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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2019

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-14, 61, 63-65, and 67-69, 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

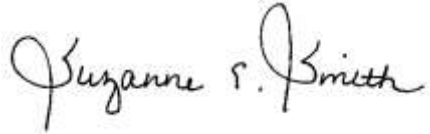
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starkville Oktibbeha Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of the Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District's internal control over financial reporting and compliance.

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

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 2, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2019 increased \$2,876,934, including a prior period adjustment of \$6,956, which represents a 9.90% increase from fiscal year 2018. Total net position for 2018 increased \$3,847,919, including a prior period adjustment of (\$4,862,789), which represents a 12% increase from fiscal year 2017.
- General revenues amounted to \$50,348,886 and \$48,393,942 or 81% and 74% 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 \$11,697,871, or 19% of total revenues for 2019, and \$17,108,683, or 26% of total revenues for 2018.
- The District had \$59,176,779 and \$56,791,917 in expenses for fiscal years 2019 and 2018; only \$11,697,871 for 2019 and \$17,108,683 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$50,348,886 for 2019 and \$48,393,942 for 2018 were adequate to provide for these programs.
- Among major funds, the General Fund had \$46,332,570 in revenues and \$43,257,757 in expenditures for 2019, and \$44,226,375 in revenues and \$41,649,585 in expenditures in 2018. The General Fund's fund balance increased by \$2,222,115 from 2018 to 2019, and increased by \$2,694,533, including a prior period adjustment of \$2,264 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$14,257,960 for 2019 and increased by \$2,997,237 for 2018. The increase for 2019 was due primarily to the increase in expenditures for construction in progress.
- Long-term debt, including the liability for compensated absences, decreased by \$2,979,576 for 2019 and decreased by \$3,428,190 for 2018. This decrease for 2019 was due primarily to payments on outstanding debt. The liability for compensated absences decreased by \$10,840 for 2019 and decreased by \$11,932 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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 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.

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

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

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 \$26,178,696 as of June 30, 2019.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 24,521,656	\$ 25,476,749	-3.75 %
Restricted assets	11,105,730	21,187,259	-47.58 %
Capital assets, net	56,942,390	42,684,430	33.40 %
Total assets	92,569,776	89,348,438	3.61 %
 Deferred outflows of resources	 12,525,479	 10,658,302	 17.52 %
 Current liabilities	 5,973,310	 4,693,834	 27.26 %
Long-term debt outstanding	37,471,070	40,470,519	-7.41 %
Net pension liability	77,127,087	69,868,125	10.39 %
Net OPEB liability	4,850,888	4,758,760	1.94 %
Total liabilities	125,422,355	119,791,238	4.70 %
 Deferred inflows of resources	 5,851,596	 9,271,132	 -36.88 %
 Net position:			
Net investment in capital assets	27,057,604	20,063,037	34.86 %
Restricted	8,172,363	12,428,791	-34.25 %
Unrestricted	(61,408,663)	(61,547,458)	0.23 %
Total net position	\$ (26,178,696)	\$ (29,055,630)	9.90 %

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:

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

Total unrestricted net position (deficit)	(\$61,408,663)
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	75,304,092
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$13,895,429</u>

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

- Increase in net capital assets in the amount of \$14,257,960.
- The principal retirement of \$2,968,736 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$62,046,757 and \$65,502,625, respectively. The total cost of all programs and services was \$59,176,779 for 2019 and \$56,791,917 for 2018.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,025,101	1,935,536	4.63 %
Operating grants and contributions	9,647,010	9,974,982	(3.29) %
Capital Grants and Contributions	25,760	5,198,165	(99.50) %
General revenues:			
Property taxes	25,973,731	23,919,591	8.59 %
Grants and contributions not restricted	23,316,843	23,604,284	(1.22) %
Investment earnings	237,849	101,944	133.31 %
Sixteenth section sources	276,130	237,004	16.51 %
Other	544,333	531,119	2.49 %
Total revenues	<u>62,046,757</u>	<u>65,502,625</u>	<u>(5.28) %</u>
Expenses:			
Instruction	25,659,702	24,981,194	2.72 %
Support services	20,632,767	19,594,120	5.30 %
Non-instructional	4,771,535	4,542,044	5.05 %
Sixteenth section	89,971	63,065	42.66 %
Pension expense	6,776,603	6,267,071	8.13 %
OPEB expense	251,614	236,277	6.49 %
Interest on long-term liabilities	994,587	1,108,146	(10.25) %
Total expenses	<u>59,176,779</u>	<u>56,791,917</u>	<u>4.20 %</u>
Increase (Decrease) in net position	<u>2,869,978</u>	<u>8,710,708</u>	<u>(67.05) %</u>
Net Position, July 1, as previously reported	<u>(29,055,630)</u>	<u>(32,903,549)</u>	<u>11.69 %</u>
Prior Period Adjustment	<u>6,956</u>	<u>(4,862,789)</u>	<u>100.14 %</u>
Net Position, July 1, as restated	<u>(29,048,674)</u>	<u>(37,766,338)</u>	<u>23.08 %</u>
Net Position, June 30	<u><u>\$ (26,178,696)</u></u>	<u><u>(29,055,630)</u></u>	<u><u>9.90 %</u></u>

STARKVILLE OKTIBBEHA CONSOLIDATED 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

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 25,659,702	\$ 24,981,194	2.72 %
Support services	20,632,767	19,594,120	5.30 %
Non-instructional	4,771,535	4,542,044	5.05 %
Sixteenth section	89,971	63,065	42.66 %
Pension Expense	6,776,603	6,267,071	8.13 %
OPEB Expense	251,614	236,277	6.49 %
Interest on long-term liabilities	994,587	1,108,146	(10.25) %
Total expenses	\$ 59,176,779	\$ 56,791,917	4.20 %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (21,012,520)	\$ (20,305,448)	(3.48) %
Support services	(18,111,636)	(11,781,808)	(53.73) %
Non-instructional	(257,301)	63,783	(503.40) %
Sixteenth section	(77,817)	(53,915)	(44.33) %
Pension Expense	(6,776,603)	(6,267,071)	(8.13) %
OPEB Expense	(251,614)	(236,277)	(6.49) %
Interest on long-term liabilities	(991,417)	(1,102,498)	10.08 %
Total net (expense) revenue	\$ (47,478,908)	\$ (39,683,234)	(19.64) %

