



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

**STONE COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

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

{THIS PAGE INTENTIONALLY LEFT BLANK}

# TABLE OF CONTENTS

	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	11
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Exhibit A - Statement of Net Position	23
Exhibit B - Statement of Activities	24
GOVERNMENTAL FUND FINANCIAL STATEMENTS	
Exhibit C - Balance Sheet	27
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	28
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	29
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	30
FIDUCIARY FUND FINANCIAL STATEMENTS	
Exhibit E - Statement of Fiduciary Assets and Liabilities	33
NOTES TO BASIC FINANCIAL STATEMENTS	37
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule-General Fund	65
Budgetary Comparison Schedule-Title I Fund	66
Schedule of School District's Proportionate Share of the Net Pension Liability	67
Schedule of School District Contributions-PERS	68
Schedule of School District's Proportionate Share of the Net OPEB Liability	69
Schedule of School District Contributions-OPEB	70
Notes to the Required Supplementary Information	71
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	77
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds	78
Notes to the Supplementary Information	79
OTHER INFORMATION	
Statement of Revenue, Expenditures and Changes in Fund Balances-General Fund, Last Four Years	83
Statement of Revenue, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years	84
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	87
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	89
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	93
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	97

{THIS PAGE INTENTIONALLY LEFT BLANK}

## **INDEPENDENT AUDITOR'S REPORT**

{THIS PAGE INTENTIONALLY LEFT BLANK}



**Wolfe • McDuff & Oppie**  
CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • [www.wmocpas.com](http://www.wmocpas.com)

## INDEPENDENT AUDITOR'S REPORT

To the Superintendent and School Board  
Stone County School District

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Stone County School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

## Independent Auditor's Report, Page 2

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and net pension and OPEB schedules on pages 11 - 18, 65 - 66, and 67 - 73 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 Stone County School District's basic financial statements. 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

The Schedule of Expenditures of 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 basic financial statements or to the basic 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 are 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Stone County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Stone County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Stone County School District's internal control over financial reporting and compliance.

*Wolfe, McDuff & Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
December 20, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2019 increased \$1,120,195, including a prior period adjustment of \$1,117,800, which represents a 5% increase from fiscal year 2018. Total net position for 2018 decreased \$(3,638,557) including a prior period adjustment of \$(2,290,226), which represents a (20)% decrease from fiscal year 2017.
- General revenues amounted to \$20,209,363 and \$18,958,940, or 81% and 80% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,614,785, or 19% of total revenues for 2019, and \$4,606,743, or 20% of total revenues for 2018.
- The School District had \$24,821,753 and \$24,914,014 in expenses for fiscal years 2019 and 2018; only \$4,614,785 for 2019 and \$4,606,743 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,209,363 for 2019 were adequate to provide for these programs. General revenues of \$18,958,940 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,342,117 in revenues and \$18,119,394 in expenditures for 2019, and \$18,961,231 in revenues and \$17,759,635 in expenditures in 2018. The General Fund's fund balance increased by \$937,033 from 2018 to 2019, and increased by \$772,609 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$914,035 for 2019 and increased by \$2,582,074 for 2018. The increase for 2019 was due to the prior period adjustment of \$1,117,800 related to the understatement of fixed assets in the prior year.
- Long-term debt increased by \$148,556 for 2019 and decreased by \$(604,201) for 2018. This increase for 2019 was due primarily to the issuance of long-term debt. The liability for compensated absences decreased by \$(12,306) for 2019 and decreased by \$(1,620) for 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the School 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 School 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.

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

The Statement of Net Position presents information on all the School 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 School 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 School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School 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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most of the School 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 School 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 School 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 School 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 School District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the School 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.

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
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 results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the School District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(21,179,145) as of June 30, 2019.

The School 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 School District's net position at June 30, 2019 and June 30, 2018.

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

	<b>2019</b>	<b>2018</b>	<b>Percentage Change</b>
Current assets	\$ 7,697,932	6,344,658	21 %
Restricted assets	257,521	269,231	(4)%
Capital assets, net	<u>10,740,933</u>	<u>9,826,898</u>	9 %
<b>Total Assets</b>	<b><u>18,696,386</u></b>	<b><u>16,440,787</u></b>	<b>14 %</b>
 <b>Deferred Outflows of Resources</b>	 <b><u>2,418,722</u></b>	 <b><u>3,747,478</u></b>	 <b>(35)%</b>
 Current liabilities	179,207	222,961	(20)%
Long-term liabilities	4,089,236	3,940,680	4 %
Net OPEB liability	2,222,263	2,215,901	-
Net pension liability	<u>33,931,261</u>	<u>34,263,313</u>	(1)%
<b>Total Liabilities</b>	<b><u>40,421,967</u></b>	<b><u>40,642,855</u></b>	<b>(1)%</b>
 <b>Deferred Inflows of Resources</b>	 <b><u>1,872,286</u></b>	 <b><u>1,844,750</u></b>	 <b>1 %</b>
 <b>Net Position:</b>			
Net investment in capital assets	7,034,364	6,232,080	13 %
Restricted	1,168,619	726,808	61 %
Unrestricted	<u>(29,382,128)</u>	<u>(29,258,228)</u>	-
<b>Total Net Position</b>	<b><u>\$ (21,179,145)</u></b>	<b><u>(22,299,340)</u></b>	<b>5 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (29,382,128)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the deferred outflows and deferred inflows related to pensions and OPEB	<u>35,607,088</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<b><u>\$ 6,224,960</u></b>

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

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

- Increase in net capital assets in the amount of \$914,035.
- The issuance of \$650,155 of long-term debt.

