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**Rankin County School District**

Audited Financial Statements  
For the Year Ended June 30, 2019

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Rankin County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Rankin County School District

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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.

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## **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 Rankin County School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 -19 and 70 -77, 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 Rankin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
February 19, 2020

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS



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

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2019 decreased \$1,147,425, which represents a 1% decrease from fiscal year 2018. Total net position for 2018 decreased \$17,669,148, including a prior period adjustment of (\$14,817,284), which represents a 27% decrease from fiscal year 2017.
- General revenues amounted to \$167,367,496 and \$162,332,244, or 85% and 85% 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 \$28,948,853, or 15% of total revenues for 2019, and \$28,100,019, or 15% of total revenues for 2018.
- The District had \$197,463,774 and \$193,284,127 in expenses for fiscal years 2019 and 2018; only \$28,948,853 for 2019 and only \$28,100,019 for 2018 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$167,367,496, for 2019 and \$162,332,244 for 2018 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$151,459,897 in revenues and \$157,433,709 in expenditures for 2019, and \$148,642,394 in revenues and \$150,158,060 in expenditures for 2018. The General Fund's fund balance decreased by \$605,634, from 2018 to 2019, and increased by \$1,821,478, from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$47,016,878 for 2019 and increased by \$4,833,233 for 2018. The increase for 2019 was due primarily to the additions to land, construction in progress, building improvements, mobile equipment and furniture and equipment.
- Long-term debt increased by \$69,990,311 for 2019 and decreased by \$3,706,884 for 2018. This increase for 2019 was due primarily to the issuance of a general obligation bond and inception of leases totaling \$82,025,516. The liability for compensated absences increased by \$75,831 for 2019 and increased by \$20,310 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.

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

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

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

long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

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

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

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

**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 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 \$84,151,270 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.

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

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

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Percentage Change</b>
Current assets	\$ 44,013,959	41,465,035	6%
Restricted assets	164,898,804	124,736,237	32%
Capital assets, net	214,206,371	167,189,493	28%
<b>Total assets</b>	<b>423,119,134</b>	<b>333,390,765</b>	<b>27%</b>
<b>Deferred outflows of resources</b>	<b>32,219,189</b>	<b>43,388,182</b>	<b>(26)%</b>
Current liabilities	8,438,880	2,839,430	197%
Long-term debt outstanding	244,438,619	164,848,823	48%
Net OPEB liability	15,252,513	15,138,147	1%
Net pension liability	249,156,417	246,309,827	1%
<b>Total liabilities</b>	<b>517,286,429</b>	<b>429,136,227</b>	<b>21%</b>
<b>Deferred inflows of resources</b>	<b>22,203,164</b>	<b>30,646,565</b>	<b>(28)%</b>
<b>Net position:</b>			
Net investment in capital assets	115,513,568	113,391,820	2%
Restricted	172,932,547	28,693,933	503%
Unrestricted	(372,597,385)	(225,089,598)	(66)%
<b>Total net position (deficit)</b>	<b>\$ (84,151,270)</b>	<b>(83,003,845)</b>	<b>(1)%</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (372,597,385)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>254,597,971</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ (117,999,414)</u>

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

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

- Increase in net capital assets in the amount of \$47,016,878.
- The principal retirement of \$12,035,205 of long-term debt.
- The issuance of general obligation bonds totaling \$77,750,000.
- The inception of leases totaling \$4,275,516.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$196,316,349 and \$190,432,263, respectively. The total cost of all programs and services was \$197,463,774 for 2019 and \$193,284,127 for 2018.

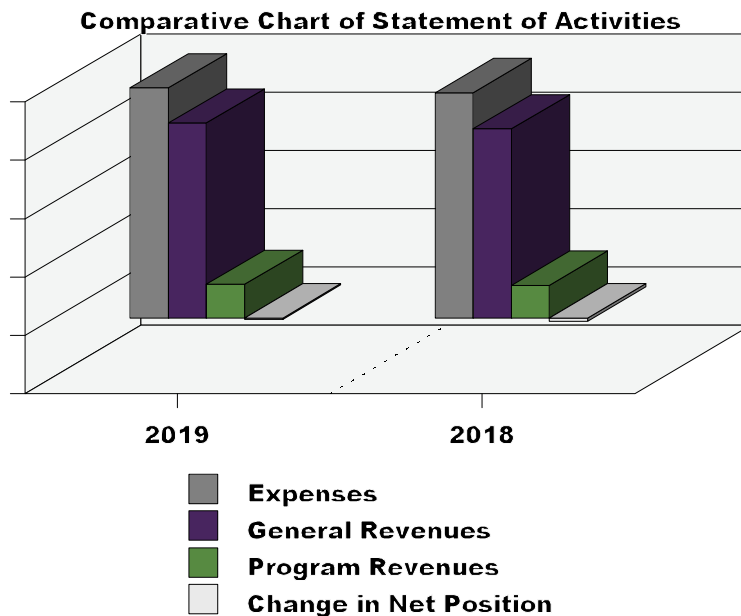
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

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

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2019</b>	<b>Year Ended June 30, 2018</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 9,393,553	9,139,678	3%
Operating grants and contributions	19,555,300	18,960,341	3%
General Revenues:			
Property taxes	74,346,996	72,527,554	3%
Grants and contributions not restricted	85,892,176	84,070,591	2%
Unrestricted investment earnings	2,931,370	2,051,111	43%
Increase (decrease) in fair market value	1,389,502	(136,641)	1,117%
Sixteenth section sources	1,945,493	1,898,900	2%
Other	861,959	1,920,729	(55)%
<b>Total revenues</b>	<u>196,316,349</u>	<u>190,432,263</u>	3%
<b>Expenses:</b>			
Instruction	100,479,582	96,126,866	5%
Support services	57,395,878	54,543,405	5%
Non-instructional	9,867,358	9,930,751	(1)%
Sixteenth section	253,933	281,602	(10)%
Pension expense	21,010,431	25,780,103	(19)%
OPEB expense	837,136	804,781	4%
Interest on long-term liabilities	7,619,456	5,816,619	31%
<b>Total expenses</b>	<u>197,463,774</u>	<u>193,284,127</u>	2%
<b>Increase (Decrease) in net position</b>	<u>(1,147,425)</u>	<u>(2,851,864)</u>	60%
<b>Net position (Deficit), July 1, as previously reported</b>	(83,003,845)	(65,334,697)	(27)%
<b>Prior period adjustment</b>	<u>0</u>	<u>(14,817,284)</u>	100%
<b>Net position (Deficit), July 1, as restated</b>	<u>(83,003,845)</u>	<u>(80,151,981)</u>	(4)%
<b>Net Position (Deficit), June 30</b>	<u>\$ (84,151,270)</u>	<u>(83,003,845)</u>	(1)%