- Net cost of governmental activities [(\$47,478,908) for 2019 and (\$39,683,234) for 2018] was financed by general revenue, which is primarily made up of property taxes (\$25,973,731 for 2019 and \$23,919,591 for 2018) and state and federal revenues (\$23,316,843 for 2019 and \$23,604,284 for 2018). In addition, there was \$276,130 and \$237,004 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$237,849 for 2019 and \$101,944 for 2018.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$30,020,250, a decrease of \$12,345,194, which includes a prior period adjustment of \$11,031 and a decrease in inventory of \$3,312. \$13,282,383 or 44% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$16,737,867 or 56% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,222,115. The fund balance of Other Governmental Funds showed a decrease in the amount of \$5,705,135, which includes a prior period adjustment of \$11,031 and a decrease in reserve for inventory of \$3,312. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
2017 Construction Fund	\$ (8,862,174)

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$82,901,632, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and leased property under capital lease. This amount represents an increase of \$15,438,771 from 2018. Total accumulated depreciation as of June 30, 2019, was \$25,959,242, and total depreciation expense for the year was \$1,631,414, resulting in total net capital assets of \$56,942,390.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 193,920	\$ 193,920	0.00 %
Construction in progress	19,690,801	4,368,433	350.75 %
Buildings	27,424,438	28,180,948	(2.68) %
Building improvements	4,415,990	4,638,888	(4.80) %
Improvements other than buildings	2,442,434	2,611,441	(6.47) %
Mobile equipment	2,094,606	1,957,869	6.98 %
Furniture and equipment	388,231	369,941	4.94 %
Leased property under capital lease	291,970	362,990	(19.57) %
Total	\$ 56,942,390	\$ 42,684,430	33.40 %

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

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

Debt Administration. At June 30, 2019, the District had \$37,272,346 in outstanding long-term debt, including the liability for compensated absences, of which \$2,990,211 is due within one year. The liability for compensated absences decreased \$10,840 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	\$ 26,750,000	\$ 28,810,000	(7.15) %
Three mill notes payable	4,240,000	5,030,000	(15.71) %
Obligations under capital lease	60,211	178,947	(66.35) %
Qualified school construction bonds payable	5,780,000	5,780,000	0.00 %
Compensated absences payable	442,135	452,975	(2.39) %
Total	<u>\$ 37,272,346</u>	<u>\$ 40,251,922</u>	<u>(7.40) %</u>

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

CURRENT ISSUES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Starkville Oktibbeha Consolidated School District, 401 Greensboro Street, Starkville, Mississippi 39759.

FINANCIAL STATEMENTS

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Position

Exhibit A

June 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 22,261,231
Cash with fiscal agents	5,000
Due from other governments	1,759,070
Other receivables, net	412,104
Inventories	70,758
Prepaid items	13,493
Restricted assets	11,105,730
Capital assets, net of accumulated depreciation	56,942,390
Total Assets	<u>92,569,776</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	12,160,232
Deferred outflows - OPEB	365,247
Total deferred outflows of resources	<u>12,525,479</u>
Liabilities	
Accounts payable and accrued liabilities	5,582,408
Interest payable on long-term liabilities	366,174
Unearned revenue	24,728
Long-term liabilities, due within one year:	
Capital related liabilities	2,990,211
Net OPEB liability	211,824
Long-term liabilities, due beyond one year:	
Capital related liabilities	33,840,000
Unamortized bond premium	198,724
Non-capital related liabilities	442,135
Net pension liability	77,127,087
Net OPEB liability	4,639,064
Total Liabilities	<u>125,422,355</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	5,505,960
Deferred inflows - OPEB	345,636
Total deferred inflows of resources	<u>5,851,596</u>
Net Position	
Net investment in capital assets	27,057,604
Restricted for:	
Expendable:	
School-based activities	2,936,016
Debt service	3,357,792
Capital improvements	156,398
Forestry improvements	161,781
Unemployment benefits	61,380
Non-expendable:	
Sixteenth section	1,498,996
Unrestricted	(61,408,663)
Total Net Position	<u>\$ (26,178,696)</u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 25,659,702	1,534,311	3,093,610	19,261	(21,012,520)
Support services	20,632,767	25,950	2,495,181		(18,111,636)
Non-instructional	4,771,535	452,686	4,055,049	6,499	(257,301)
Sixteenth section	89,971	12,154			(77,817)
Pension expense	6,776,603				(6,776,603)
OPEB expense	251,614				(251,614)
Interest on long-term liabilities	994,587		3,170		(991,417)
Total Governmental Activities	<u>\$ 59,176,779</u>	<u>2,025,101</u>	<u>9,647,010</u>	<u>25,760</u>	<u>(47,478,908)</u>
General Revenues:					
Taxes:					
General purpose levies					21,880,697
Debt purpose levies					4,093,034
Unrestricted grants and contributions:					
State					23,063,592
Federal					253,251
Unrestricted investment earnings					237,849
Sixteenth section sources					276,130
Other					544,333
Total General Revenues					<u>50,348,886</u>
Change in Net Position					<u>2,869,978</u>
Net Position - Beginning, as previously reported					(29,055,630)
Prior Period Adjustments					6,956
Net Position - Beginning, as restated					<u>(29,048,674)</u>
Net Position - Ending					<u>\$ (26,178,696)</u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2019

	Major Funds		Other	Total
	General	2017	Governmental	Governmental
	Fund	Construction Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 15,183,801	8,727,286	7,007,719	30,918,806
Cash with fiscal agents	5,000			5,000
Investments			2,448,155	2,448,155
Due from other governments	583,014		1,176,056	1,759,070
Due from other funds	1,069,208			1,069,208
Advances to other funds			173,245	173,245
Other receivables	711		411,393	412,104
Inventories			70,758	70,758
Prepaid items	13,493			13,493
Total assets	16,855,227	8,727,286	11,287,326	36,869,839
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	2,980,765	1,583,137	1,018,506	5,582,408
Due to other funds			1,069,208	1,069,208
Advances from other funds	173,245			173,245
Unearned revenue			24,728	24,728
Total Liabilities	3,154,010	1,583,137	2,112,442	6,849,589
Fund Balances:				
Nonspendable:				
Inventory			70,758	70,758
Permanent fund principal			1,498,996	1,498,996
Restricted:				
Debt service			3,723,966	3,723,966
Capital improvements		7,144,149	156,398	7,300,547
Forestry improvement purposes			161,781	161,781
Grant activities	75,451		2,789,807	2,865,258
Unemployment benefits			61,380	61,380
Assigned:				
Student activities	343,383			343,383
Capital improvements			191,208	191,208
Emerson family school			460,843	460,843
Unemployment benefits			59,747	59,747
Unassigned	13,282,383			13,282,383
Total Fund Balances	13,701,217	7,144,149	9,174,884	30,020,250
Total liabilities and fund balances	\$ 16,855,227	8,727,286	11,287,326	36,869,839