**Changes in net position**

The School District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$24,824,148 and \$23,565,683, respectively. The total cost of all programs and services was \$24,821,753 for 2019 and \$24,914,014 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**

	2019	2018	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 871,905	973,135	(10)%
Operating grants and contributions	3,742,880	3,633,608	3 %
General revenues:			
Property taxes	5,972,205	5,844,234	2 %
Grants and contributions not restricted	13,259,429	12,827,505	3 %
Investment earnings	39,322	34,111	15 %
Sixteenth section sources	164,998	101,863	62 %
Other	773,409	151,227	411 %
<b>Total Revenues</b>	<b><u>24,824,148</u></b>	<b><u>23,565,683</u></b>	<b>5 %</b>
<b>Expenses:</b>			
Instruction	12,124,724	11,846,615	2 %
Support Services	7,564,730	7,444,913	2 %
Non-instructional	1,813,514	1,281,069	42 %
Sixteenth section	26,161	36,669	(29)%
Pension expense	3,059,591	4,099,803	(25)%
OPEB Expense	97,333	99,317	(2)%
Interest on long-term liabilities	135,700	105,628	28 %
<b>Total Expenses</b>	<b><u>24,821,753</u></b>	<b><u>24,914,014</u></b>	<b>- %</b>
<b>Increase (Decrease) in Net Position</b>	<b><u>2,395</u></b>	<b><u>(1,348,331)</u></b>	<b>100 %</b>
<b>Net Position, July 1, as previously reported</b>	(22,299,340)	(18,660,783)	(19)%
<b>Prior Period Adjustment</b>	<u>1,117,800</u>	<u>(2,290,226)</u>	149 %
<b>Net Position, July 1, as restated</b>	<u>(21,181,540)</u>	<u>(20,951,009)</u>	(1)%
<b>Net Position, June 30</b>	<b><u><u>\$ (21,179,145)</u></u></b>	<b><u><u>(22,299,340)</u></u></b>	<b>5 %</b>

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

**Governmental activities**

The following table presents the cost of six major School 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 School District's taxpayers by each of these functions.

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ 12,124,724	11,846,615	2 %
Support services	7,564,730	7,444,913	2 %
Non-instructional	1,813,514	1,281,069	42 %
Sixteenth section	26,161	36,669	(29)%
Pension expense	3,059,591	4,099,803	(25)%
OPEB expense	97,333	99,317	(2)%
Interest on long-term liabilities	135,700	105,628	28 %
<b>Total Expenses</b>	<b>\$ 24,821,753</b>	<b>24,914,014</b>	- %

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ (9,404,769)	(9,792,025)	4 %
Support services	(7,206,771)	(6,308,795)	(14)%
Non-instructional	(276,643)	134,966	(305)%
Sixteenth section	(26,161)	(36,669)	29 %
Pension expense	(3,059,591)	(4,099,803)	25 %
OPEB expense	(97,333)	(99,317)	2 %
Interest on long-term liabilities	(135,700)	(105,628)	(28)%
<b>Total Net (Expense) Revenue</b>	<b>\$ (20,206,968)</b>	<b>(20,307,271)</b>	- %

- Net cost of governmental activities (\$(20,206,968) for 2019 and \$(20,307,271) for 2018) was financed by general revenue, which is primarily made up of property taxes (\$5,972,205 for 2019 and \$5,844,234 for 2018) and state and federal revenues (\$13,259,429 for 2019 and \$12,827,505 for 2018). In addition, there was \$164,998 and \$101,863 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$39,322 for 2019 and \$34,111 for 2018.

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

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

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

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

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$7,828,695, an increase of \$1,407,270, which includes a decrease in inventory of \$3,415. \$6,350,635 or 81% 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 \$1,478,060 or 19% 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 School District. The increase in fund balance in the General Fund for the fiscal year was \$937,033. The fund balance of Other Governmental Funds showed a increase in the amount of \$470,237, which includes a decrease in reserve for inventory of \$3,415, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase/(Decrease)</u>
Title 1 Fund	No increase or decrease

## **BUDGETARY HIGHLIGHTS**

During the year, the School 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 School District's actual financial activity for the General Fund and major special revenue fund(s) is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2019, the School District's total capital assets were \$20,807,132, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,463,685 from 2018. Total accumulated depreciation as of June 30, 2019, was \$10,066,199, and total depreciation expense for the year was \$425,450, resulting in total net capital assets of \$10,740,933.

**STONE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2019

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

	2019	2018	Percentage Change
Land	\$ 322,010	322,010	- %
Buildings	5,849,800	4,905,742	19 %
Building improvements	3,509,851	3,632,031	(3)%
Improvements other than buildings	396,302	390,854	1 %
Mobile equipment	629,575	527,921	19 %
Furniture and equipment	33,395	48,340	(31)%
<b>Total</b>	<b>\$ 10,740,933</b>	<b>9,826,898</b>	<b>9 %</b>

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

**Debt Administration.** At June 30, 2019, the School District had \$4,089,236 in outstanding long-term debt, of which \$716,001 is due within one year. The liability for compensated absences decreased \$(12,306) from the prior year.

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

	2019	2018	Percentage Change
Three mill note payable	\$ 1,369,129	1,130,000	21 %
Shortfall notes payable	199,713	142,002	41 %
Obligations under energy efficiency lease	2,337,440	2,473,418	(5)%
Compensated absences payable	182,954	195,260	(6)%
<b>Total</b>	<b>\$ 4,089,236</b>	<b>3,940,680</b>	<b>4 %</b>

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

## **CURRENT ISSUES**

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

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

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

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Stone County School District, 214 Critz Street, Wiggins, MS 39777.

## **BASIC FINANCIAL STATEMENTS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

# STONE COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION June 30, 2019

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,099,093
Investments	614,558
Due from other governments	969,207
Inventories	15,074
Restricted assets	257,521
Capital assets, non-depreciable	
Land	322,010
Capital assets, net of accumulated depreciation	
Buildings	5,849,800
Building improvements	3,509,851
Improvements other than buildings	396,302
Mobile equipment	629,575
Furniture and equipment	33,395
<b>Total Assets</b>	<b><u>18,696,386</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	2,283,869
Deferred outflows - OPEB	134,853
<b>Total Deferred Outflows of Resources</b>	<b><u>2,418,722</u></b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	126,758
Interest payable on long-term liabilities	52,449
Long-term liabilities, due within one year	
Capital related liabilities	503,774
Non-capital related liabilities	212,227
Net OPEB liability	96,516
Long-term liabilities, due beyond one year	
Capital related liabilities	3,202,795
Non-capital related liabilities	170,440
Net pension liability	33,931,261
Net OPEB Liability	2,125,747
<b>Total Liabilities</b>	<b><u>40,421,967</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	1,663,803
Deferred inflow - OPEB	208,483
<b>Total Deferred Inflows of Resources</b>	<b><u>1,872,286</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	7,034,364
Restricted for:	
Expendable:	
Capital projects	469,968
School-based activities	393,649
Debt Service	48,653
Forestry improvements	59,807
Unemployment benefits	28,755
Non-expendable	
Sixteenth section	167,787
Unrestricted	(29,382,128)
<b>Total Net Position</b>	<b><u>\$ (21,179,145)</u></b>