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



**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

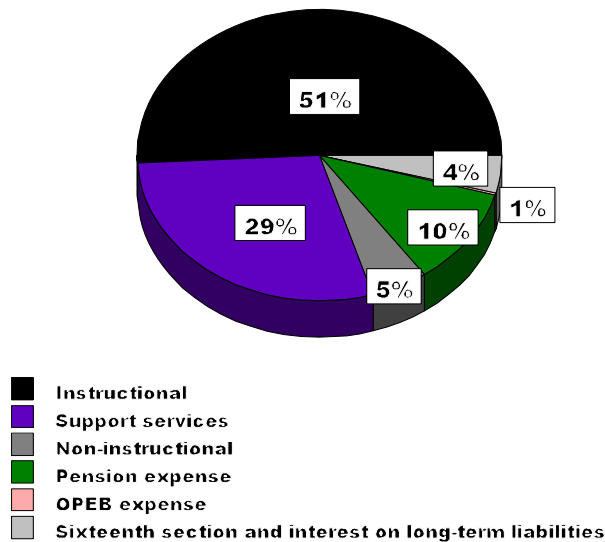
	<u><b>Total Expenses</b></u>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ 100,479,582	96,126,866	5%
Support services	57,395,878	54,543,405	5%
Non-instructional	9,867,358	9,930,751	(1)%
Sixteenth section	253,933	281,602	(10)%
Pension expense	21,010,431	25,780,103	(19)%
OPEB expense	837,136	804,781	4%
Interest on long-term liabilities	7,619,456	5,816,619	31%
<b>Total expenses</b>	<b>\$ 197,463,774</b>	<b>193,284,127</b>	<b>2%</b>



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

	<b>Net (Expense) Revenue</b>		
	<b>2019</b>	<b>2018</b>	<b>Percentage Change</b>
Instruction	\$ (86,271,504)	(82,527,839)	(5)%
Support services	(53,278,227)	(50,553,825)	(5)%
Non-instructional	754,466	532,853	42%
Sixteenth section	(252,633)	(233,794)	(8)%
Pension expense	(21,010,431)	(25,780,103)	19%
OPEB expense	(837,136)	(804,781)	(4)%
Interest on long-term liabilities	(7,619,456)	(5,816,619)	(31)%
<b>Total net (expense) revenue</b>	<b>\$ (168,514,921)</b>	<b>(165,184,108)</b>	<b>(2)%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$168,514,921 for 2019 and \$165,184,108 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$74,346,996 for 2019 and \$72,527,554 for 2018) and state and federal revenues (\$85,892,176 for 2019 and \$84,070,591 for 2018). In addition, there was \$1,945,493 and \$1,898,900 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$2,931,370 for 2019 and \$2,051,111 for 2018. Increase in fair market value amounted to \$1,389,502 for 2019. Decrease in fair market value amounted to \$136,641 for 2018.

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$201,146,703, an increase of \$37,333,330, which includes a decrease in inventory of \$17,304. \$23,106,205 or 11% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$178,040,498 or 89% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$605,634. The fund balance of Other Governmental Funds showed an increase in the amount of \$189,144, which includes a decrease in inventory of \$17,304. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
2017 Construction Fund	\$	(49,458,613)
2019 Construction Fund	\$	87,208,433

**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 is provided in this report as required supplementary information.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$309,317,297, including land, construction in progress, school buildings, building improvements, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$52,506,587 from 2018. Total accumulated depreciation as of June 30, 2019, was \$95,110,926, and total depreciation expense for the year was \$5,699,142, resulting in total net capital assets of \$214,206,371.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 10,365,888	10,316,388	0%
Construction in progress	57,726,405	8,625,360	569%
Buildings	124,021,673	127,780,880	(3)%
Building improvements	14,224,401	14,599,324	(3)%
Mobile equipment	6,680,527	4,826,820	38%
Furniture and equipment	1,187,477	1,040,721	14%
<b>Total</b>	<u>\$ 214,206,371</u>	<u>167,189,493</u>	<u>28%</u>

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

**Debt Administration.** At June 30, 2019, the District had \$218,564,780 in outstanding long-term debt, of which \$10,624,329 is due within one year. The liability for compensated absences increased \$75,831 from the prior year.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 178,500,000	100,750,000	77%
General obligation refunding bonds payable	10,025,000	14,715,000	(32)%
Three mill notes payable	24,840,000	28,635,000	(13)%
Obligations under leases payable	3,939,501	3,214,190	23%
Compensated absences payable	1,260,279	1,184,448	6%
<b>Total</b>	<u>\$ 218,564,780</u>	<u>148,498,638</u>	<u>47%</u>

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

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

**CURRENT ISSUES**

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

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

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

Enrollment for the 2018 - 2019 year decreased to 19,051 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Rankin County School District, 1220 Apple Park Place, Brandon, MS 39042.

## FINANCIAL STATEMENTS

**RANKIN COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents	\$ 38,556,414
Due from other governments	4,085,998
Accrued interest receivable	931,475
Other receivables, net	196,558
Inventories	243,514
Restricted assets	164,898,804
Capital assets, non-depreciable:	
Land	10,365,888
Construction in progress	57,726,405
Capital assets, net of accumulated depreciation:	
Buildings	124,021,673
Building improvements	14,224,401
Mobile equipment	6,680,527
Furniture and equipment	1,187,477
Total Assets	<u>423,119,134</u>
<b>Deferred Outflows of Resources</b>	
Deferred charges on debt refunding	205,066
Deferred outflows - pensions	30,750,485
Deferred outflows - OPEB	1,263,638
Total Deferred Outflows of Resources	<u>32,219,189</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	7,730,405
Unearned revenue	35,655
Interest payable on long-term liabilities	672,820
Long-term liabilities, due within one year:	
Capital related liabilities	8,110,000
Bonds and notes premium, capital related	658,298
Non-capital related liabilities	2,514,329
Net OPEB liability	647,347
Long-term liabilities, due beyond one year:	
Capital related liabilities	205,255,000
Bonds and notes premium, capital related	25,215,541
Non-capital related liabilities	2,685,451
Net pension liability	249,156,417
Net OPEB liability	14,605,166
Total Liabilities	<u>517,286,429</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	21,116,392
Deferred inflows - OPEB	1,086,772
Total Deferred Inflows of Resources	<u>22,203,164</u>
<b>Net Position</b>	
Net Investment in Capital Assets	115,513,568
Restricted For:	
School-based activities	4,698,173
Debt service	9,361,095
Capital improvements	140,340,970
Unemployment benefits	443,373
Forestry improvements	173,401
Nonexpendable:	
Sixteenth section	17,915,535
Unrestricted	(372,597,385)
Total Net Position (Deficit)	<u>\$ (84,151,270)</u>

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				Governmental Activities
<i>Instruction</i>	100,479,582	4,227,504	9,980,574	(86,271,504)
<i>Support services</i>	57,395,878	--	4,117,651	(53,278,227)
<i>Noninstructional services</i>	9,867,358	5,164,749	5,457,075	754,466
<i>Sixteenth section</i>	253,933	1,300	--	(252,633)
<i>Pension expense</i>	21,010,431	--	--	(21,010,431)
<i>OPEB expense</i>	837,136	--	--	(837,136)
<i>Interest on long-term liabilities</i>	7,619,456	--	--	(7,619,456)
Total Governmental Activities	<u>\$ 197,463,774</u>	<u>\$ 9,393,553</u>	<u>\$ 19,555,300</u>	<u>(168,514,921)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				57,464,518
<i>Debt purpose levies</i>				16,882,478
Unrestricted grants and contributions:				
<i>State</i>				85,253,454
<i>Federal</i>				638,722
<i>Unrestricted investment earnings</i>				2,931,370
<i>Increase in fair market value</i>				1,389,502
<i>Sixteenth section sources</i>				1,945,493
<i>Other</i>				861,959
Total General Revenues				<u>167,367,496</u>
Change in Net Position				<u>(1,147,425)</u>
Net Position (Deficit) - Beginning				<u>(83,003,845)</u>
Net Position (Deficit) - Ending				<u>\$ (84,151,270)</u>

The accompanying notes are an integral part of this statement.