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2019

Total fund balances for governmental funds **\$ 30,020,250**

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

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

Land	\$ 193,920	
Construction in progress	19,690,801	
Buildings	45,133,289	
Building improvements	5,909,306	
Improvements other than buildings	4,476,979	
Mobile equipment	4,815,148	
Furniture and equipment	1,893,080	
Leased property under capital lease	789,109	
Accumulated depreciation	<u>(25,959,242)</u>	56,942,390

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

Net pension liability (77,127,087)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	12,160,232	
Deferred inflows of resources related to pensions	<u>(5,505,960)</u>	(70,472,815)

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

Net OPEB liability (4,850,888)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	365,247	
Deferred inflows of resources related to OPEB	<u>(345,636)</u>	(4,831,277)

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

General obligation bonds	(26,750,000)	
Three mill notes payable	(4,240,000)	
Capital leases payable	(60,211)	
Qualified school construction bonds payable	(5,780,000)	
Unamortized bond premium	(198,724)	
Compensated absences	(442,135)	
Accrued interest payable	<u>(366,174)</u>	(37,837,244)

Net Position of governmental activities **\$ (26,178,696)**

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2019

	<u>Major Funds</u>		Other	Total
	General Fund	2017 Construction Fund	Governmental Funds	Governmental Funds
Revenues:				
Local sources	\$ 22,153,333	34,978	6,561,285	28,749,596
Intermediate sources			25,094	25,094
State sources	23,557,664		1,464,427	25,022,091
Federal sources	372,605		7,563,362	7,935,967
Sixteenth section sources	248,968		58,581	307,549
Total Revenues	46,332,570	34,978	15,672,749	62,040,297
Expenditures:				
Instruction	24,810,115		3,840,660	28,650,775
Support services	18,368,184		3,181,552	21,549,736
Noninstructional services	9,340		5,042,624	5,051,964
Sixteenth section	70,118		19,853	89,971
Facilities acquisition and construction		8,897,152	6,425,216	15,322,368
Debt service:				
Principal			2,968,736	2,968,736
Interest			1,043,556	1,043,556
Other			9,553	9,553
Total Expenditures	43,257,757	8,897,152	22,531,750	74,686,659
Excess (Deficiency) of Revenues over (under) Expenditures	3,074,813	(8,862,174)	(6,859,001)	(12,646,362)
Other Financing Sources (Uses):				
Insurance loss recoveries	3,145		284,943	288,088
Sale of transportation equipment	5,361			5,361
Operating transfers in	362,051		1,223,255	1,585,306
Payments held by escrow agents			339,202	339,202
Operating transfers out	(1,223,255)		(362,051)	(1,585,306)
Payments to escrow agents			(339,202)	(339,202)
Total Other Financing Sources (Uses)	(852,698)	0	1,146,147	293,449
Net Change in Fund Balances	2,222,115	(8,862,174)	(5,712,854)	(12,352,913)
Fund Balances:				
July 1, 2018, as previously reported	11,479,102	16,006,323	14,880,019	42,365,444
Prior period adjustments			11,031	11,031
July 1, 2018, as restated	11,479,102	16,006,323	14,891,050	42,376,475
Increase (Decrease) in reserve for inventory			(3,312)	(3,312)
June 30, 2019	\$ 13,701,217	7,144,149	9,174,884	30,020,250

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (12,352,913)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 16,008,408	
Depreciation expense	<u>(1,631,414)</u>	14,376,994
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
	<u>(115,141)</u>	(115,141)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	2,968,736	
Amortization of bond premium	19,873	
Accrued interest payable	<u>29,096</u>	3,017,705
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
Pension expense	(6,776,603)	
Contributions subsequent to the measurement date	<u>4,745,738</u>	(2,030,865)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
OPEB expense	(251,614)	
State contribution to plan	6,460	
Contributions subsequent to the measurement date	<u>211,824</u>	(33,330)
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	10,840	
Change in inventory reserve	<u>(3,312)</u>	7,528
Change in Net Position of governmental activities		<u><u>\$ 2,869,978</u></u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2019****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 120,589
Total Assets	<u>120,589</u>
Liabilities	
Due to student clubs	120,589
Total Liabilities	<u>\$ 120,589</u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Starkville, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Starkville Oktibbeha Consolidated 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 the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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 capital projects fund accounts for expenditures associated with the construction of the district's new Partnership School, which is located on the campus of Mississippi State University.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair value.

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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows - pensions

Deferred outflows – postemployment benefits other than pensions (OPEB)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows - pensions

Deferred inflows – postemployment benefits other than pensions (OPEB)

See Note 8 (pensions), Note 9 (OPEB), and Note 18 for further details.

8. Compensated Absences

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

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

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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of such a commitment by the school board. There were no committed fund balances at June 30, 2019.

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the district's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts. The school board has formally adopted a policy that sets a goal to maintain a fund balance of eight (8) percent of current year fund revenues in the District Maintenance Fund (General Fund).

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$30,918,806 and \$120,589, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,000.

Investments

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Investment Type	Rating	Maturity (in Years)	Fair Value
QSCB Construction Bond Common Trust Fund	N/A	Less than 1	\$ 2,448,155
		Total	\$ <u>2,448,155</u>

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

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

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

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 1,069,208
		<u>\$ 1,069,208</u>

The inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenues funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 173,245
Total		<u>\$ 173,245</u>

The interfund-balances represent a loan from the 16th Section Principal Fund to the General Fund. The purpose of the loan was to purchase school buses and to make needed facility improvements.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2018, is four (4) percent.