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

# STONE COUNTY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019

Exhibit B

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	\$ 12,124,724	514,525	2,205,430	-	(9,404,769)
Support services	7,564,730	-	357,959	-	(7,206,771)
Non-instructional	1,813,514	357,380	1,179,491	-	(276,643)
Sixteenth section	26,161	-	-	-	(26,161)
Pension expense	3,059,591	-	-	-	(3,059,591)
OPEB expense	97,333	-	-	-	(97,333)
Interest on long-term liabilities	135,700	-	-	-	(135,700)
<b>Total Governmental Activities</b>	<b>\$ 24,821,753</b>	<b>871,905</b>	<b>3,742,880</b>	<b>-</b>	<b>(20,206,968)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					5,665,230
Debt purpose levies					306,975
Unrestricted grants and contributions:					
State					13,039,426
Federal					220,003
Unrestricted investment earnings					39,322
Sixteenth section sources					164,998
Other					773,409
<b>Total General Revenues</b>					<b>20,209,363</b>
<b>Change in Net Position</b>					<b>2,395</b>
<b>Net position - Beginning, as originally reported</b>					<b>(22,299,340)</b>
Prior period adjustments, Note 9					1,117,800
<b>Net position - Beginning, as restated</b>					<b>(21,181,540)</b>
<b>Net position - Ending</b>					<b>\$ (21,179,145)</b>

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

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

# STONE COUNTY SCHOOL DISTRICT

## BALANCE SHEET-GOVERNMENTAL FUNDS

Exhibit C

June 30, 2019

	Major Funds			
	General Fund	Title I Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,187,144	-	1,043,190	6,230,334
Investments	614,558	-	126,280	740,838
Due from other governments	573,758	276,427	118,562	968,747
Due from other funds	401,223	-	70,371	471,594
Inventories	-	-	15,074	15,074
Total Assets	\$ 6,776,683	276,427	1,373,477	8,426,587
LIABILITIES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 113,759	-	12,999	126,758
Due to other funds	70,371	276,427	124,336	471,134
Total Liabilities	184,130	276,427	137,335	597,892
FUND BALANCE				
Nonspendable:				
Inventory	-	-	15,074	15,074
Permanent fund principal	-	-	167,787	167,787
Restricted:				
Debt service	-	-	101,102	101,102
Capital projects	-	-	469,968	469,968
Forestry improvement purposes	-	-	59,807	59,807
Student based activities	-	-	393,649	393,649
Unemployment benefits	-	-	28,755	28,755
Assigned:				
Student based activities	241,918	-	-	241,918
Unassigned	6,350,635	-	-	6,350,635
Total Fund Balance	6,592,553	-	1,236,142	7,828,695
Total Liabilities and Fund Balance	\$ 6,776,683	276,427	1,373,477	8,426,587

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

# STONE COUNTY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2019

Exhibit C-1

Total fund balances for governmental funds	\$	7,828,695
--	----	-----------

*Amounts reported for governmental activities in the Statement of Net Position are different than those reported in the fund financial statements because of the following:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,740,933
---	--	------------

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(33,931,261)
--	--	--------------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	\$ 2,283,869	
Deferred inflows of resources related to pensions	<u>(1,663,803)</u>	620,066

Net OPEB obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(2,222,263)
---	--	-------------

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	134,853	
Deferred inflows of resources related to OPEB	<u>(208,483)</u>	(73,630)

Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:		
Energy efficiency leases	(2,337,440)	
Three mil notes payable	(1,369,129)	
Shortfall notes payable	(199,713)	
Accrued interest payable	(52,449)	
Compensated absences	<u>(182,954)</u>	<u>(4,141,685)</u>

Net position of governmental activities	\$	<u><u>(21,179,145)</u></u>
---	----	----------------------------

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

# STONE COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS For the Year Ended June 30, 2019

Exhibit D

	<u>Major Fund</u>		<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>Title I Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 6,149,332	517	827,459	6,977,308
State sources	12,770,763	-	991,496	13,762,259
Federal sources	257,024	891,013	2,101,355	3,249,392
Sixteenth section	<u>164,998</u>	<u>-</u>	<u>11,024</u>	<u>176,022</u>
<b>Total Revenues</b>	<u>19,342,117</u>	<u>891,530</u>	<u>3,931,334</u>	<u>24,164,981</u>
<b>EXPENDITURES</b>				
Instruction	11,262,373	432,037	1,521,945	13,216,355
Support services	6,643,285	367,860	1,149,950	8,161,095
Noninstructional services	803	19,363	1,236,685	1,256,851
Sixteenth section	11,621	-	14,540	26,161
Facilities acquisition and construction	-	-	29,643	29,643
Debt service				
Principal	127,367	-	477,047	604,414
Interest	65,334	-	48,414	113,748
Other	<u>8,611</u>	<u>-</u>	<u>-</u>	<u>8,611</u>
<b>Total Expenditures</b>	<u>18,119,394</u>	<u>819,260</u>	<u>4,478,224</u>	<u>23,416,878</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>1,222,723</u>	<u>72,270</u>	<u>(546,890)</u>	<u>748,103</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	175,155	-	475,000	650,155
Insurance recovery	12,427	-	-	12,427
Operating transfers in	150,014	197	695,753	845,964
Operating transfers out	<u>(623,286)</u>	<u>(72,467)</u>	<u>(150,211)</u>	<u>(845,964)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(285,690)</u>	<u>(72,270)</u>	<u>1,020,542</u>	<u>662,582</u>
<b>Net Change in Fund Balances</b>	<u>937,033</u>	<u>-</u>	<u>473,652</u>	<u>1,410,685</u>
<b>Fund Balance - Beginning</b>	<u>5,655,520</u>	<u>-</u>	<u>765,905</u>	<u>6,421,425</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>(3,415)</u>	<u>(3,415)</u>
<b>Fund Balance - Ending</b>	<u>\$ 6,592,553</u>	<u>-</u>	<u>1,236,142</u>	<u>7,828,695</u>

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

# STONE COUNTY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,410,685

*Amounts reported for governmental activities in the Statement of Activities are different than those reported in the fund financial statements because of the following:*

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	\$ 221,685	
Depreciation expense	<u>(425,450)</u>	(203,765)

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

Bonds and notes issued	(650,155)	
Payments of debt principal	489,293	
Accrued interest payable	<u>(21,952)</u>	(182,814)