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**RANKIN COUNTY SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2019

	General Fund	2017 Construction Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 23,536,859	\$ 4,813,824
Cash with fiscal agents	--	--
Investments	--	53,915,938
Due from other governments	1,862,276	--
Accrued interest receivable	--	304,888
Other receivables, net	196,558	--
Due from other funds	2,234,176	120,008
Inventories	--	--
Total Assets	<u>\$ 27,829,869</u>	<u>\$ 59,154,658</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 119,272	\$ 7,079,233
Due to other funds	--	--
Unearned revenue	35,655	--
Total Liabilities	<u>154,927</u>	<u>7,079,233</u>
<b>Fund Balances:</b>		
<b>Non-spendable:</b>		
Permanent fund principal	--	--
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Forestry improvements	--	--
Contractual commitments	--	52,075,425
Debt service	--	--
Grant activities	--	--
Food service	--	--
<b>Committed:</b>		
Contractual commitments	100,000	--
<b>Assigned:</b>		
School activities	1,597,835	--
Special education	192,779	--
At risk program	90,798	--
Extended day enrichment program	583,927	--
Self insurance - computers	536,045	--
Gathering grounds local	--	--
District projects	7,889	--
R-PAL audit learning programs	--	--
Forestry improvements	--	--
Other purposes	1,459,464	--
<b>Unassigned</b>	<u>23,106,205</u>	<u>--</u>
Total Fund Balances	<u>27,674,942</u>	<u>52,075,425</u>
Total Liabilities and Fund Balances	<u>\$ 27,829,869</u>	<u>\$ 59,154,658</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

2019 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,092,528	\$ 17,442,755	\$ 50,885,966
453,747	--	453,747
81,221,927	16,977,640	152,115,505
--	2,110,684	3,972,960
560,239	66,348	931,475
--	--	196,558
--	--	2,354,184
--	243,514	243,514
<u>\$ 87,328,441</u>	<u>\$ 36,840,941</u>	<u>\$ 211,153,909</u>
\$ --	\$ 531,900	\$ 7,730,405
120,008	2,121,138	2,241,146
--	--	35,655
<u>120,008</u>	<u>2,653,038</u>	<u>10,007,206</u>
--	17,915,535	17,915,535
--	243,514	243,514
--	443,373	443,373
--	171,368	171,368
87,208,433	1,057,112	140,340,970
--	10,033,915	10,033,915
--	133,078	133,078
--	4,150,213	4,150,213
--	--	100,000
--	--	1,597,835
--	--	192,779
--	--	90,798
--	--	583,927
--	--	536,045
--	25,779	25,779
--	--	7,889
--	11,983	11,983
--	2,033	2,033
--	--	1,459,464
--	--	23,106,205
<u>87,208,433</u>	<u>34,187,903</u>	<u>201,146,703</u>
<u>\$ 87,328,441</u>	<u>\$ 36,840,941</u>	<u>\$ 211,153,909</u>

**RANKIN COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019*

Total fund balances for governmental funds	\$ 201,146,703
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	214,206,371
Liabilities due in one year are not recognized in the funds.	(11,929,974)
Payables for bond principal which are not due in the current period are not reported in the funds.	(183,620,000)
Payables for leases which are not due in the current period are not reported in the funds.	(1,425,172)
Payables for bond interest which are not due in the current period are not reported in the funds.	(672,820)
Payables for notes which are not due in the current period are not reported in the funds.	(21,635,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,260,279)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(249,156,417)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(21,116,392)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	30,750,485
Deferred amount on refunding is accounted for in SNP as a Deferred outflows of Resources but not in the funds.	205,066
Bond and note premiums are presented in the SNP but not in the funds.	(25,215,541)
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(14,605,166)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(1,086,772)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	1,263,638
Net position of governmental activities	\$ <u>(84,151,270)</u>

The accompanying notes are an integral part of this statement.

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**RANKIN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	2017 Construction Fund
<b>Revenues:</b>		
Local sources	\$ 64,774,757	\$ 1,306,969
Increase in fair market value	--	740,600
State sources	84,841,229	--
Federal sources	690,536	--
Sixteenth section sources	1,153,375	--
Total Revenues	<u>151,459,897</u>	<u>2,047,569</u>
<b>Expenditures:</b>		
Instruction	95,018,828	--
Support services	56,690,676	2,482,065
Noninstructional services	1,909,660	--
Sixteenth section	208,229	--
Facilities acquisition and construction	49,500	49,024,117
Debt service:		
Principal	3,550,205	--
Interest	6,611	--
Other	--	--
Total Expenditures	<u>157,433,709</u>	<u>51,506,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,973,812)</u>	<u>(49,458,613)</u>
<b>Other Financing Sources (Uses):</b>		
Bonds issued	--	--
Inception of leases	4,275,516	--
Premium on debt issued	--	--
Insurance recovery	14,592	--
Sale of transportation equipment	20,249	--
Sale of other property	523,913	--
Operating transfers in	3,117,741	--
Operating transfers out	(2,572,078)	--
Other financing uses	(11,755)	--
Total Other Financing Sources (Uses)	<u>5,368,178</u>	<u>--</u>
Net Change in Fund Balances	<u>(605,634)</u>	<u>(49,458,613)</u>
<b>Fund Balances:</b>		
July 1, 2018	28,280,576	101,534,038
Increase (decrease) in inventory	--	--
June 30, 2019	<u>\$ 27,674,942</u>	<u>\$ 52,075,425</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

2019 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 615,207	\$ 20,152,575	\$ 86,849,508
648,902	--	1,389,502
--	5,518,370	90,359,599
--	13,892,127	14,582,663
--	1,394,180	2,547,555
<u>1,264,109</u>	<u>40,957,252</u>	<u>195,728,827</u>
--	12,198,363	107,217,191
20,930	4,994,729	64,188,400
--	8,093,165	10,002,825
--	60,369	268,598
201,674	199,032	49,474,323
--	8,485,000	12,035,205
--	7,144,408	7,151,019
589,658	10,135	599,793
<u>812,262</u>	<u>41,185,201</u>	<u>250,937,354</u>
451,847	(227,949)	(55,208,527)
77,750,000	--	77,750,000
--	--	4,275,516
9,978,832	--	9,978,832
--	--	14,592
--	--	20,249
--	9,050	532,963
--	3,510,788	6,628,529
(972,246)	(3,084,205)	(6,628,529)
--	(1,236)	(12,991)
<u>86,756,586</u>	<u>434,397</u>	<u>92,559,161</u>
87,208,433	206,448	37,350,634
--	33,998,759	163,813,373
--	(17,304)	(17,304)
<u>\$ 87,208,433</u>	<u>\$ 34,187,903</u>	<u>\$ 201,146,703</u>