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

Year Ending June 30	Principal	Interest	Total
2020	173,245	6,930	180,175
Total	<u>\$ 173,245</u>	<u>6,930</u>	<u>180,175</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,223,255
Other governmental funds	General Fund	362,051
Total		<u>\$ 1,585,306</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$1,324,147, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling \$189,279, and the investments balance, totaling \$2,448,155, of the QSCB 2013 Limited Tax Note Retirement Fund (debt service fund).

Restricted assets also include \$7,144,149 in unexpended proceeds of bonds restricted for capital improvements at June 30, 2019.

Restricted assets shown on the Statement of Net Position total \$11,105,730.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 193,920				193,920
Construction in progress	4,368,433	15,322,368			19,690,801
Total non-depreciable capital assets	4,562,353	15,322,368	-	-	19,884,721
<u>Depreciable capital assets:</u>					
Buildings	45,133,289				45,133,289
Building improvements	5,909,306				5,909,306
Improvements other than buildings	4,476,979				4,476,979
Mobile equipment	4,798,477	535,877	519,206		4,815,148
Furniture and equipment	1,793,348	150,163	50,431		1,893,080
Leased property under capital lease	789,109				789,109
Total depreciable capital assets	62,900,508	686,040	569,637	-	63,016,911
<u>Less accumulated depreciation for:</u>					
Buildings	16,952,341	756,510			17,708,851
Building improvements	1,270,418	222,898			1,493,316
Improvements other than buildings	1,865,538	169,007			2,034,545
Mobile equipment	2,840,608	289,651	409,717		2,720,542
Furniture and equipment	1,423,407	122,328	44,779	3,893	1,504,849
Leased property under capital lease	426,119	71,020			497,139
Total accumulated depreciation	24,778,431	1,631,414	454,496	3,893	25,959,242
Total depreciable capital assets, net	38,122,077	(945,374)	115,141	(3,893)	37,057,669
Governmental activities capital assets, net	\$ 42,684,430	14,376,994	115,141	(3,893)	56,942,390

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 90,348
Support services	1,499,863
Non-instructional	41,203
Total depreciation expense - Governmental activities	<u>\$ 1,631,414</u>

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

The details of construction in progress are as follows:

	Beginning Balance July 1, 2018	Additions	Deletions	Ending Balance June 30, 2019	Estimated Remaining Commitment
Governmental Activities:					
Partnership School	\$ 4,368,433	15,322,368	-	19,690,801	10,112,495
	\$ 4,368,433	15,322,368	-	19,690,801	10,112,495

The Partnership School will be completed using the proceeds of general obligation bonds issued during the 2016-2017 year and through future funding commitments from the State of Mississippi and Mississippi State University.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General obligation bonds payable	\$ 26,965,000		1,700,000	25,265,000	1,750,000
General obligation refunding bonds payable	1,845,000		360,000	1,485,000	435,000
	28,810,000	-	2,060,000	26,750,000	2,185,000
B. Three mill notes payable	5,030,000		790,000	4,240,000	745,000
C. Obligations under capital lease	178,947		118,736	60,211	60,211
D. Qualified school construction bonds payable	5,780,000		-	5,780,000	
E. Compensated absences payable	452,975		10,840	442,135	
Subtotal	\$ 40,251,922	-	2,979,576	37,272,346	2,990,211
Premium on general obligation bonds payable	218,597		19,873	198,724	
Total	\$ 40,470,519	-	2,999,449	37,471,070	

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. GOB, Series 2008	5.00%	15-Oct-08	1-Sep-23	\$ 9,925,000	4,750,000
2. GOB, Series 2009	3.75%	22-Oct-09	1-Sep-24	8,575,000	5,615,000
3. GOB, Series 2016	3.00%	7-Mar-17	1-Mar-30	16,000,000	14,900,000
4. GOB, Refunding Series 2017	2.21%	24-May-17	1-Mar-24	2,215,000	1,485,000
				<u>\$ 36,715,000</u>	<u>26,750,000</u>

The following are schedules by years of the total payments due on this debt:

1. General obligation bond issue of October 15, 2008.

Year Ending June 30	Principal	Interest	Total
2020	\$ 625,000	155,312	780,312
2021	650,000	133,000	783,000
2022	1,125,000	101,938	1,226,938
2023	1,150,000	62,125	1,212,125
2024	1,200,000	21,000	1,221,000
Total	<u>\$ 4,750,000</u>	<u>473,375</u>	<u>5,223,375</u>

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. General obligation bond issue October 22, 2009.

Year Ending June 30		Principal	Interest	Total
2020	\$	425,000	184,650	609,650
2021		575,000	169,291	744,291
2022		975,000	143,853	1,118,853
2023		1,075,000	108,588	1,183,588
2024		1,200,000	68,775	1,268,775
2025		1,365,000	23,887	1,388,887
Total	\$	5,615,000	699,044	6,314,044

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

3. General obligation bond issue of March 7, 2017.

Year Ending June 30		Principal	Interest	Total
2020	\$	700,000	447,000	1,147,000
2021		660,000	426,000	1,086,000
2022		320,000	406,200	726,200
2023		640,000	396,600	1,036,600
2024		640,000	377,400	1,017,400
2025-2029		9,825,000	1,287,750	11,112,750
2030-2034		2,115,000	63,450	2,178,450
Total	\$	14,900,000	3,404,400	18,304,400

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

4. General obligation refunding bond issue of May 24, 2017.

Year Ending June 30		Principal	Interest	Total
2020	\$	435,000	33,366	468,366
2021		435,000	23,527	458,527
2022		100,000	13,780	113,780
2023		255,000	11,540	266,540
2024		260,000	5,842	265,842
Total	\$	1,485,000	88,055	1,573,055

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,185,000	820,328	3,005,328
2021	2,320,000	751,818	3,071,818
2022	2,520,000	665,771	3,185,771
2023	3,120,000	578,853	3,698,853
2024	3,300,000	473,017	3,773,017
2025-2029	11,190,000	1,311,638	12,501,638
2030-2034	2,115,000	43,449	2,158,449
Total	<u>\$ 26,750,000</u>	<u>4,644,874</u>	<u>31,394,874</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 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 6.2% of property assessments as of October 1, 2018.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill note Series 2014	2.49%	12-Mar-14	1-Mar-29	\$ 5,200,000	\$ 2,330,000
2. Limited tax note Series 2014	1.46-3.63%	26-Aug-14	26-Aug-29	2,500,000	1,910,000
				<u>\$ 7,700,000</u>	<u>\$ 4,240,000</u>

The following are schedules by years of the total payments due on this debt:

1. Three mill note Series 2014 issued March 12, 2014.

Year Ending June 30	Principal	Interest	Total
2020	\$ 585,000	58,017	643,017
2021	355,000	43,451	398,451
2022	275,000	34,611	309,611
2023	200,000	27,764	227,764
2024	190,000	22,784	212,784
2025-2029	725,000	64,117	789,117
Total	<u>\$ 2,330,000</u>	<u>250,744</u>	<u>2,580,744</u>

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

This debt will be retired from the Limited Tax Note Debt Service Fund (debt service fund).

