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

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

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-14, 53-54, 55-56, and 57-58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of the Vicksburg Warren School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the effectiveness of the Vicksburg Warren 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 Vicksburg Warren School District's internal control over financial reporting and compliance.

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
September 30, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2019 decreased \$1,386,987, including a prior period adjustment of \$94,629, which represents a 3% decrease from fiscal year 2018. Total net position for 2018 decreased \$4,264,762, including a prior period adjustment of (\$6,485,907), which represents a 11% decrease from fiscal year 2017.
- General revenues amounted to \$71,218,765 and \$70,883,444, or 83% and 83% 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 \$14,784,661, or 17% of total revenues for 2019, and \$14,364,258, or 17 % of total revenues for 2018.
- The District had \$87,485,042 and \$83,026,557 in expenses for fiscal years 2019 and 2018; only \$14,784,661 for 2019 and \$14,364,258 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$71,218,765 for 2019 were not adequate and \$70,883,444 for 2018 were adequate to provide for these programs.
- Among major funds, the General Fund had \$68,307,580 in revenues and \$63,533,693 in expenditures for 2019, and \$69,985,849 in revenues and \$62,115,912 in expenditures in 2018. The General Fund's fund balance decreased by \$762,193, including a prior period adjustment of 102,063 from 2018 to 2019, and increased by \$5,424,819, including a prior period adjustment of \$23,833, from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$18,291,352 for 2019 and decreased by \$163,401 for 2018. The increase for 2019 was due to the addition of construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$107,786,857 for 2019 and decreased by \$2,693,765 for 2018. This increase for 2019 was due primarily to the issuance of general obligation bonds and certificates of participation. The liability for compensated absences increased by \$191,293 for 2019 and increased by \$22,627 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

its financial position is improving or deteriorating.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

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

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

recorded as other financing sources on the governmental funds financial statements.

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$43,576,291 as of June 30, 2019.

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

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Current assets	\$ 34,340,765	\$ 32,499,835	5.66%
Restricted assets	99,502,954	5,414,096	1737.85%
Capital assets, net	<u>63,140,374</u>	<u>44,849,022</u>	40.78%
Total assets	<u>196,984,093</u>	<u>82,762,953</u>	138.01%
Deferred outflows of resources	<u>8,656,769</u>	<u>11,151,965</u>	-22.37%
Current liabilities	8,087,208	3,549,963	127.81%
Long-term debt outstanding	120,243,096	12,456,239	865.32%
Net OPEB liability	6,423,086	6,512,534	-1.37%
Net pension liability	<u>109,777,595</u>	<u>108,052,061</u>	1.60%
Total liabilities	<u>244,530,985</u>	<u>130,570,797</u>	87.28%
Deferred inflows of resources	<u>4,686,168</u>	<u>5,533,425</u>	-15.31%
Net position:			
Net investment in capital assets	34,601,391	33,053,794	4.68%
Restricted	9,165,531	7,666,370	19.56%
Unrestricted	<u>(87,343,213)</u>	<u>(82,909,468)</u>	-5.35%
Total net position	<u>\$ (43,576,291)</u>	<u>\$ (42,189,304)</u>	-3.29%

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)	\$ (87,343,213)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	112,230,080
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 24,886,867</u>

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

- Increase in net capital assets in the amount of \$18,291,352 .
- The principal retirement of \$2,120,302 of long-term debt.
- Issuance of certificates of participation, general obligation bonds including bond premiums of \$110,355,714.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were

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

\$86,003,426 and \$85,247,702, respectively. The total cost of all programs and services was \$87,485,042 for 2019 and \$83,026,557 for 2018.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change	
Revenues:				
Program revenues:				
Charges for services	\$ 1,023,999	1,252,349	(18.23)	%
Operating grants and contributions	13,760,662	13,111,909	4.95	%
General revenues:				
Property and gaming taxes	34,100,374	32,039,314	6.43	%
Grants and contributions not restricted	35,915,531	38,071,259	(5.66)	%
Investment earnings	681,021	259,517	162.42	%
Sixteenth section sources	376,869	449,565	(16.17)	%
Other	144,970	63,789	127.26	%
Total revenues	86,003,426	85,247,702	0.89	%
Expenses:				
Instruction	42,729,711	41,865,110	2.07	%
Support services	27,237,729	26,618,297	2.33	%
Non-instructional	3,149,577	3,307,114	(4.76)	%
Sixteenth section	22,508	24,570	(8.39)	%
Pension expense	9,856,284	10,830,395	(8.99)	%
OPEB expense	288,181	312,384	(7.75)	%
Interest on long-term liabilities	4,201,052	68,687	6,016.23	%
Total expenses	87,485,042	83,026,557	5.37	%
Increase (Decrease) in net position	(1,481,616)	2,221,145	(166.71)	%
Net Position, July 1, as previously reported	(42,189,304)	(37,924,542)	(11.25)	%
Prior Period Adjustment	94,629	(6,485,907)	101.46	%
Net Position, July 1, as restated	(42,094,675)	(44,410,449)	5.21	%
Net Position, June 30	\$ (43,576,291)	\$ (42,189,304)	(3.29)	%