**RANKIN COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019*

Net change in fund balances - total governmental funds	\$ 37,350,634
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	52,743,793
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,699,142)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(27,773)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,690,000
Repayment of leases principal is an expenditure in the funds but is not an expense in the SOA.	3,550,205
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	3,795,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(221,289)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(17,304)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(75,831)
Deferred amount on debt refunding is accounted for in SNP as a Deferred Outflow of Resources net of amortization.	(102,533)
Inception of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,275,516)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(77,750,000)
Bond and note premiums are amortized in the SOA.	455,178
Bond premiums do not provide revenue in the SOA, but are reported as current resources in the funds.	(9,978,832)
Entity's proportion of the contribution the the Plan.	19,718
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	15,542,801
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(21,010,431)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	686,862
Implicit rate subsidy fluctuation.	14,171
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(837,136)
Change in net position of governmental activities	\$ <u>(1,147,425)</u>

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT***STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2019*

	Private-purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 168,822	\$ 7,065,687
Total Assets	<u>\$ 168,822</u>	<u>\$ 7,065,687</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		\$ 6,210,438
Due to student clubs		742,211
Due to other funds		113,038
Total Liabilities		<u>\$ 7,065,687</u>
<b>Net Position</b>		
Reserved for endowments	\$ 168,822	
Total Net Position	<u>\$ 168,822</u>	

The accompanying notes are an integral part of this statement.



**RANKIN COUNTY SCHOOL DISTRICT***STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**FIDUCIARY FUNDS**FOR THE YEAR ENDED JUNE 30, 2019*

	Private-purpose Trust Funds
<b>Additions</b>	
Investment income	\$ 1,273
Contributions and donations from private sources	2,000
Total Additions	<u>3,273</u>
<b>Deductions</b>	
Scholarships awarded	2,000
Total Deductions	<u>2,000</u>
<b>Change in Net Position</b>	<u>1,273</u>
<b>Net Position</b>	
July 1, 2018	167,549
June 30, 2019	<u>\$ 168,822</u>

The accompanying notes are an integral part of this statement.

**Rankin County School District**

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

## **Rankin County School District**

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

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

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

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

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

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

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

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

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

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

## Rankin County School District

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

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

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

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

The school district reports the following major governmental funds:

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

2017 Construction Fund - This is a capital projects fund that accounts for the acquisition, construction, or renovation of major capital facilities from the 2017 general obligation bonds series 2017 issue.

2019 Construction Fund - This is a capital projects fund that accounts for the acquisition, construction, or renovation of major capital facilities from the 2019 general obligation bonds series 2019 issue.

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:

## **Rankin County School District**

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

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

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

**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 Funds** - These funds are private purpose funds that serve to report all trust arrangements.

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

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

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

#### **FIDUCIARY FUNDS**

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

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

## **Rankin County School District**

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

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

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

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

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

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

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

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

## **Rankin County School District**

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

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 are 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 net position/fund balances**

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

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

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

###### **Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other

## **Rankin County School District**

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

obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

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

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

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

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

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

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

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

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



## Rankin County School District

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

## Rankin County School District

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

		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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has three deferred outflow items which are presented as deferred charges on debt refunding, deferred outflow for pensions, and deferred outflow for 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. The school district has two deferred inflow items which are presented as deferred inflow for pensions and deferred inflow for OPEB.

See Note 12 for further details.

#### 8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school

## Rankin County School District

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

district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 10. Pensions

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

#### 11. Postemployment Benefits Other Than Pensions (OPEB)

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

## Rankin County School District

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

#### 12. Fund Balances

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

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

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

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

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

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

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

## **Rankin County School District**

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

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

The goal of the District is to maintain an unassigned fund balance in the District Maintenance Fund of at least 10% at fiscal year of its total revenues.

### **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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

## Rankin County School District

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

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 \$50,885,966 and \$7,234,509, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$59,252,282 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$453,747.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Home Loan Bank	AA+	1 to 5	\$ 19,694,831
Federal National Mortgage	AA+	1 to 5	3,997,220
U.S. Treasury		1 year or less	120,428,164
Federal Farm Credit Bank	AA+	1 to 5	7,995,290
Total			<u>\$ 152,115,505</u>

## Rankin County School District

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

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

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

Level 1 type of investments of \$152,115,505 are valued using quoted market prices (Level 1 inputs)

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

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

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

*Concentration of Credit Risk.* Disclosures 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.

## Rankin County School District

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

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary Funds	\$ 113,038
	Other Governmental Funds	2,121,138
2017 Construction Fund	2019 Construction Fund	120,008
Total		<u>\$ 2,354,184</u>

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

#### B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	2019 Construction Fund	\$ 972,246
	Other Governmental Funds	2,145,495
Other Governmental Funds	General Fund	2,572,078
	Other Governmental Funds	938,710
Total		<u>\$ 6,628,529</u>

Transfers represent an operational transfer for a debt payment from the construction fund to the General Fund, indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds. Also represented are operational transfers between other governmental funds.

### Note 4 - Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$871,547 and \$16,977,640 respectively, of the Sixteenth Section Principal Fund (Permanent Fund)



# Rankin County School District

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

which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the unexpended note proceeds in the form of cash balance of \$1,551,653 of the 2018 EEF Construction Fund.

The restricted assets represent the unexpended bond proceeds in the form of cash and investment balances of \$4,813,824 and \$53,915,938 respectively, of the 2017 Construction Fund.

The restricted assets represent the unexpended bond proceeds in the form of cash, cash with fiscal agents and investment balances of \$5,092,528, \$453,747 and \$81,221,927 respectively, of the 2019 Construction Fund.

### Note 5 - Capital Assets

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

	Balance 7-1-2018	Additions	Deletions	Completed Construction	Balance 6-30-2019
<b>Non-depreciable capital assets:</b>					
Land	\$ 10,316,388	49,500			10,365,888
Construction in progress	8,625,360	49,177,634		(76,589)	57,726,405
Total non-depreciable capital assets	18,941,748	49,227,134	0	(76,589)	68,092,293
<b>Depreciable capital assets:</b>					
Buildings	195,568,016				195,568,016
Building improvements	17,537,183	247,189	28,077	76,589	17,832,884
Mobile equipment	17,894,772	2,759,970	37,080		20,617,662
Furniture and equipment	6,868,991	509,500	172,049		7,206,442
Total depreciable capital assets	237,868,962	3,516,659	237,206	76,589	241,225,004
<b>Less accumulated depreciation for:</b>					
Buildings	67,787,136	3,759,207			71,546,343
Building improvements	2,937,859	693,086	22,462		3,608,483
Mobile equipment	13,067,952	902,555	33,372		13,937,135
Furniture and equipment	5,828,270	344,294	153,599		6,018,965
Total accumulated depreciation	89,621,217	5,699,142	209,433	0	95,110,926
Total depreciable capital assets, net	148,247,745	(2,182,483)	27,773	76,589	146,114,078
Governmental activities capital assets, net	\$ 167,189,493	47,044,651	27,773	0	214,206,371

## Rankin County School District

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

Depreciation expense was charged to the following governmental functions:

	Amount
Instructional	\$ 3,989,400
Support services	1,139,828
Non-instructional	569,914
Total depreciation expense	\$ <u>5,699,142</u>