2. Limited tax note Series 2014 issued August 26, 2014.

Year Ending June 30		Principal	Interest	Total
2020	\$	160,000	57,598	217,598
2021		155,000	53,774	208,774
2022		160,000	49,884	209,884
2023		165,000	45,691	210,691
2024		170,000	41,220	211,220
2025-2029		905,000	127,516	1,032,516
2030		195,000	7,078	202,078
Total	\$	1,910,000	382,761	2,292,761

This debt will be retired from the Oktibbeha County Limited Tax Fund (debt service fund).

Total three mill notes payable for all issues:

Year Ending June 30		Principal	Interest	Total
2020	\$	745,000	115,615	860,615
2021		510,000	97,225	607,225
2022		435,000	84,495	519,495
2023		365,000	73,455	438,455
2024		360,000	64,004	424,004
2025-2029		1,630,000	191,633	1,821,633
2030		195,000	7,078	202,078
Total	\$	4,240,000	633,505	4,873,505

C. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of capital assets. The lease qualifies as a capital lease for accounting purposes. The details of the lease are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Buses Lease - 2012	2.12%	12-Aug-12	3-Dec-19	\$ 789,109	\$ 60,211

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Bus Lease – 2012.

Year Ending June 30	Principal	Interest	Total
2020	\$ 60,211	639	60,850
Total	\$ 60,211	639	60,850

This debt will be retired from the EEF Buildings and Buses Fund (special revenue fund).

D. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds - 2009	0.79%	8-Oct-09	15-Sep-24	\$ 3,000,000	\$ 3,000,000
2. Qualified school construction bonds - 2014	0.00%	15-Jun-14	15-Jun-28	<u>2,780,000</u>	<u>2,780,000</u>
				<u>\$ 5,780,000</u>	<u>\$ 5,780,000</u>

The 2014 Series of the qualified school construction bonds are secured by an irrevocable pledge of the district's Education Enhancement Funds ("EEF" funds) that are received from the State of Mississippi pursuant to Section 3-61-33, Mississippi Code Ann. (1972). The escrow payments for these bonds are partially payable from such future revenues and are payable through June 15, 2028. The debt service escrow paying agent requirements of the debt and the amount of such state revenues received during the year ended June 30, 2018, were \$125,000 and \$168,777, respectively.

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

1. QSCB Issuance of October 8, 2009.

Year Ending June 30	Principal	Interest	Total
2020	\$ -	23,700	23,700
2021	-	23,700	23,700
2022	-	23,700	23,700
2023	-	23,700	23,700
2024	-	23,700	23,700
2025	3,000,000	23,700	3,023,700
Total	\$ 3,000,000	142,200	3,142,200

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. QSCB Issuance of June 15, 2014.

Year Ending June 30	Principal	Interest	Total
2020	\$ -	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2028	2,780,000	-	2,780,000
Total	\$ 2,780,000	-	2,780,000

Total qualified school construction bonds all issues.

Year Ending June 30	Principal	Interest	Total
2020	\$ -	23,700	23,700
2021	-	23,700	23,700
2022	-	23,700	23,700
2023	-	23,700	23,700
2024	-	23,700	23,700
2025-2028	5,780,000	23,700	5,803,700
Total	\$ 5,780,000	142,200	5,922,200

E. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has operating leases for the following:

1. 235 printers/copiers. This is a 48 month lease that includes service on the machines. The monthly rental is \$18,350 per month.
2. Apple Computer equipment for students. This is a 48 month lease that yields 4.15% interest.

Lease expenditures for the year ended June 30, 2019, amounted to \$419,675. Future lease payments for this lease are as follows:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Year Ending June 30	Amount
2020	\$ 419,675
2021	419,675
2022	254,525
Total	<u>\$ 1,093,875</u>

Note 8– Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$4,745,738, \$4,663,688 and \$4,246,433, 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 \$77,127,087 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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.4637 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.0434 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 \$6,776,603. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 325,057	\$ 294,699
Net difference between projected and actual earnings on pension plan investments		1,259,358
Changes of assumptions	1,767,544	40,493
Changes in proportion and differences between District contributions and proportionate share of contributions	5,321,893	3,911,410
District contributions subsequent to the measurement date	4,745,738	
Total	\$ <u>12,160,232</u>	\$ <u>5,505,960</u>

\$4,745,738 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ 1,039,669
2021	1,237,675
2022	(21,964)
2023	(346,846)

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

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

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

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 101,554,241	\$ 77,127,087	\$ 56,824,896

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.
Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$211,824 and \$202,873 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the District reported a liability of \$4,850,888 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.627094370 percent. This was an increase of 0.02058087percent 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 \$251,614. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,877	\$
Changes of assumptions		345,636
Net difference between projected and actual earnings on OPEB plan investments		

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Changes in proportion and differences between District contributions and proportionate share of contributions	143,546	
District contributions subsequent to the measurement date	211,824	
Total	\$ <u>365,247</u>	\$ <u>345,636</u>

\$211,824 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (41,285)
2021	(41,285)
2022	(41,285)
2023	(41,285)
2024	(28,117)
Thereafter	1,044

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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

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

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

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%. The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

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

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 5,377,090	\$ 4,850,888	\$ 4,398,340

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	\$ 4,493,526	\$ 4,850,888	\$ 5,256,750

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

Note 10– Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2020	\$ 156,895
2021	143,392
2022	135,398
2023	128,478
2024	97,907
2025 – 2029	415,543
2030 – 2034	336,538
2035 – 2039	307,789
Thereafter	757,033
Total	<u>\$ 2,478,973</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correct of a prior period error in recording an asset/liability	\$ 11,031
2. Prior period adjustment to accumulated depreciation of a capital asset	(3,893)
3. Prior period adjustment of OPEB liability	(182)
Total	<u>\$ 6,956</u>

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

Fund	Explanation	Amount
Other governmental funds	Correction of a prior period error in recording an asset/liability	<u>\$ 11,031</u>
Total		<u>\$ 11,031</u>

Note 12 – Contingencies

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 13 – Fund Balance Assignments

The amount assigned for Unemployment (\$59,747) shown on Exhibit C represents the amount held in the Unemployment Compensation Fund at June 30, 2019, which is above the statutory requirement necessary to fill that fund.