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change	
	2019	2018		
Instruction	\$ 42,729,711	\$ 41,865,110	2.07	%
Support services	27,237,729	26,618,297	2.33	%
Non-instructional	3,149,577	3,307,114	(4.76)	%
Sixteenth section	22,508	24,570	(8.39)	%
Pension Expense	9,856,284	10,830,395	(8.99)	%
OPEB Expense	288,181	312,384	(7.75)	%
Interest and other cost on long-term liabilities	4,201,052	68,687	6,016.23	%
Total expenses	\$ 87,485,042	\$ 83,026,557	5.37	%

	Net (Expense) Revenue		Percentage Change	
	2019	2018		
Instruction	\$ (35,560,712)	\$ (34,820,559)	(2.13)	%
Support services	(23,107,790)	(24,486,422)	5.63	%
Non-instructional	336,146	1,880,718	(82.13)	%
Sixteenth section	(22,508)	(24,570)	8.39	%
Pension Expense	(9,856,284)	(10,830,395)	8.99	%
OPEB Expense	(288,181)	(312,384)	7.75	%
Interest and other cost on long-term liabilities	(4,201,052)	(68,687)	(6,016.23)	%
Total net (expense) revenue	\$ (72,700,381)	\$ (68,662,299)	(5.88)	%

- Net cost of governmental activities (\$72,700,381 for 2019 and \$68,662,299 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$34,100,374 for 2019 and \$32,039,314 for 2018) and state and federal revenues (\$35,915,531 for 2019 and \$38,071,259 for 2018). In addition, there was \$376,869 and \$449,565 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$681,021 for 2019 and \$259,517 for 2018.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$127,037,602, a increase of \$92,665,803, which includes a prior period adjustment of \$102,063 and a decrease in inventory of \$60,741. \$25,242,247 or 20% of the fund balance is unassigned, which represents the

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

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 \$101,795,355 or 80% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$762,193, which includes a prior period adjustment of \$102,063. The fund balance of Other Governmental Funds showed an increase in the amount of \$2,599,745, which includes a prior period adjustment of (\$278,661) and a decrease in reserve for inventory of \$60,741. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Part A Fund	\$	no increase or decrease
Capital Project Bond 18 Fund	\$	35,233,569
Capital Project Bond 19 Fund	\$	25,817,498
Capital Project COP 19 Fund	\$	29,777,184

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$103,893,417, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$19,794,121 from 2018. Total accumulated depreciation as of June 30, 2019, was \$40,753,043, and total depreciation expense for the year was \$2,092,017, resulting in total net capital assets of \$63,140,374.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>	
Land	\$ 1,056,845	\$ 1,056,845	0.00	%
Construction in Progress	18,510,669	497,139	3,623.44	%
Buildings	28,661,715	29,657,633	(3.36)	%
Building improvements	11,485,718	10,403,532	10.40	%
Improvements other than buildings	597,326	429,576	39.05	%
Mobile equipment	2,516,847	2,467,145	2.01	%
Furniture and equipment	311,254	337,152	(7.68)	%
Total	\$ 63,140,374	\$ 44,849,022	40.78	%

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

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

Debt Administration. At June 30, 2019, the District had \$120,243,096 in outstanding long-term debt, of which \$2,753,917 is due within one year. The liability for compensated absences increased \$191,293 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 61,974,000	\$	N/A %
Premiums/Discounts	12,130,866		N/A %
General obligation refunding bonds payable	-	895,000	(100.00) %
Certificates of participation payable	34,950,000		N/A %
Qualified zone academy bonds payable	7,335,926	7,900,228	(7.14) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	852,304	661,011	28.94 %
Total	<u>\$ 120,243,096</u>	<u>\$ 12,456,239</u>	865.32 %

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

CURRENT ISSUES

The Vicksburg Warren School District is financially stable. The District is proud of its community support of the public schools.

The district has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal controls is well regarded.