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. These activities include:

Pension expense	(3,059,591)	
Contributions subsequent to the measurement date	<u>2,029,806</u>	(1,029,785)

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. These activities include:

OPEB expense	(97,333)	
Contributions made subsequent to the measurement date	<u>96,516</u>	(817)

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 the governmental funds. These activities include:

Change in compensated absences	12,306	
Change in inventory reserve	<u>(3,415)</u>	<u>8,891</u>

Change in net position of governmental activities	\$	<u><u>2,395</u></u>
---	----	---------------------

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

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

# STONE COUNTY SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Exhibit E

June 30, 2019

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 794,911
<b>Total Assets</b>	<u>\$ 794,911</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 778,961
Due to other funds	460
Due to student clubs	<u>15,490</u>
<b>Total Liabilities</b>	<u>\$ 794,911</u>

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

{THIS PAGE INTENTIONALLY LEFT BLANK}

## **NOTES TO BASIC FINANCIAL STATEMENTS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

For financial reporting purposes, Stone County School District has included all funds and organizations. The School 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 School District are such that exclusion would cause the School 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 School 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 School District.

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

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the School 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 School 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The School District reports the following major governmental funds:

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

Title I Fund - This is the fund used to track Title I Grant Fund activity. This grant was funded through federal sources.

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

The School District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Student Club Activity Fund - This fund is used to report student club resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 School District's programs.

***FIDUCIARY FUNDS***

Agency Funds - Agency Funds are used to report resources held by the School 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the terms of grant agreements, the School 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 School District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

**D. Encumbrances**

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

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances**

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

Cash and cash equivalents

The School 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 School District are reported at fair market value.

***2. Receivables and Payables***

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

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

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

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

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

*Inventories*

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

*Prepaid Items*

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

***5. Restricted Assets***

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Capital Assets**

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

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

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

**7. Deferred outflows/inflows of resources**

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

See Note 14 for further details.

**8. *Compensated Absences***

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

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

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

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

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

**10. *Pensions***

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

**11. *Postemployment Benefits Other than Pensions (OPEB)***

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 School 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 School District's highest level of decision-making authority. This formal action is a vote by the board to commit funds. Currently there is no committed fund balance.
- *Assigned fund balance* includes amounts that are constrained by the School District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent pursuant to authorization established by DGA Fund Balance 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 School 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 School District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The School 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:

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

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

**Cash and Cash Equivalents**

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,230,334 and \$794,911, 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 School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School 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 School District. As of June 30, 2019, \$8,510,461 of the district's bank balance of \$8,760,461 was exposed to custodial credit risk.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Investments**

As of June 30, 2019, the School District had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	N/A	1 to 5 years	\$ 740,838
<b>Total</b>			<b>\$ 740,838</b>

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 School District has the following recurring fair value measurements as of June 30, 2019:

- Certificates of deposit type of investments of \$740,838 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
The First Bank	\$ 566,415	76 %
The First Bank	121,502	16 %

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 3. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities		
General fund	Title I Fund	\$ 276,427
	Fiduciary Fund	460
	Other governmental funds	124,336
Other governmental funds	General Fund	70,371
<b>Total</b>		<b>\$ 471,594</b>

The purpose of the inter-fund loans was to cover deficit cash of federal and state funds not received prior to year end and amounts due from and due to agency funds. Payments are made of amounts due between funds within three months.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities		
Other governmental funds	Title I Fund	\$ 72,467
	General Fund	623,286
Title I fund	Other governmental funds	197
General fund	Other governmental funds	150,014
<b>Total</b>		<b>\$ 845,964</b>

The primary purpose of the inter-fund transfers was to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

**NOTE 4. RESTRICTED ASSETS**

The restricted assets represent the cash balance and investment balance, totaling \$41,507 and \$126,280, respectively, 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 \$89,734, of the debt service funds whose assets are restricted for future debt service requirements.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 5. CAPITAL ASSETS**

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

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Adjustments</b>
<b>Governmental activities:</b>				
Non-depreciable capital assets:				
Land	\$ 322,010	-	-	-
Total non-depreciable capital assets	<u>322,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable capital assets:				
Buildings	10,481,557	-	-	1,242,000
Buildings improvements	3,795,566	29,643	-	-
Improvements other than buildings	1,043,345	26,842	-	-
Mobile equipment	3,025,880	165,200	-	-
Furniture and equipment	675,089	-	-	-
Total depreciable capital assets	<u>19,021,437</u>	<u>221,685</u>	<u>-</u>	<u>1,242,000</u>
Total governmental activities capital assets	<u>19,343,447</u>	<u>221,685</u>	<u>-</u>	<u>1,242,000</u>
Less accumulated depreciation for:				
Buildings	5,575,815	173,742	-	124,200
Buildings improvements	163,535	151,823	-	-
Improvements other than buildings	652,491	21,394	-	-
Mobile equipment	2,497,959	63,546	-	-
Furniture and equipment	626,749	14,945	-	-
Total accumulated depreciation	<u>9,516,549</u>	<u>425,450</u>	<u>-</u>	<u>124,200</u>
Total depreciable capital assets, net	<u>9,504,888</u>	<u>(203,765)</u>	<u>-</u>	<u>1,117,800</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 9,826,898</u>	<u>(203,765)</u>	<u>-</u>	<u>1,117,800</u>

Depreciation expense was charged to the following governmental functions:

<b>Governmental activities:</b>	<b>Amount</b>
Instruction	\$ 188,264
Support services	223,497
Non-instructional	<u>13,689</u>
<b>Total depreciation expense</b>	<u>\$ 425,450</u>

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For 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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Adjustment</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>						
A. Three Mill Notes Payable	\$ 1,130,000	475,000	(235,871)	-	1,369,129	364,129
B. Shortfall Notes Payable	142,002	175,155	(117,444)	-	199,713	120,750
C. Energy Efficiency Lease	2,473,418	-	(135,978)	-	2,337,440	139,644
D. Compensated absences	195,260	-	(12,306)	-	182,954	91,478
<b>Total governmental activities long-term liabilities</b>	<b>\$ 3,940,680</b>	<b>650,155</b>	<b>(501,599)</b>	<b>-</b>	<b>4,089,236</b>	<b>716,001</b>

**A. Three Mill Notes Payable**

Debt currently outstanding is as follows:

<b>Description</b>	<b>Interest Rate</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Amount Issued</b>	<b>Amount Outstanding</b>
Limited tax note, Series 2017	2.075-2.225%	7/12/2016	7/12/2026	\$ 1,400,000	1,130,000
Limited tax note, Series 2018	2.75 %	7/25/2018	7/25/2020	475,000	239,129
<b>Total</b>				<b>\$ 1,875,000</b>	<b>1,369,129</b>

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

<b>Limited Tax Note Issue Date 2017:</b>			
<b>Amounts due fiscal year ending June 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 125,000	24,653	149,653
2021	130,000	21,997	151,997
2022	135,000	19,234	154,234
2023	140,000	16,332	156,332
2024	145,000	13,287	158,287
2025 - 2029	455,000	20,461	475,461
<b>Total</b>	<b>\$ 1,130,000</b>	<b>115,964</b>	<b>1,245,964</b>

This debt will be retired from the Three Mill Note fund.