Note 14 – Risk Management

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

Participation in Public Entity Risk Pool

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

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 49 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 49 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 15 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2019 was \$2,448,155, which includes investments. The amount accumulated in the sinking fund at the end of the financing period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending</u>		<u>2009 Series</u>	<u>2014 Series</u>	<u>Total</u>
<u>June 30</u>				
2020	\$	214,286	125,000	339,286
2021		214,286	125,000	339,286
2022		214,286	130,000	344,286
2023		214,286	200,000	414,286
2024		214,286	200,000	414,286
2025-2028		214,286	1,300,000	1,514,286
	\$	<u>1,285,716</u>	<u>2,080,000</u>	<u>3,365,716</u>

Note 16 – Insurance Loss Recoveries

The Starkville Oktibbeha Consolidated School District received \$288,088 in insurance loss recoveries related to building damage caused to district buildings and losses from damage to motor vehicles. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

<u>Insurance Loss</u>			
<u>Recoveries</u>	<u>Percentage</u>	<u>Expense Function</u>	
\$ 288,088	100%	Support services	
<u>\$ 288,088</u>	<u>100%</u>		

Note 17 – Youth Detention Center Consortium

The school district participates in the Lee County Juvenile Detention Center and shares costs for this center as defined in state law. This center was created pursuant to the provisions of 43-21-321, Miss. Code Ann. (1972), and includes the Calhoun County School District, Itawamba County School District, Lafayette County School District, Nettleton School District, New Albany School District, Oxford Public School District, Pontotoc City School District, Pontotoc County School District, Starkville Oktibbeha Consolidated School District, Tupelo Public School District, and Union County School District. Section 43-21-321 (12), Miss. Code Ann. (1972), provides that the Mississippi Department of Education collaborate with the appropriate state and local agencies, juvenile detention centers and local school districts to ensure the provision of

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

educational services to every student placed in a juvenile detention center. The Mississippi Department of Education has the authority to develop and promulgate policies and procedures regarding financial reimbursements to the sponsoring school district from school districts that have students of record or compulsory-school-age residing in said districts placed in a youth detention center. Such services may include, but not be limited to: assessment and math and reading instruction, character education and behavioral counseling. The Mississippi Department of Education works with the appropriate state and local agencies, juvenile detention centers and local school districts to annually determine the proposed costs for educational services to youth placed in juvenile detention centers and annually request sufficient funding for such services as necessary.

The Lee County School District has been designated as the lead school district for the center and certain costs for the operations of the center are included in its financial statements.

Note 18 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$61,408,663) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$4,745,738 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$7,414,494 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$61,408,663) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,505,960 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$61,408,663) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$211,824 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$153,423 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$61,408,663) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$345,636 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 19 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Starkville Oktibbeha Consolidated School District evaluated the activity of the district through March 2, 2020, and determined that the following subsequent events have occurred that would require disclosure in the notes to the financial statements.

The school board approved a resolution at the June 11, 2019, board meeting declaring its intent to borrow \$500,000 from the 16th Section Principal Fund for the purpose of purchasing five school buses. The loan was dated July 12, 2019. The loan has a stated interest rate of 4.00% and will mature in three years on July 12, 2022.

On December 9, 2019, the school board issued a Resolution providing for the issuance of general obligation refunding bonds in the aggregate principal amount of \$9,240,000. The proceeds of the bonds will be used to refund portions of the District's Series 2008 and 2009 General Obligation Bonds. At March 2, 2020, the bonds were not yet issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 21,056,016	21,095,585	22,153,333	39,569	1,057,748
State sources	23,449,639	23,449,639	23,557,664	0	108,025
Federal sources	379,000	379,000	372,605	0	(6,395)
Sixteenth section sources	158,100	153,100	248,968	(5,000)	95,868
Total Revenues	45,042,755	45,077,324	46,332,570	34,569	1,255,246
Expenditures:					
Instruction	24,696,380	26,690,367	24,810,115	(1,993,987)	1,880,252
Support services	18,786,469	22,038,500	18,368,184	(3,252,031)	3,670,316
Noninstructional services	1,037,102	287,243	9,340	749,859	277,903
Sixteenth section	69,450	80,720	70,118	(11,270)	10,602
Debt service					
Principal	160,175	359,650	0	(199,475)	359,650
Interest	20,000	20,000	0	0	20,000
Total Expenditures	44,769,576	49,476,480	43,257,757	(4,706,904)	6,218,723
Excess (Deficiency) of Revenues over (under) Expenditures	273,179	(4,399,156)	3,074,813	(4,672,335)	7,473,969
Other Financing Sources (Uses):					
Insurance loss recoveries	0	8,579	3,145	8,579	(5,434)
Sale of transportation equipment	0	0	5,361	0	5,361
Operating transfers in	6,003,087	5,863,088	362,051	(139,999)	(5,501,037)
Operating transfers out	(6,575,360)	(7,424,799)	(1,223,255)	(849,439)	6,201,544
Total Other Financing Sources (Uses)	(572,273)	(1,553,132)	(852,698)	(980,859)	700,434
Net Change in Fund Balances	(299,094)	(5,952,288)	2,222,115	(5,653,194)	8,174,403
Fund Balances:					
July 1, 2018, as previously reported	11,061,841	11,485,202	11,479,102	423,361	(6,100)
Prior period adjustments		(6,100)	0	(6,100)	6,100
July 1, 2018, as restated	11,061,841	11,479,102	11,479,102	417,261	0
June 30, 2019	\$ 10,762,747	5,526,814	13,701,217	(5,235,933)	8,174,403

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	% 0.463700	0.420300	0.440800	0.471377	0.47293
District's proportionate share of the net pension liability	\$ 77,127,087	69,868,125	78,737,887	72,865,588	57,465,005
District's covered payroll	\$ 29,610,717	26,961,479	28,198,317	29,448,990	28,898,476
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.47%	259.14%	279.23%	247.43%	198.85%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