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

Governmental Activities:	Spent to June 30, 2019	Remaining Commitments
Brandon Elementary School Addition	\$ 3,635,408	1,725,227
Brandon Middle School Addition	7,132,699	16,792,167
Brandon High School Addition	1,674,675	13,868,295
Existing Northwest Rankin High School to Northwest Middle School	540,724	7,136,951
Florence Middle School Addition	154,366	4,329,314
Florence Elementary School Addition	2,016,133	439,648
Florence High School Addition	201,674	12,091,638
Flowood Elementary School Addition	418,804	3,109,530
Highland Bluff Elementary School Addition	838,254	161,498
McLaurin Elementary School Addition	2,488,572	149,069
McLaurin High School Addition	5,375,429	3,613,564
Northwest Rankin Elementary School Addition	2,349,431	96,733
Northwest Rankin High School - New High School	8,839,409	42,805,173
Northshore Elementary School Addition	594,297	455,484
Oakdale Elementary School Addition	681,142	139,183
Pelahatchie Elementary School Addition	1,877,133	1,055,767
Pelahatchie High School Addition	2,940,482	4,919,864
Pisgah Elementary School Addition	153,049	3,851,896
Pisgah High School Addition	6,708,480	2,300,904
Puckett High School Addition	891,198	4,318,965

# Rankin County School District

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

Puckett Elementary School Addition	2,706,710	241,753
Richland Elementary School Addition	1,291,526	3,320,022
Richland Upper Elementary School Addition	3,494,879	322,177
Richland High School Addition	213,405	8,483,323
Softball Pressbox - McLaurin High School	49,720	60,280
Steen Creek Elementary School Addition	428,215	42,938
Stonebridge Elementary School	30,591	587,519
Total	<u>\$ 57,726,405</u>	<u>136,418,882</u>

Construction projects included in governmental activities are funded with general obligation bonds proceeds.

### Note 6 - Long-term liabilities

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

	Balance 7-1-2018	Additions	Reductions	Balance 6-30-2019	Amounts due within one year
A. General obligation bonds payable	\$ 100,750,000	77,750,000		178,500,000	
General obligation refunding bonds payable	14,715,000		4,690,000	10,025,000	4,905,000
B. Three mill notes payable	28,635,000		3,795,000	24,840,000	3,205,000
C. Obligations under lease payable	3,214,190	4,275,516	3,550,205	3,939,501	2,514,329
D. Compensated absences payable	1,184,448	75,831		1,260,279	
Total	<u>\$ 148,498,638</u>	<u>82,101,347</u>	<u>12,035,205</u>	<u>218,564,780</u>	<u>10,624,329</u>

	Balance 7-1-2018	Additions	Reductions	Balance 6-30-2019	Amounts due within one year
Premiums on bonds	\$ 16,168,323	9,978,832	424,867	25,722,288	627,987
Premiums on notes	181,862		30,311	151,551	30,311
Total	<u>\$ 16,350,185</u>	<u>9,978,832</u>	<u>455,178</u>	<u>25,873,839</u>	<u>658,298</u>

## Rankin County School District

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

#### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2016	2.00-5.00%	10-01-16	10-01-20	\$ 19,395,000	10,025,000
General obligation bonds, Series 2017	3.50-5.00%	06-20-17	06-20-42	100,750,000	100,750,000
General obligation bonds, Series 2019	4.00-5.00%	02-26-19	06-01-43	77,750,000	77,750,000
				<u>\$ 197,895,000</u>	<u>188,525,000</u>

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

##### 1. General obligation refunding bond issue of 2016:

Year Ending June 30	Principal	Interest	Total
2020	\$ 4,905,000	378,625	5,283,625
2021	5,120,000	128,000	5,248,000
Total	<u>\$ 10,025,000</u>	<u>506,625</u>	<u>10,531,625</u>

This debt will be retired from the 2001 Bond Issue Retirement Fund.

##### 2. General obligation bond issue of 2017:

Year Ending June 30	Principal	Interest	Total
2020	\$ 0	4,686,000	4,686,000
2021	2,625,000	4,620,375	7,245,375
2022	2,760,000	4,485,750	7,245,750
2023	2,905,000	4,344,125	7,249,125
2024	3,050,000	4,195,250	7,245,250
2025 - 2029	17,780,000	18,461,250	36,241,250
2030 - 2034	22,600,000	13,631,250	36,231,250
2035 - 2039	28,440,000	7,794,500	36,234,500
2040 - 2042	20,590,000	1,148,950	21,738,950
Total	<u>\$ 100,750,000</u>	<u>63,367,450</u>	<u>164,117,450</u>

This debt will be retired from the 2017 Bond Issue Retirement Fund.

## Rankin County School District

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

#### 3. General obligation bond issue of 2019:

Year Ending June 30	Principal	Interest	Total
2020	\$ 0	4,656,546	4,656,546
2021	1,685,000	3,684,300	5,369,300
2022	1,770,000	3,600,050	5,370,050
2023	1,860,000	3,511,550	5,371,550
2024	1,955,000	3,418,550	5,373,550
2025 - 2029	11,380,000	15,522,750	26,902,750
2030 - 2034	14,620,000	12,370,000	26,990,000
2035 - 2039	18,695,000	8,360,150	27,055,150
2040 - 2043	25,785,000	3,340,500	29,125,500
Total	\$ <u>77,750,000</u>	<u>58,464,396</u>	<u>136,214,396</u>

This debt will be retired from the 2019 Bond Issue Retirement Fund.

Total general obligation bond payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 4,905,000	9,721,171	14,626,171
2021	9,430,000	8,432,675	17,862,675
2022	4,530,000	8,085,800	12,615,800
2023	4,765,000	7,855,675	12,620,675
2024	5,005,000	7,613,800	12,618,800
2025 - 2029	29,160,000	33,984,000	63,144,000
2030 - 2034	37,220,000	26,001,250	63,221,250
2035 - 2039	47,135,000	16,154,650	63,289,650
2040 - 2043	46,375,000	4,489,450	50,864,450
Total	\$ <u>188,525,000</u>	<u>122,338,471</u>	<u>310,863,471</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2019, the amount of outstanding bonded indebtedness was equal to 13% of property assessments as of October 1, 2018.

# Rankin County School District

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

### B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2009 Three Mill Note	2.5-3.25%	05-06-09	04-01-19	\$ 5,700,000	0
2013 Three Mill Note	2.25-3.0%	08-01-13	08-01-23	12,000,000	6,400,000
2015 Three Mill Refunding Note	2.0-5.0%	06-30-15	08-01-26	9,405,000	8,345,000
2015 Three Mill Note	1.85%	06-01-15	06-01-27	8,000,000	5,615,000
2018 EEf Note	3.12%	06-01-18	06-01-28	4,905,000	4,480,000
Total				\$ <u>40,010,000</u>	<u>24,840,000</u>

#### 1. Three mill note issued in 2009

This debt was paid off and retired from the 3 Mill 10 Year (2009) Fund.

#### 2. Three mill note payable issued in 2013:

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,210,000	173,850	1,383,850
2021	1,245,000	137,025	1,382,025
2022	1,280,000	99,150	1,379,150
2023	1,315,000	60,225	1,375,225
2024	<u>1,350,000</u>	<u>20,250</u>	<u>1,370,250</u>
Total	\$ <u>6,400,000</u>	<u>490,500</u>	<u>6,890,500</u>

This debt will be retired from the 3 Mill 10 Year (2014) Fund.