<b>Limited Tax Note Issue Date 2018:</b>			
<b>Amounts due fiscal year ending June 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 239,129	6,600	245,729
<b>Total</b>	<b>\$ 239,129</b>	<b>6,600</b>	<b>245,729</b>

This debt will be retired from the Three Mill Note fund.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

**Total Three Mill Note Payable For All Issues:**

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 364,129	31,253	395,382
2021	130,000	21,997	151,997
2022	135,000	19,234	154,234
2023	140,000	16,332	156,332
2024	145,000	13,287	158,287
2025 - 2029	455,000	20,461	475,461
<b>Total</b>	<b>\$ 1,369,129</b>	<b>122,564</b>	<b>1,491,693</b>

**B. Shortfall Notes Payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable, Series 2016	2.40 %	8/8/2016	8/8/2019	\$ 129,449	44,176
Shortfall notes payable, Series 2017	3.25 %	8/22/2017	8/22/2020	54,686	37,044
Shortfall notes payable, Series 2018	3.75 %	7/25/2018	7/25/2021	175,155	118,493
<b>Total</b>				<b>\$ 359,290</b>	<b>199,713</b>

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

**Shortfall Note Payable Issue Date 2016:**

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 44,176	1,060	45,236
<b>Total</b>	<b>\$ 44,176</b>	<b>1,060</b>	<b>45,236</b>

This debt will be retired from the 2016 shortfall notes payable fund.

**Shortfall Note Payable Issue Date 2017:**

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 18,223	1,221	19,444
2021	18,821	622	19,443
<b>Total</b>	<b>\$ 37,044</b>	<b>1,843</b>	<b>38,887</b>

This debt will be retired from the 2017 shortfall notes payable fund.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

**Shortfall Note Payable Issue Date 2018:**

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 58,351	4,471	62,822
2021	60,142	2,271	62,413
<b>Total</b>	<b>\$ 118,493</b>	<b>6,742</b>	<b>125,235</b>

This debt will be retired from the 2018 shortfall notes payable fund.

**Total Shortfall Note Payable For All Issues:**

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 120,750	6,752	127,502
2021	78,963	2,893	81,856
<b>Total</b>	<b>\$ 199,713</b>	<b>9,645</b>	<b>209,358</b>

**C. Obligations Under Energy Efficiency Leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	2.68 %	2/8/2017	2/8/2033	\$ 2,506,500	2,337,440
<b>Total</b>				<b>\$ 2,506,500</b>	<b>2,337,440</b>

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

**Obligations Under Energy Efficiency Lease**

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 139,644	61,668	201,312
2021	143,410	57,903	201,313
2022	147,275	54,037	201,312
2023	151,245	50,066	201,311
2024	155,323	45,989	201,312
2025 - 2029	841,728	164,831	1,006,559
2030 - 2034	758,815	46,432	805,247
<b>Total</b>	<b>\$ 2,337,440</b>	<b>480,926</b>	<b>2,818,366</b>

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated 2/28/2017, was executed by and between the district, the lessee, and U.S. Bancorp Government Leasing and Finance, the lessor.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

The agreement authorized the borrowing of \$2,506,500 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**D. Compensated Absences Payable**

As more fully explained in Note 1(F)(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. DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)**

*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 ended June 30, 2019, 2018, and 2017 were \$2,029,806, \$2,046,593 and \$2,082,525, 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 \$33,931,261 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 School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2019 net pension liability was 0.204 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.002 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 School District recognized pension expense of \$3,059,591. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 148,752	143,037
Net difference between projected and actual earnings on pension plan investments	-	674,507
Changes of assumptions	20,024	18,739
Changes in proportion and differences between School District contributions and proportionate share of contributions	85,287	827,520
School District contributions subsequent to the measurement date	2,029,806	-
<b>Total</b>	<b>\$ 2,283,869</b>	<b>1,663,803</b>

\$2,029,806 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:

<b>Year ending June 30,</b>	<b>Amount</b>
2020	\$ (33,550)
2021	(350,424)
2022	(873,178)
2023	(152,588)
<b>Total</b>	<b>\$ (1,409,740)</b>

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)**

*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%
Salary increases	3.25-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investments 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 adjustment.

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

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

<b>Asset class</b>	<b>Target Allocation</b>	<b>Long-term expected real rate of return</b>
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	-
<b>Total</b>	<b>100.00 %</b>	

*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 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)**

*Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District's proportionate share of the net pension liability	\$ 44,677,734	33,931,261	24,999,523

*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 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

**Plan description**

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**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 \$96,516 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$2,222,263 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 0.28728106 percent. This was an increase of 0.00485987 percent from the proportionate share as of the measurement date of June 30, 2017.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

For the year ended June 30, 2019, the District recognized OPEB expense of \$97,333. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,525	-
Changes of assumption	-	158,341
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	33,812	50,142
District contributions subsequent to the measurement date	<u>96,516</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 134,853</u></u>	<u><u>208,483</u></u>

\$96,516 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending 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:

<b>Year ending June 30,</b>	<b>Amount</b>
2020	\$ (35,502)
2021	(35,502)
2022	(35,502)
2023	(35,502)
2024	(26,263)
Thereafter	<u>(1,875)</u>
<b>Total</b>	<u><u>\$ (170,146)</u></u>

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**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%
Salary increases	3.25-18.50%, 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 Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

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

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%.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Discount rate**

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89%. 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 was 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%) or 1-percentage-point higher (4.89%) than the current discount rate:

	<b>1% Decrease (2.89%)</b>	<b>Current Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Net OPEB Liability	\$ 2,463,323	2,222,263	2,014,943

**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:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates Current</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 2,058,550	2,222,263	2,408,194

**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>.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 9. PRIOR PERIOD ADJUSTMENTS**

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

**Exhibit B - Statement of Activities**

<b><u>Explanation</u></b>	<b><u>Amount</u></b>
To correct the understatement of fixed assets	\$ 1,117,800
<b>Total</b>	<b>\$ 1,117,800</b>

**NOTE 10. CONTINGENCIES**

**A. 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 disallowance resulting from the grantor audit may become a liability of the School District.

