1,238)
Beginning of period, as restated	15,323,497	14,048,890	12,479,710	11,139,882
Increase (Decrease) in reserve for inventory	524	1,085	(4,087)	281
End of Period	\$ 17,057,912	15,412,316	14,051,053	12,479,710

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**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 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 School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Quitman School District's basic financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

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

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

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

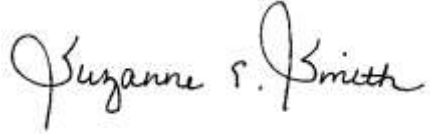
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quitman 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*.

**POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717**

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 result 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 black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped 'S' at the beginning.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
November 21, 2019

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**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 School District

Report on Compliance for Each Major Federal Program

We have audited Quitman 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 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 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 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 School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Quitman 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2019-001**. Our opinion on each major federal award program is not modified with respect to these matters. The Quitman School District's response to the auditor's findings identified in our audit is described in the Auditee's Corrective Action Plan. Quitman School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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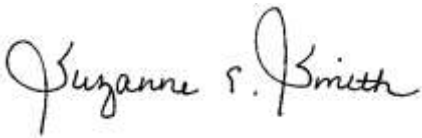
Report on Internal Control Over Compliance

Management of Quitman 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 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 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2009-001** that we consider to be significant deficiencies. The Quitman School District's response to the auditor's findings identified in our audit is described in the Auditee's Corrective Action Plan. Quitman School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
November 21, 2019

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

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

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

Superintendent and School Board
Quitman School District

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

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

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

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

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

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

The results of our procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

Finding SL 2019-A. Surety Bonds The school district failed to secure a surety bond for a board member for the 2018-2019 year. This was considered an oversight.

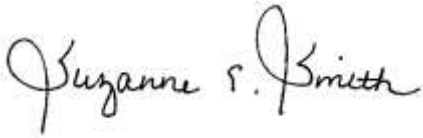
Recommendation: We recommend that the district secure adequate surety bonds on all board members as required by Code Section 37-6-15, Miss. Code Ann. (1972).

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

District Response: We acknowledge that we were late obtaining a surety bond on a newly elected Board Member. We have since put controls in place to ensure that surety bonds are secured and renewed timely on all Board Members as required by Code Section 37-6-15, Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken. The Quitman School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
November 21, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? (Yes/No) No
 - b. Significant deficiency(ies) identified? (Yes/None reported) None reported

3. Noncompliance material to financial statements noted? (Yes/No) No

Federal Awards:

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

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)? (Yes/No) Yes

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.027/84.173	Special Education Cluster

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

9. Auditee qualified as low-risk auditee? (Yes/No) No

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

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies not considered to be Material Weaknesses nor Material Non-compliance:

Finding 2018-001. Special Education Cluster- grants to states (84.027). Cost Principles.

CONDITION: Personnel activity report forms available for employees who were working both under federal program administrative cost objectives and under non-federal administrative cost objectives (prorated employees) were incomplete. The school district has opted to document personnel expenses for prorated employees through the use of personnel activity reports. A review of the federal award's two prorated employees' reports revealed missing reports for certain months and prepared reports that were not signed by a direct supervisor. For employees working under a single cost objective, we noted semi-annual certifications that were properly prepared but not signed by a direct supervisor.

CRITERIA: Standards for documentation of personnel expenses under the Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must, in addition to other requirements, reasonably reflect the total activity for which the employee is compensated, encompass both federally assisted and all non-federal activities compensated by the district, comply with the established accounting policies and practices of the district, and support the distribution of the employee's salary or wages among specific activities or cost objects if the employee works on a federal award and in a non-federal area. Budget estimates alone do not qualify as support for charges to federal awards. The school district may, in lieu of using the guidance spelled out above, develop its own system of substantiating time and compensation charged to a federal award as long as all the cost substantiation objectives are met.

CAUSE: The cause is likely a failure to monitor and perform a reconciliation of time charged to the grant with actual percentages worked.

EFFECT: The effect is noncompliance with the standards for documentation of personnel expenses under the Uniform Guidance.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district maintain records that meet the standards for documentation of personnel expenses under the Uniform Guidance. Current district fiscal policies should be reviewed for alignment with the Uniform Guidance.

Quitman School District

104 East Franklin Street ♦ Quitman, MS 39355 ♦ Telephone 601-776-2186

Toriano Holloway, Ph.D. Superintendent

AUDITEE'S CORRECTIVE ACTION PLAN

Finding 2019-001. Special Education Cluster – grants to states (84.207). Cost Principles.

Corrective Action: We will continue to prepare semi-annual certifications for employees working on one federal cost objective but will put controls in place to ensure that those semi-annual certifications are signed by the employee's direct supervisor.

We will also put controls in place to ensure that employees working on both federal and non-federal cost objectives will properly complete a personnel activity report on a monthly basis and that those personnel activity reports are signed by the employee's direct supervisor. The monthly personnel activity reports will be reviewed and reconciled to payroll expenditures on a basis of not more than quarterly.

Responsible Parties: Adam Boyette, Special Education Director
Lotis Johnson, Finance Coordinator

Corrective Action Start Date: July 1, 2019

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