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

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

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,745,738	4,663,688	4,246,433	4,441,235	4,638,216
Contributions in relation to the contractually required contribution	\$ 4,745,738	4,663,688	4,246,433	4,441,235	4,638,216
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	30,131,670	29,610,717	26,961,479	28,198,317	29,448,990
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	% 0.627094370	0.60651350
District's proportionate share of the net OPEB liability	\$ 4,850,888	4,758,760
District's covered-employee payroll	\$ 29,610,717	26,961,479
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.38%	17.65%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 211,824	202,873
Contributions in relation to the actuarially determined contribution	\$ 211,824	202,873
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>
District's covered-employee payroll	30,131,670	29,610,717
Contributions as a percentage of covered-employee payroll	0.70%	0.69%

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

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Salary increases, including wage inflation	3.25% to 18.50%
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Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	

Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00%
Pre-Medicare	

Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	

Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%
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SUPPLEMENTARY INFORMATION

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 654,784
National school lunch program	10.555	195MS326N1099	1,683,594
National school lunch program - donated commodities	10.555	195MS326N1099	294,463
Summer food service program for children	10.559	195MS326N1099	38,801
Total child nutrition cluster			2,671,642
Total passed-through Mississippi Department of Education			2,671,642
Total Department of Agriculture			2,671,642
<u>U. S. Department of Defense</u>			
Direct Program:			
Junior reserve officers' training corp	12.XXX	N/A	57,074
Total Department of Defense			57,074
<u>U. S. Department of the Interior</u>			
Direct Program:			
National wildlife refuge fund	15.659	N/A	36,852
Total Department of the Interior			36,852
<u>U. S. Department of Environmental Quality</u>			
Direct Program:			
Diesel Emissions Reduction Grant	66.039	N/A	15,000
Total Department of Environmental Quality			15,000
<u>U.S. Department of Education</u>			
Direct Program:			
Innovative approaches to literacy	84.215G	N/A	414,563
Total direct funding			414,563
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024 ES010A180024 ES010A190024	2,139,137
Career and technical education - basic grants to states	84.048	V048A180024	68,225
Education of homeless children and youth	84.196	ES196A180025	32,473
Twenty-first century community learning centers	84.287	ES287C170024 ES287C180024	421,103
Rural education	84.358	ES358B180024	16,276
Supporting effective instruction state grants	84.367	ES367A170023 ES367A180023 ES367A190023	319,445
Student support and academic enrichment	84.424	ES424A180025	8,781
Subtotal			3,005,440
Special education cluster:			
Special education - grants to states	84.027	H027A170108 H027A180108 H027A190108	1,198,492

Special education - preschool grants	84.173	H173A170113 H173A180113 H173A190113	44,928
Total special education cluster			<u>1,243,420</u>
Total passed-through Mississippi Department of Education			<u>4,248,860</u>
Total Department of Education			<u>4,663,423</u>
<u>U. S. Department of Health and Human Services</u>			
Direct Program:			
Community-based child abuse prevention grants	93.590	N/A	<u>103,668</u>
Total direct funding			<u>103,668</u>
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	<u>34,676</u>
Total passed-through Mississippi Department of Education			<u>34,676</u>
Total Department of Health and Human Services			<u>138,344</u>
<u>U. S. Department of Social Security</u>			
Passed-through Mississippi Department of Education:			
Social security disability insurance	96.001	04-19-04MSD100	<u>2,352</u>
Total passed-through Mississippi Department of Education			<u>2,352</u>
Total Department of Social Security			<u>2,352</u>
Total for All Federal Awards			<u><u>\$ 7,584,687</u></u>

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2019

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 40,953,099	29,043,001	1,600,895	2,724,858	7,584,345
Other	33,733,560	5,327,057	660,770	81,943	27,663,790
Total	<u>\$ 74,686,659</u>	<u>34,370,058</u>	<u>2,261,665</u>	<u>2,806,801</u>	<u>35,248,135</u>
Total number of students *	<u>4,567</u>				
Cost per student	<u>\$ 16,354</u>	<u>7,526</u>	<u>495</u>	<u>615</u>	<u>7,718</u>

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

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

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

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

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

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

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Starkville Oktibbeha Consolidated School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Starkville Oktibbeha Consolidated School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

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OTHER INFORMATION

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 22,153,333	20,532,195	19,983,894	19,415,172
Intermediate sources				85
State sources	23,557,664	23,172,787	22,766,339	22,980,029
Federal sources	372,605	295,510	407,791	309,857
Sixteenth section sources	248,968	225,883	191,089	391,087
Total Revenues	46,332,570	44,226,375	43,349,113	43,096,230
Expenditures:				
Instruction	24,810,115	24,147,533	23,174,310	23,942,071
Support services	18,368,184	17,420,787	16,483,258	16,050,231
Noninstructional services	9,340	1,000		
Sixteenth section	70,118	60,265	32,527	23,194
Debt service				
Principal				29,037
Interest		20,000	3,666	46,004
Other				149
Total Expenditures	43,257,757	41,649,585	39,693,761	40,090,686
Excess (Deficiency) of Revenues over (under) Expenditures	3,074,813	2,576,790	3,655,352	3,005,544
Other Financing Sources (Uses):				
Insurance loss recoveries	3,145	167,091	24,545	12,610
Sale of transportation equipment	5,361		43,426	
Sale of other property				5,000
Operating transfers in	362,051	446,158	344,967	355,631
Operating transfers out	(1,223,255)	(497,770)	(251,769)	(220,181)
Total Other Financing Sources (Uses)	(852,698)	115,479	161,169	153,060
Net Change in Fund Balances	2,222,115	2,692,269	3,816,521	3,158,604
Fund Balances:				
Beginning of period, as previously reported	11,479,102	8,784,569	4,965,832	0
**Statutory Consolidation - Starkville School District				869,476
**Statutory Consolidation - Oktibbeha County School District				925,889
Beginning of Period, at inception (for the 2016 year)				1,795,365
Prior period adjustments		2,264	2,216	11,863
Beginning of period, as restated	11,479,102	8,786,833	4,968,048	1,807,228
End of Period	\$ 13,701,217	11,479,102	8,784,569	4,965,832

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on July 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville Oktibbeha Consolidated School District. The prior year comparison amounts of 2015 represent prior year audit report numbers combined for both of the former school districts.