**B. Litigation**

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

**NOTE 11. 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 School 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 12. SIXTEENTH SECTION LANDS**

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

Year ending June 30,	Amount
2020	\$ 58,881
2021	2,378
2022	2,378
2023	2,378
2024	2,378
2025 - 2029	4,613
Thereafter	4,125
<b>Total</b>	<b>\$ 77,131</b>

**NOTE 13. INSURANCE LOSS RECOVERIES**

The Stone County School District received \$12,427 in insurance loss recoveries related to bus damage during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional charges for services.

**NOTE 14. EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The unrestricted net position amount of \$(29,382,128) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$2,029,806 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$254,063 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(29,382,128) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,663,803 balance of deferred inflow of resources, at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(29,382,128) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$96,516 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$38,337 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(29,382,128) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$208,483 balance of deferred inflow of resources at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2019

**NOTE 15. SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Stone County School District evaluated the activity of the School District through December 20, 2019, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

The School District issued a revenue shortfall promissory note dated August 13, 2019 in the amount of \$197,563 together with interest payable in three equal, annual installments of principal and interest due on August 13 of each year, beginning September 13, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**  
(UNAUDITED)

{THIS PAGE INTENTIONALLY LEFT BLANK}

# STONE COUNTY SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			Variances Positive (Negative)	
	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ 5,692,799	6,149,193	6,149,332	456,394	139
State sources	12,786,582	12,770,763	12,770,763	(15,819)	-
Federal sources	76,300	257,024	257,024	180,724	-
Sixteenth section sources	114,735	164,996	164,998	50,261	2
<b>Total Revenues</b>	<u>18,670,416</u>	<u>19,341,976</u>	<u>19,342,117</u>	<u>671,560</u>	<u>141</u>
<b>EXPENDITURES</b>					
Instruction	11,792,774	11,262,366	11,262,373	530,408	(7)
Support services	7,096,070	6,643,183	6,643,285	452,887	(102)
Noninstructional services	626	803	803	(177)	-
Sixteenth section	10,000	11,721	11,621	(1,721)	100
Debt service:					
Principal	-	127,367	127,367	(127,367)	-
Interest	65,334	65,334	65,334	-	-
Other	135,978	8,611	8,611	127,367	-
<b>Total Expenditures</b>	<u>19,100,782</u>	<u>18,119,385</u>	<u>18,119,394</u>	<u>981,397</u>	<u>(9)</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(430,366)</u>	<u>1,222,591</u>	<u>1,222,723</u>	<u>1,652,957</u>	<u>132</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and notes issued	-	-	175,155	-	175,155
Insurance recovery	-	12,427	12,427	12,427	-
Operating transfers in	1,022,813	723,621	150,014	(299,192)	(573,607)
Operating transfers out	(1,447,866)	(1,234,136)	(623,286)	213,730	610,850
Other financing sources	29,673	37,301	-	7,628	(37,301)
<b>Total Other Financing Sources (Uses)</b>	<u>(395,380)</u>	<u>(460,787)</u>	<u>(285,690)</u>	<u>(65,407)</u>	<u>175,097</u>
<b>Net Change in Fund Balances</b>	<u>(825,746)</u>	<u>761,804</u>	<u>937,033</u>	<u>1,587,550</u>	<u>175,229</u>
<b>Fund Balance - Beginning</b>	<u>5,655,520</u>	<u>5,655,520</u>	<u>5,655,520</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 4,829,774</u>	<u>6,417,324</u>	<u>6,592,553</u>	<u>1,587,550</u>	<u>175,229</u>

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

# STONE COUNTY SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### BUDGETARY COMPARISON SCHEDULE-TITLE I FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ -	517	517	517	-
Federal sources	1,089,227	891,013	891,013	(198,214)	-
<b>Total Revenues</b>	<u>1,089,227</u>	<u>891,530</u>	<u>891,530</u>	<u>(197,697)</u>	<u>-</u>
<b>EXPENDITURES</b>					
Instruction	583,579	621,744	432,037	(38,165)	189,707
Support services	496,797	500,989	367,860	(4,192)	133,129
Noninstructional services	8,851	29,686	19,363	(20,835)	10,323
<b>Total Expenditures</b>	<u>1,089,227</u>	<u>1,152,419</u>	<u>819,260</u>	<u>(63,192)</u>	<u>333,159</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>-</u>	<u>(260,889)</u>	<u>72,270</u>	<u>(260,889)</u>	<u>333,159</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	197	-	197
Operating transfers out	-	(59,950)	(72,467)	(59,950)	(12,517)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(59,950)</u>	<u>(72,270)</u>	<u>(59,950)</u>	<u>(12,320)</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>(320,839)</u>	<u>-</u>	<u>(320,839)</u>	<u>320,839</u>
<b>Fund Balance - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>(320,839)</u>	<u>-</u>	<u>(320,839)</u>	<u>320,839</u>

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

# STONE COUNTY SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY\*

#### Public Employees Retirement System of Mississippi (PERS)

#### Last 10 Fiscal Years (Only 5 Years Shown)\*\*

	2019	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.204 %	0.206 %	0.214 %	0.210 %	0.208 %
School District's proportionate share (amount) of the net pension liability	\$ 33,931,261	34,263,313	38,225,744	32,461,859	25,181,967
School District's covered payroll	\$ 12,994,241	13,222,381	13,688,959	13,224,819	12,676,959
School District's proportionate share (amount) of the collective net pension liability as a percentage of its covered payroll	261.13 %	259.13 %	279.25 %	245.46 %	198.64 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.47 %	61.70 %	67.21 %