## Rankin County School District

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

#### 3. Three mill refunding note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2020	\$ 920,000	320,350	1,240,350
2021	940,000	297,050	1,237,050
2022	970,000	273,250	1,243,250
2023	995,000	238,675	1,233,675
2024	1,045,000	187,675	1,232,675
2025 - 2027	<u>3,475,000</u>	<u>236,125</u>	<u>3,711,125</u>
Total	\$ <u>8,345,000</u>	<u>1,553,125</u>	<u>9,898,125</u>

This debt will be retired from the Three Mill Notes 2006 Fund.

#### 4. Three mill note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2020	\$ 635,000	136,074	771,074
2021	655,000	124,072	779,072
2022	675,000	110,318	785,318
2023	690,000	95,131	785,131
2024	710,000	77,191	787,191
2025 - 2027	<u>2,250,000</u>	<u>118,733</u>	<u>2,368,733</u>
Total	\$ <u>5,615,000</u>	<u>661,519</u>	<u>6,276,519</u>

This debt will be retired from the Three Mill 12 Year 2016 Fund.

#### 5. Three mill note payable issued in 2018:

Year Ending June 30	Principal	Interest	Total
2020	\$ 440,000	139,642	579,642
2021	455,000	125,927	580,927
2022	465,000	111,744	576,744
2023	480,000	97,250	577,250
2024	495,000	82,289	577,289
2025 - 2028	<u>2,145,000</u>	<u>169,720</u>	<u>2,314,720</u>
Total	\$ <u>4,480,000</u>	<u>726,572</u>	<u>5,206,572</u>

## Rankin County School District

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

This debt will be retired from the EEF Building and Buses Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 3,205,000	769,916	3,974,916
2021	3,295,000	684,074	3,979,074
2022	3,390,000	594,462	3,984,462
2023	3,480,000	491,281	3,971,281
2024	3,600,000	367,405	3,967,405
2025 - 2028	<u>7,870,000</u>	<u>524,578</u>	<u>8,394,578</u>
Total	\$ <u>24,840,000</u>	<u>3,431,716</u>	<u>28,271,716</u>

### C. Obligations under Leases

The school district has entered into lease agreements as lessee for financing the acquisition of computers at a cost of \$2,872,469, \$2,797,696, \$625,650, and \$4,275,516, respectively.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master Lease - 2017 Computers	0.00%	08-15-16	08-15-18	2,872,469	0
Master Lease - 2017 Computers	0.00%	08-15-17	08-15-19	2,797,696	877,806
Chromebooks	1.80%	08-16-17	05-16-20	625,650	211,351
Master Lease - 2019 Computers	0.00%	07-15-18	07-15-20	4,275,516	2,850,344
Total				\$ <u>10,571,331</u>	<u>3,939,501</u>

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

#### 1. Master Lease 2017 Computers:

This debt was paid off and retired from the District Maintenance Fund.

#### 2. Master Lease 2017 Computers:

Year Ending June 30	Principal
2020	\$ <u>877,806</u>

This debt will be retired from the District Maintenance Fund.



## Rankin County School District

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

#### 3. Chromebooks:

Year Ending June 30	Principal	Interest	Total
2020	\$ 211,351	2,858	214,209

This debt will be retired from the District Maintenance Fund.

#### 4. Master Lease 2019 Computers:

Year Ending June 30	Principal
2020	\$ 1,425,172
2021	1,425,172
Total	\$ 2,850,344

This debt will be retired from the District Maintenance Fund.

Total obligation under leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,514,329	2,858	2,517,187
2021	1,425,172	0	1,425,172
Total	\$ 3,939,501	2,858	3,942,359

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

#### **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.

## Rankin County School District

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

### Note 7 - Defined Benefit Pension Plan

#### General Information about the Pension Plan

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS

## Rankin County School District

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

for the fiscal years ending June 30, 2019, 2018, and 2017, were \$15,542,801, \$15,066,378, and \$14,970,737, 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 \$249,156,417 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 1.497967 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.016261 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 \$21,010,431. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 11,008,055	\$
Net difference between projected and actual earnings on pension plan investments		4,481,905
Changes in proportion and differences between District contributions and proportionate share of contributions	4,199,629	16,634,487
District contributions subsequent to the measurement date	15,542,801	
Total	<u>\$ 30,750,485</u>	<u>\$ 21,116,392</u>

\$15,542,801 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:

## Rankin County School District

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

Year Ending June 30:		
2020	\$	5,049,341
2021		(1,121,910)
2022		(5,223,414)
2023		(4,612,725)
Total	\$	<u>(5,908,708)</u>

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

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

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

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-estimates 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:

## Rankin County School District

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real 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 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	\$ 328,067,506	\$ 249,156,417	\$ 183,570,883

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

## Rankin County School District

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

### Note 8 - Other Postemployment Benefits (OPEB)

#### General Information about the OPEB Plan.

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

#### *Benefits provided.*

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

## Rankin County School District

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

#### *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 \$686,862 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$15,252,513 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 1.97175531 percent. This was an increase of 0.04236797 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 \$837,136. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$	31,055	\$
Changes in assumptions			1,086,772
Changes in proportion and differences between District contributions and proportionate share of contributions		545,721	
District contributions subsequent to the measurement date		686,862	
Total	\$	<u>1,263,638</u>	<u>\$ 1,086,772</u>

\$686,862 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

## Rankin County School District

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

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

Year Ending June 30:	
2020	(105,442)
2021	(105,442)
2022	(105,442)
2023	(105,442)
2024	(79,994)
Thereafter	(8,234)
Total	\$ <u><u>(509,996)</u></u>

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

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%



## Rankin County School District

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

#### Health Care Cost Trends

Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75 percent 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.

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 the Bond Buyer.

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

		1% Decrease (2.89%)		Discount Rate (3.89%)		1% Increase (4.89%)
Net OPEB liability	\$	16,907,033	\$	15,252,513	\$	13,829,576

## Rankin County School District

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

*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	\$	14,128,869	\$	15,252,513	\$ 16,528,653

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

#### Note 9 - Risk Management

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

#### Note 10 - Contingencies

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

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

## Rankin County School District

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

### Note 11 - Other Commitments

Commitments under construction contracts are described in Note 5.

The school district has several operating leases for the following:

1. Copiers
2. Risographs

Lease expenditures for the year ended June 30, 2019, amounted to \$444,896.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ <u>315,572</u>

### Note 12 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$115,513,568 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$205,066 balance of the deferred outflow of resources at June 30, 2019 will be recognized as an expense and decrease the net investment in capital assets net position over the next 24 years.

The unrestricted net position amount of (\$372,597,385) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$15,542,801 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$15,207,684 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$372,597,385) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$21,116,392 balance of deferred inflow of resources, at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$372,597,385) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$686,862 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$576,776 balance of deferred outflow of resources, at June 30,

## **Rankin County School District**

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

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 (\$372,597,385) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,086,772 balance of deferred inflow of resources at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 13 - Insurance Loss Recoveries**

The Rankin County School District received \$14,592 in insurance loss recoveries related to bus damage during the 2018 - 2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenue.