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 28,749,596	26,454,336	25,452,704	24,741,937
Intermediate sources	25,094	129	594	10,718
State sources	25,022,091	30,391,473	29,936,996	24,922,629
Federal sources	7,935,967	8,385,829	8,216,913	9,230,863
Sixteenth section sources	307,549	270,858	284,332	450,769
Total Revenues	62,040,297	65,502,625	63,891,539	59,356,916
Expenditures:				
Instruction	28,650,775	28,023,907	27,037,213	28,421,751
Support services	21,549,736	20,202,262	20,056,346	19,756,827
Noninstructional services	5,051,964	4,812,681	4,300,518	4,338,035
Facilities acquisition and construction	15,322,368	4,197,511	1,750,051	82,700
Sixteenth section	89,971	63,065	61,002	56,834
Debt service:				
Principal	2,968,736	3,416,258	2,773,832	3,675,494
Interest	1,043,556	1,139,080	800,558	930,729
Other	9,553	32,329	131,863	14,580
Total Expenditures	74,686,659	61,887,093	56,911,383	57,276,950
Excess (Deficiency) of Revenues over (under) Expenditures	(12,646,362)	3,615,532	6,980,156	2,079,966
Other Financing Sources (Uses):				
Bonds and notes issued			18,215,000	
Bond premium			258,341	
Insurance loss recoveries	288,088	167,091	24,545	12,610
Sale of transportation equipment	5,361		43,426	
Sale of other property				5,000
Operating transfers in	1,585,306	943,928	596,736	856,729
Payments held by escrow agents	339,202	339,245	339,284	339,286
Other financing sources			4,000	
Operating transfers out	(1,585,306)	(943,928)	(596,736)	(856,729)
Payments to escrow agents	(339,202)	(339,245)	(2,514,284)	(339,286)
Total Other Financing Sources (Uses)	293,449	167,091	16,370,312	17,610
Net Change in Fund Balances	(12,352,913)	3,782,623	23,350,468	2,097,576
Fund Balances:				
Beginning of period, as previously reported	42,365,444	38,572,738	15,237,160	0
**Statutory Consolidation - Starkville School District				9,941,797
**Statutory Consolidation - Oktibbeha County School District				3,167,358
Beginning of Period, at inception (for the 2016 year)				13,109,155
Prior period adjustments	11,031	9,399	(100)	11,630
Beginning of period, as restated	42,376,475	38,582,137	15,237,060	13,120,785
Increase (Decrease) in reserve for inventory	(3,312)	684	(14,790)	18,799
End of Period	\$ 30,020,250	42,365,444	38,572,738	15,237,160

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on July 1, 2013, the Oktibbeha County District and Starkville School District were consolidated and formed Starkville Oktibbeha Consolidated School District. The prior year comparison amounts of 2015 represent prior year audit report numbers combined for both of the former school districts.

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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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
Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Starkville Oktibbeha Consolidated School District's basic financial statements, and have issued our report thereon dated March 2, 2020.

Internal Control Over Financial Reporting

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

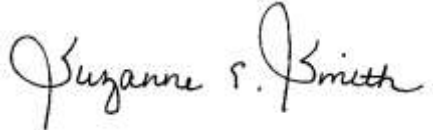
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Starkville Oktibbeha Consolidated 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*.

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Purpose of this Report

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

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

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 2, 2020

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

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

Superintendent and School Board
Starkville Oktibbeha Consolidated School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Starkville Oktibbeha Consolidated 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

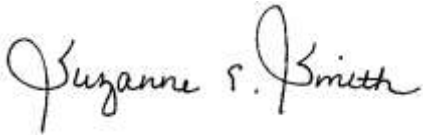
Management of Starkville Oktibbeha Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District's internal control over compliance.

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

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

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

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

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 2, 2020

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

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

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

Superintendent and School Board
Starkville Oktibbeha Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville Oktibbeha Consolidated School District as of and for the year ended June 30, 2019, which collectively comprise Starkville Oktibbeha Consolidated School District's basic financial statements and have issued our report thereon dated March 2, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding SL2019-A. Late 16th Section Rental Collections. Code Section 29-3-57, Mississippi Code Ann. (1972), states it shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease. During our testing of twenty (26) of the 268 leases identified, we found four (4) instances where the leases were not paid during the 60-day period. We also found four (4) leases that were not paid within 60 days and that were not put before the school board for consideration of cancellation and were delinquent as of balance sheet date June 30, 2019.

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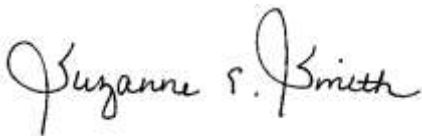
Recommendation: We recommend that the district identify all delinquent leases and start termination proceedings on those leases. We further recommend that the district monitor all leases for delinquencies.

District Response: The District will ensure that all delinquent leases are identified and the cancellation process is started on those leases.

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 Starkville Oktibbeha Consolidated School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 2, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | 4. | Internal control over major programs: | | | | | | | |
|---------------------|--|---------------------|---|---------------|---------------------------|--------|---|--|
| | a. Material weakness(es) identified? (Yes/No) | No | | | | | | |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | 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)? (Yes/No) | No | | | | | | |
| 7. | Identification of major programs: | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> <tr> <td>84.027/84.173</td> <td>Special Education Cluster</td> </tr> <tr> <td>84.287</td> <td>Twenty-First Century Community Learning Centers</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.027/84.173 | Special Education Cluster | 84.287 | Twenty-First Century Community Learning Centers | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | |
| 84.027/84.173 | Special Education Cluster | | | | | | | |
| 84.287 | Twenty-First Century Community Learning Centers | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | Yes | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b) | Yes | | | | | | |

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

GREENSBORO CENTER, 401 GREENSBORO STREET
STARKVILLE, MS 39759



EDDIE PEASANT, ED.D.
SUPERINTENDENT

TELEPHONE (662) 324-4050
FACSIMILE (662) 324-4068

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS

Finding 2018-001. Direct Funding CFDA 84.215G Innovative Approaches to Literacy. Procurement and Suspension and Debarment. This finding has been corrected. The district has aligned its federal grant purchases to the thresholds outlined in the Uniform Guidance when that guidance proves to be more stringent than the purchasing guidelines outlined in Mississippi state law.

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