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

---

**STONE COUNTY SCHOOL DISTRICT**

---

**Required Supplementary Information  
(Unaudited)**

---

**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-PERS****Public Employees Retirement System of Mississippi (PERS)****Last 10 Fiscal Years (Only 5 Years Shown)\*\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,029,806	2,046,593	2,082,525	2,156,011	2,082,909
Contributions in relation to the contractually required contribution	<u>(2,029,806)</u>	<u>(2,046,593)</u>	<u>(2,082,525)</u>	<u>(2,156,011)</u>	<u>(2,082,909)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District's covered payroll	\$ 12,887,886	12,994,241	13,222,381	13,688,959	13,224,819
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

# STONE COUNTY SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY\*

#### Other Postemployment Benefits (OPEB)

#### Last 10 Fiscal Years (Only 2 Years Shown)\*\*

	2019	2018
District's proportion of the net OPEB liability	0.28728106 %	0.28242119 %
District's proportionate share of the net OPEB liability	\$ 2,222,263	2,215,901
District's covered-employee payroll	\$ 12,994,241	13,222,381
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.10 %	16.76 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.13 %	0.00%

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

---

**STONE COUNTY SCHOOL DISTRICT**

---

**Required Supplementary Information  
(Unaudited)**

---

**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-OPEB****Other Postemployment Benefits (OPEB)****Last 10 Fiscal Years (Only 2 Years Shown)\*\***

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 96,516	94,467
Contributions in relation to the actuarially determined contribution	<u>(96,516)</u>	<u>(94,467)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
 District's covered-employee payroll	 \$ 12,887,886	 12,994,241
 Contributions as a percentage of covered- employee payroll	 0.75 %	 0.73 %

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

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2019

**NOTE 1. BUDGETARY COMPARISON SCHEDULE**

**A. 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.

**B. Budget Amendments and Revisions**

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

**NOTE 2. PENSION SCHEDULES**

**A. 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.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2019

**NOTE 2. PENSION SCHEDULES (continued)**

**A. Changes of assumptions (continued)**

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

**B. 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.

**C. 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

**NOTE 3. OPEB SCHEDULES**

**A. 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.

**B. Changes in Benefit Provisions**

**2017:** None.

**2018:** None.

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2019

**NOTE 3. OPEB SCHEDULES (Continued)**

**C. Method 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 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 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

{THIS PAGE INTENTIONALLY LEFT BLANK}

## **SUPPLEMENTARY INFORMATION**

{THIS PAGE INTENTIONALLY LEFT BLANK}

# STONE COUNTY SCHOOL DISTRICT

## Supplementary Information

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Numbers	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Mississippi Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	195MS326N1099	\$ 266,000
National School Lunch Program	10.555	195MS326N1099	900,608
Total Child Nutrition Cluster			<u>1,166,608</u>
Total Passed through Mississippi Department of Education			<u>1,166,608</u>
<i>Passed through Stone County, Mississippi</i>			
School and Roads - Grants to States	10.665	N/A	126,357
<b>Total U.S. Department of Agriculture</b>			<u>1,292,965</u>
<b><u>Federal Communications Commission</u></b>			
<i>Administered through the Universal Service Administrative Company:</i>			
The schools and libraries program of the universal service fund	32.xxx	N/A	43,751
<b>Total Federal Communications Commission</b>			<u>43,751</u>
<b><u>U.S. Department of Education</u></b>			
<i>Passed-through Mississippi Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education-Grants to States	84.027	H027A180108	612,345
Special Education-Preschool Grants	84.173	H173A180113	6,301
Total Special Education Cluster (IDEA)			618,646
Title I Grants to Local Educational Agencies	84.010	ES010A180024	894,350
Career and Technical Education-Basic Grants to States	84.048	VO048A180024	36,000
Student Support and Academic Enrichment Program	84.424	ES424A180025	43,141
Supporting Effective Instruction State Grants	84.367	ES367A180023	54,536
Small, Rural School Achievement Program	84.358	ES424A180025	179,087
Total Passed through Mississippi Department of Education			<u>1,825,760</u>
<i>Passed-through Mississippi Department of Rehabilitation Services</i>			
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	H126A180034	37,021
Total Passed through Mississippi Department of Rehabilitation Services			<u>37,021</u>
<b>Total U.S. Department of Education</b>			<u>1,862,781</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed-through Mississippi Department of Education</i>			
Medical Assistance Program	93.778	1805MS5ADM	49,335
Total Passed through Mississippi Department of Education			<u>49,335</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>49,335</u>
<b><u>Social Security Administration</u></b>			
<i>Passed-through Mississippi Department of Education</i>			
Social Security Disability Insurance	96.001	041904MSD100	560
Total Passed through Mississippi Department of Education			<u>560</u>
<b>Total Social Security Administration</b>			<u>560</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,249,392</u>

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

# STONE COUNTY 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	\$ 17,902,192	13,991,068	901,448	1,096,345	1,913,331
Other	5,514,686	2,279,448	154,695	18,098	3,062,445
<b>Total</b>	<b>\$ 23,416,878</b>	<b>16,270,516</b>	<b>1,056,143</b>	<b>1,114,443</b>	<b>4,975,776</b>
Total number of students*	2,510				
Cost per student	\$ 9,329	6,482	421	444	1,982

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

**STONE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2019

**NOTE 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**A. Basis of Presentation**

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

**B. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**C. Indirect Cost Rate**

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The School District has elected to use the Fixed with Carry-Forward Method which is approved by the Mississippi Department of Education (the Department) for grants that passed through to the Department.

**D. Donated Commodities**

Donated commodities of \$66,011 are included in the National School Lunch Program.

{THIS PAGE INTENTIONALLY LEFT BLANK}

**OTHER INFORMATION  
(UNAUDITED)**

{THIS PAGE INTENTIONALLY LEFT BLANK}

# STONE COUNTY SCHOOL DISTRICT

## Other Information

(Unaudited)