#### **Note 14 - 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.

## Rankin County School District

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

Year Ending June 30		Amount
2020	\$	1,022,590
2021		998,184
2022		962,504
2023		946,328
2024		921,072
2025 - 2029		4,313,103
2030 - 2034		3,082,082
2035 - 2039		2,032,844
2040 - 2044		946,306
2045 - 2049		451,809
2050 - 2054		147,175
2055 - 2059		120,190
2060 - 2064		113,250
2065 - 2069		113,250
2070 - 2074		113,250
2075 - 2079		113,250
2080 - 2084		113,250
2085 - 2089		40,250
2090 - 2094		4,500
2095 - 2099		4,500
2100 - 2104		4,500
2105 - 2109		4,500
2110 - 2114		4,500
Total	\$	<u>16,573,187</u>

### Note 15 - 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 Rankin County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2019

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 65,701,630	66,018,330	64,774,757	316,700	(1,243,573)
State sources	86,518,440	86,518,440	84,841,229	-	(1,677,211)
Federal sources	707,000	707,000	690,536	-	(16,464)
Sixteenth section sources	1,490,815	1,536,915	1,153,375	46,100	(383,540)
Total Revenues	<u>154,417,885</u>	<u>154,780,685</u>	<u>151,459,897</u>	<u>362,800</u>	<u>(3,320,788)</u>
<b>Expenditures:</b>					
Instruction	95,741,349	95,999,662	95,018,828	(258,313)	980,834
Support services	57,115,953	57,136,842	56,690,676	(20,889)	446,166
Noninstructional services	1,974,421	1,974,421	1,909,660	-	64,761
Sixteenth section	273,100	277,100	208,229	(4,000)	68,871
Facilities acquisition and construction	-	49,500	49,500	(49,500)	-
Debt service:					
Principal	3,556,818	3,556,818	3,550,205	-	6,613
Interest	-	-	6,611	-	(6,611)
Total Expenditures	<u>158,661,641</u>	<u>158,994,343</u>	<u>157,433,709</u>	<u>(332,702)</u>	<u>1,560,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,243,756)</u>	<u>(4,213,658)</u>	<u>(5,973,812)</u>	<u>30,098</u>	<u>(1,760,154)</u>
<b>Other Financing Sources (Uses):</b>					
Inception of leases	-	-	4,275,516	-	4,275,516
Insurance recovery	-	-	14,592	-	14,592
Sale of transportation equipment	-	-	20,249	-	20,249
Sale of other property	-	-	523,913	-	523,913
Operating transfers in	-	-	3,117,741	-	3,117,741
Other financing sources	24,517,498	24,475,557	-	(41,941)	(24,475,557)
Operating transfers out	-	-	(2,572,078)	-	(2,572,078)
Other financing uses	(20,879,655)	(20,883,114)	(11,755)	(3,459)	20,871,359
Total Other Financing Sources (Uses)	<u>3,637,843</u>	<u>3,592,443</u>	<u>5,368,178</u>	<u>(45,400)</u>	<u>1,775,735</u>
Net Change in Fund Balances	<u>(605,913)</u>	<u>(621,215)</u>	<u>(605,634)</u>	<u>(15,302)</u>	<u>15,581</u>
<b>Fund Balances:</b>					
July 1, 2018	<u>26,978,000</u>	<u>28,280,574</u>	<u>28,280,576</u>	<u>1,302,574</u>	<u>2</u>
June 30, 2019	<u>\$ 26,372,087</u>	<u>27,659,359</u>	<u>27,674,942</u>	<u>1,287,272</u>	<u>15,583</u>

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

**Rankin County School District**

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

## PERS

## Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 249,156,417	246,309,827	261,970,488	221,283,680	172,657,564
District's proportion of the net pension liability	1.497967%	1.481706%	1.466595%	1.431513%	1.422435%
District's covered payroll	95,659,543	95,052,298	93,821,638	89,432,743	86,918,146
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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



**Rankin County School District**  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years\*

		2019	2018	2017	2016	2015
Contractually required contribution	\$	<u>15,542,801</u>	<u>15,066,378</u>	<u>14,970,737</u>	<u>14,776,908</u>	<u>14,085,657</u>
Contributions in relation to the contractually required contribution		15,542,801	15,066,378	14,970,737	14,776,908	14,085,657
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll		98,684,451	95,659,543	95,052,298	93,821,638	89,432,743
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 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.

**Rankin County School District**

## Schedule of the District's Proportionate Share of the Net OPEB Liability

## OPEB

Last 10 Fiscal Years\*

	2019	2018
District's proportionate share of the net OPEB liability	\$ 15,252,513	15,138,147
District's proportion of the net OPEB liability	1.97175531%	1.92938734%
District's covered-employee payroll	89,181,152	86,682,067 **
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

The 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.

\*\* The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

**Rankin County School District**  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years\*

	2019	2018	
Actuarially determined contribution	\$ 686,862	645,362	**
Contributions in relation to the actuarially determined contribution	686,862	645,362	**
Contribution deficiency (excess)	\$ -	-	
District's covered-employee payroll	92,459,539	89,684,244	
Contributions as a percentage of covered-employee payroll	0.74%	0.72%	

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

\*\* The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

## Rankin County School District

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

#### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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%.

## Rankin County School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

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

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

#### (2) *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

## Rankin County School District

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

(3) *Methods and assumptions used in calculation 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%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

## SUPPLEMENTARY INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 750,471
National School Lunch Program	185MS326N1099	10.555	4,750,602
Summer Food Service Program for Children	185MS326N1099	10.559	3,398
Total Child Nutrition Cluster			5,504,471
Total passed-through the Mississippi Department of Education			5,504,471
<b>Total U.S. Department of Agriculture</b>			<b>5,504,471</b>
<b><u>U. S. Department of Defense</u></b>			
Direct program:			
Reserve Officers' Training Corps		12.xxx	491,046
<b>Total U.S. Department of Defense</b>			<b>491,046</b>
<b><u>U. S. Department of Education</u></b>			
Passed-through Mississippi Board for Community and Junior Colleges:			
Adult Education - Basic Grants to States	V002A180025	84.002	263,875
Total passed-through the Mississippi Board for Community and Junior Colleges			263,875
Passed-through Department of Rehabilitation Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A190034	84.126	399,623
Total passed-through the Department of Rehabilitation Services			399,623
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	2,624,645
Career and Technical Education - Basic Grants to States	V048A170024	84.048	146,743
English Language Acquisition State Grants	ES365A180024	84.365	50,493
Supporting Effective Instruction State Grants	ES367A170023	84.367	415,430
Student Support and Academic Enrichment Program	ES424A170025	84.424	134,864
Subtotal			3,372,175
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	3,747,231
Positive Behavior Specialists	H027A170108	84.027A	43,399
Special Education - Preschool Grants	H173A170113	84.173	111,673
Total Special Education Cluster			3,902,303
Total passed-through the Mississippi Department of Education			7,274,478
<b>Total U.S. Department of Education</b>			<b>7,937,976</b>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	214,948
Total passed-through the Mississippi Department of Education			214,948
<b>Total U.S. Department of Health and Human Services</b>			<b>214,948</b>
Total for All Federal Awards			\$ 14,148,441

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



## Rankin County School District

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$642,067 included in the National School Lunch Program.

**RANKIN COUNTY SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2019

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	136,195,558	105,293,179	3,383,509	11,996,623	15,522,247
Other	114,741,796	20,613,584	1,404,978	249,980	92,473,254
Total \$	<u>250,937,354</u>	<u>125,906,763</u>	<u>4,788,487</u>	<u>12,246,603</u>	<u>107,995,501</u>
Total number of students *	<u>19,051</u>				
Cost per student \$	<u>13,172</u>	<u>6,609</u>	<u>251</u>	<u>643</u>	<u>5,669</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 functions: Support Services - School Administration.

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

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

## OTHER INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 64,774,757	63,588,861	62,304,070	60,514,703
Intermediate sources	-	6,139	12,770	-
State sources	84,841,229	83,059,449	82,493,705	82,218,827
Federal sources	690,536	608,657	516,201	422,047
Sixteenth section sources	1,153,375	1,379,288	1,284,320	1,467,594
Total Revenues	<u>151,459,897</u>	<u>148,642,394</u>	<u>146,611,066</u>	<u>144,623,171</u>
<b>Expenditures:</b>				
Instruction	95,018,828	91,863,401	89,517,813	89,105,166
Support services	56,690,676	52,071,423	51,794,804	51,590,866
Noninstructional services	1,909,660	1,980,762	2,025,982	2,188,311
Sixteenth section	208,229	259,072	256,869	226,087
Facilities acquisition and construction	49,500	182,015	4,195,639	166,709
Debt service:				
Principal	3,550,205	3,785,230	2,999,805	2,546,527
Interest	6,611	16,157	23,233	31,442
Total Expenditures	<u>157,433,709</u>	<u>150,158,060</u>	<u>150,814,145</u>	<u>145,855,108</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(5,973,812)</u>	<u>(1,515,666)</u>	<u>(4,203,079)</u>	<u>(1,231,937)</u>
<b>Other Financing Sources (Uses):</b>				
Inception of leases	4,275,516	3,423,346	2,872,469	4,468,176
Insurance recovery	14,592	8,648	1,132,991	513,713
Sale of transportation equipment	20,249	9,641	14,132	761
Sale of other property	523,913	1,647,208	6,435	4,724
Operating transfers in	3,117,741	536,894	533,531	335,138
Operating transfers out	(2,572,078)	(2,288,593)	(2,303,102)	(2,473,955)
Other financing uses	(11,755)	-	-	(3,188)
Total Other Financing Sources (Uses)	<u>5,368,178</u>	<u>3,337,144</u>	<u>2,256,456</u>	<u>2,845,369</u>
Net Change in Fund Balances	(605,634)	1,821,478	(1,946,623)	1,613,432
<b>Fund Balances:</b>				
Beginning of period, as previously reported	28,280,576	26,459,098	28,405,721	26,791,996
Prior period adjustments	-	-	-	293
Beginning of period, as restated	<u>28,280,576</u>	<u>26,459,098</u>	<u>28,405,721</u>	<u>26,792,289</u>
End of period	<u>\$ 27,674,942</u>	<u>28,280,576</u>	<u>26,459,098</u>	<u>28,405,721</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**RANKIN COUNTY SCHOOL DISTRICT**

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

## All Governmental Funds

## Last Four Years

"UNAUDITED"

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 86,849,508	84,399,567	75,059,429	72,992,143
Increase (decrease) in fair market value	1,389,502	(136,641)	(401,073)	-
Intermediate sources	-	6,139	12,770	-
State sources	90,359,599	88,810,044	87,842,210	87,493,204
Federal sources	14,582,663	13,642,316	13,626,380	14,089,148
Sixteenth section sources	2,547,555	2,181,982	2,101,800	2,672,359
Total Revenues	<u>195,728,827</u>	<u>188,903,407</u>	<u>178,241,516</u>	<u>177,246,854</u>
<b>Expenditures:</b>				
Instruction	107,217,191	103,482,059	101,082,284	100,268,147
Support services	64,188,400	57,931,566	56,918,462	56,042,978
Noninstructional services	10,002,825	9,861,160	10,133,979	10,353,805
Sixteenth section	268,598	295,984	312,119	276,461
Facilities acquisition and construction	49,474,323	9,681,501	9,177,186	4,700,452
Debt service:				
Principal	12,035,205	12,035,230	11,559,805	10,751,527
Interest	7,151,019	6,087,829	1,702,173	2,081,297
Other	599,793	115,085	1,380,774	202,632
Total Expenditures	<u>250,937,354</u>	<u>199,490,414</u>	<u>192,266,782</u>	<u>184,677,299</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(55,208,527)</u>	<u>(10,587,007)</u>	<u>(14,025,266)</u>	<u>(7,430,445)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	77,750,000	4,905,000	100,750,000	8,000,000
Inception of leases	4,275,516	3,423,346	2,872,469	4,468,176
Insurance recovery	14,592	8,648	1,132,991	513,713
Refunding bond issued	-	-	19,395,000	-
Premiums on bonds, notes, and refunding debt issued	9,978,832	-	16,394,322	-
Payment to refunded bond escrow agent	-	-	(21,070,132)	-
Sale of transportation equipment	20,249	9,641	14,132	761
Sale of other property	532,963	1,647,208	7,061	4,724
Operating transfers in	6,628,529	2,913,487	2,968,012	2,828,055
Other financing sources	-	-	20,790	-
Operating transfers out	(6,628,529)	(2,913,487)	(2,968,012)	(2,828,055)
Other financing uses	<u>(12,991)</u>	<u>(136,641)</u>	<u>-</u>	<u>(3,188)</u>
Total Other Financing Sources (Uses)	<u>92,559,161</u>	<u>9,857,202</u>	<u>119,516,633</u>	<u>12,984,186</u>
Net Change in Fund Balances	37,350,634	(729,805)	105,491,367	5,553,741
<b>Fund Balances:</b>				
Beginning of period, as previously reported	163,813,373	164,715,636	59,155,375	53,557,597
Prior period adjustment	-	-	-	293
Beginning of period, as restated	<u>163,813,373</u>	<u>164,715,636</u>	<u>59,155,375</u>	<u>53,557,890</u>
Increase (decrease) in inventory	<u>(17,304)</u>	<u>(172,458)</u>	<u>68,894</u>	<u>43,744</u>
End of period	<u>\$ 201,146,703</u>	<u>163,813,373</u>	<u>164,715,636</u>	<u>59,155,375</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Rankin County School District

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

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 19, 2020

Certified Public Accountants



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Rankin County School District

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

We have audited Rankin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rankin County School District's major federal programs for the year ended June 30, 2019. The Rankin County School District's major federal programs are identified in the summary of the 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 Rankin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on the school district's compliance.

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## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
February 19, 2020

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Rankin County School District

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

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

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

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

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

## **Finding 1**

### Criteria:

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-27, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B “Certification/Acknowledgment of Re-employment of Retiree” with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

### Condition:

During our testing of retired personnel, we noted three instances in which re-hired employees’ form 4B were not filed timely with PERS.

### Cause:

The school district failed to comply with Section 25-11-127, Miss. Code Ann. (1972).

### Effect:

The retirees’ retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment and within five days of termination of the service retiree.

### Recommendation:

PERS Form 4B must be properly completed and submitted to the PERS office within five (5) days from the date of re-employment and employees must not be paid in excess of the maximum amount allowed.

### Response:

The district agrees with the finding and has taken steps to ensure the PERS Form 4B is filed within five days of the date of employment for all rehired retirees and within five days of termination of employment.

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 ensure that corrective action has been taken.

The Rankin County 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 19, 2020

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Rankin County School District

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

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.



## Section II: Financial Statements Findings

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

## Section III: Federal Awards Findings and Questioned Costs

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