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GENERAL FUND

Last Four Years

	2019	2018*	2017*	2016*
<b>REVENUES</b>				
Local sources	\$ 6,149,332	6,161,011	5,818,745	5,751,949
State sources	12,770,763	12,500,185	12,590,942	12,606,396
Federal sources	257,024	199,658	179,277	454,734
Sixteenth section	<u>164,998</u>	<u>100,377</u>	<u>143,692</u>	<u>145,013</u>
<b>Total Revenues</b>	<u>19,342,117</u>	<u>18,961,231</u>	<u>18,732,656</u>	<u>18,958,092</u>
<b>EXPENDITURES</b>				
Instruction	11,262,373	11,215,130	11,207,599	11,710,712
Support services	6,643,285	6,411,117	6,419,363	7,047,356
Noninstructional services	803	3,758	1,873	-
Sixteenth section	11,621	28,974	34,626	2,427
Debt service				
Principal	127,367	33,082	-	-
Interest	65,334	67,574	-	-
Other	<u>8,611</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>18,119,394</u>	<u>17,759,635</u>	<u>17,663,461</u>	<u>18,760,495</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>1,222,723</u>	<u>1,201,596</u>	<u>1,069,195</u>	<u>197,597</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	175,155	54,686	129,449	64,623
Insurance recovery	12,427	33,000	710	5,700
Operating transfers in	150,014	49,742	41,384	131,825
Operating transfers out	(623,286)	(566,771)	(494,296)	(666,945)
Other financing sources	<u>-</u>	<u>356</u>	<u>-</u>	<u>500,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(285,690)</u>	<u>(428,987)</u>	<u>(322,753)</u>	<u>35,203</u>
<b>Net Change in Fund Balances</b>	<u>937,033</u>	<u>772,609</u>	<u>746,442</u>	<u>232,800</u>
<b>Fund Balance - Beginning, as originally reported</b>	5,655,520	4,882,911	4,215,216	3,910,537
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(78,747)</u>	<u>71,879</u>
<b>Fund Balance - Beginning, as restated</b>	<u>5,655,520</u>	<u>4,882,911</u>	<u>4,136,469</u>	<u>3,982,416</u>
<b>Fund Balance - Ending</b>	<u>\$ 6,592,553</u>	<u>5,655,520</u>	<u>4,882,911</u>	<u>4,215,216</u>

\*Source - Prior Year Audit Reports

# STONE COUNTY SCHOOL DISTRICT

## Other Information

(Unaudited)

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- ALL GOVERNMENTAL FUNDS

Last Four Years

	2019	2018*	2017*	2016*
<b>REVENUES</b>				
Local sources	\$ 6,977,308	6,926,466	6,640,557	6,464,280
State sources	13,762,259	13,463,192	13,415,906	13,382,414
Federal sources	3,249,392	3,110,038	3,011,480	3,245,289
Sixteenth section	<u>176,022</u>	<u>105,427</u>	<u>192,473</u>	<u>160,652</u>
<b>Total Revenues</b>	<u>24,164,981</u>	<u>23,605,123</u>	<u>23,260,416</u>	<u>23,252,635</u>
<b>EXPENDITURES</b>				
Instruction	13,216,355	13,138,918	12,971,365	13,283,315
Support services	8,161,095	7,838,107	7,574,632	8,683,543
Noninstructional services	1,256,851	1,330,089	1,397,146	1,446,294
Sixteenth section	26,161	36,669	43,891	36,110
Debt service				
Principal	604,414	657,267	394,350	853,333
Interest	113,748	109,555	39,372	27,724
Other	8,611	-	47,266	-
Facilities acquisition and construction	<u>29,643</u>	<u>3,021,546</u>	<u>627,625</u>	<u>146,395</u>
<b>Total Expenditures</b>	<u>23,416,878</u>	<u>26,132,151</u>	<u>23,095,647</u>	<u>24,476,714</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>748,103</u>	<u>(2,527,028)</u>	<u>164,769</u>	<u>(1,224,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	650,155	54,686	1,529,449	268,815
Capital leases issued	-	-	2,506,500	-
Insurance recovery	12,427	-	710	5,700
Sale of other property	-	33,000	-	-
Operating transfers in	845,964	779,939	779,734	798,770
Operating transfers out	(845,964)	(779,939)	(779,734)	(798,770)
Other financing sources	-	356	-	500,362
Other financing uses	<u>-</u>	<u>(39,796)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>662,582</u>	<u>48,246</u>	<u>4,036,659</u>	<u>774,877</u>
<b>Net Change in Fund Balances</b>	<u>1,410,685</u>	<u>(2,478,782)</u>	<u>4,201,428</u>	<u>(449,202)</u>
<b>Fund Balance - Beginning, as originally reported</b>	6,421,425	8,901,898	4,786,871	5,176,664
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(78,747)</u>	<u>71,879</u>
<b>Fund Balance - Beginning, as restated</b>	<u>6,421,425</u>	<u>8,901,898</u>	<u>4,708,124</u>	<u>5,248,543</u>
Increase (Decrease) in reserve for inventory	<u>(3,415)</u>	<u>(1,691)</u>	<u>(7,654)</u>	<u>(12,470)</u>
<b>Fund Balance - Ending</b>	<u>\$ 7,828,695</u>	<u>\$ 6,421,425</u>	<u>8,901,898</u>	<u>4,786,871</u>

\*Source - Prior Year Audit Reports

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

{THIS PAGE INTENTIONALLY LEFT BLANK}



**Wolfe • McDuff & Oppie**

**CERTIFIED PUBLIC ACCOUNTANTS**

(A Professional Association)

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • [www.wmocpas.com](http://www.wmocpas.com)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the School Board of Education  
Stone County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stone County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Stone County School District's basic financial statements and have issued our report thereon dated December 20, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters**  
**Page 2**

**Purpose of this Report**

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

*Wolfe, McDuff & Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
December 20, 2019



**Wolfe • McDuff & Oppie**  
CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • [www.wmocpas.com](http://www.wmocpas.com)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the School Board of Education  
Stone County School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

*Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

## Single Audit Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Page 2

### Report on Internal Control over Compliance

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

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

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

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.

*Wolfe, McDuff & Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
December 20, 2019

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

{THIS PAGE INTENTIONALLY LEFT BLANK}



**Wolfe • McDuff & Oppie**  
CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

Michelle Oppie Gist, CPA  
Julia Whitley Johnson, CPA  
Jesse J. Wolfe, CPA (1927-2009)  
Grover B. McDuff, CPA (1923-2016)  
Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • [www.wmcpas.com](http://www.wmcpas.com)

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

Superintendent and School Board  
Stone County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stone County School District as of and for the year ended June 30, 2019, which collectively comprise Stone County School District's basic financial statements and have issued our report thereon dated December 20, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

*Wolfe, McDuff & Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
December 20, 2019

Membership in:  
American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



{THIS PAGE INTENTIONALLY LEFT BLANK}

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

{THIS PAGE INTENTIONALLY LEFT BLANK}

**STONE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2019

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

**Financial Statements:**

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

**Federal Awards:**

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

7. Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010

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

**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.