The district plans to continue its sound financial management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

FINANCIAL STATEMENTS

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VICKSBURG WARREN SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 30,949,819
Investments	11,192
Due from other governments	2,910,892
Accrued interest receivable	214,730
Inventories	57,898
Prepaid items	196,234
Restricted assets	99,502,954
Capital assets, non-depreciable:	
Land	1,056,845
Construction in progress	18,510,669
Capital assets, net of accumulated depreciation:	
Buildings	28,661,715
Building Improvements	11,485,718
Improvements other than buildings	597,326
Mobile equipment	2,516,847
Furniture and equipment	311,254
Total Assets	<u>196,984,093</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	8,357,684
Deferred outflows - OPEB	299,085
Total Deferred Outflows of Resources	<u>8,656,769</u>
Liabilities	
Accounts payable and accrued liabilities	6,570,089
Unearned revenue	236,028
Interest payable on long-term liabilities	1,281,091
Long-term liabilities, due within one year:	
Capital related liabilities	2,711,302
Non-capital related liabilities	42,615
Net OPEB liability	272,629
Long-term liabilities, due beyond one year:	
Capital related liabilities	104,548,624
Capital related bond premiums	12,130,866
Non-capital related liabilities	809,689
Net pension liability	109,777,595
Net OPEB liability	6,150,457
Total Liabilities	<u>244,530,985</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	4,177,442
Deferred inflows - OPEB	508,726
Total Deferred Inflows of Resources	<u>4,686,168</u>
Net Position	
Net investment in capital assets	34,601,391
Restricted for:	
Expendable:	
School-based activities	1,663,057
Capital improvements	-
Debt service	2,940,801
Forestry improvements	310,589
Unemployment benefits	259,828
Non-expendable:	
Sixteenth Section	3,991,256
Unrestricted	(87,343,213)
Total Net Position (deficit)	<u>\$ (43,576,291)</u>

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

VICKSBURG WARREN 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	\$ 42,729,711	\$ 772,335	\$ 6,396,664	\$ -	\$ (35,560,712)
Support services	27,237,729	2,400	4,127,539	-	(23,107,790)
Non-instructional	3,149,577	249,264	3,236,459	-	336,146
Sixteenth section	22,508				(22,508)
Pension expense	9,856,284	-	-	-	(9,856,284)
OPEB expense	288,181	-	-	-	(288,181)
Interest and other cost on long-term liabilities	4,201,052	-	-	-	(4,201,052)
Total Governmental Activities	<u>\$ 87,485,042</u>	<u>\$ 1,023,999</u>	<u>\$ 13,760,662</u>	<u>\$ -</u>	<u>\$ (72,700,381)</u>
General Revenues:					
Taxes:					
General purpose levies					31,151,836
Debt purpose levies					2,328,102
Gaming					620,436
Unrestricted grants and contributions:					
State					35,843,313
Federal					72,218
Unrestricted investment earnings					681,021
Sixteenth section sources					376,869
Other					144,970
Total General Revenues					<u>71,218,765</u>
Change in Net Position					<u>(1,481,616)</u>
Net Position - Beginning, as previously reported					(42,189,304)
Prior Period Adjustments					<u>94,629</u>
Net Position - Beginning, as restated					<u>(42,094,675)</u>
Net Position (deficit) - Ending					<u>\$ (43,576,291)</u>

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2019

Exhibit C

	Major Funds							
	General Fund	Title I Part A Fund	Capital Project Bond 18	Capital Project Bond 19	Capital Project COP 19	Other Governmental Funds	Total Governmental Funds	
Assets								
Cash and cash equivalents	\$ 26,462,153	\$	\$ 1,137,024	\$ 135,345	\$	\$ 10,159,543	\$	37,894,065
Cash with fiscal agents	-		10,945,676	280,469	32,014,871	444		43,241,460
Investments	11,192		23,961,138	25,356,110				49,328,440
Due from other governments	716,556	1,038,770		-	58,479	1,097,087		2,910,892
Other Receivables	111,725		-	45,574	-	57,431		214,730
Due from other funds	1,853,836		489,950	-				2,343,786
Inventories	-		-			57,898		57,898
Prepaid items	196,234		-	-				196,234
Total assets	\$ 29,351,696	\$ 1,038,770	\$ 36,533,788	\$ 25,817,498	\$ 32,073,350	\$ 11,372,403	\$	136,187,505
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 3,208,930	\$ 49,282	\$ 1,300,219	\$ -	\$ 1,806,216	205,442		6,570,089
Due to other funds	-	989,488	-		489,950	864,348		2,343,786
Deferred revenue	207,361		-	-		28,667		236,028
Total Liabilities	3,416,291	1,038,770	1,300,219	-	2,296,166	1,098,457		9,149,903
Fund Balances:								
Nonspendable:								
Inventory	-		-			57,898		57,898
Permanent fund principal						3,991,256		3,991,256
Prepaid items	196,234		-	-				196,234
Restricted:								
Debt service	-					4,221,892		4,221,892
Capital projects	-		35,233,569	25,817,498	29,777,184	23,558		90,851,809
Grant activities	-		-			1,408,925		1,408,925
Forestry Improvements	-		-	-		310,589		310,589
Unemployment benefits						259,828		259,828
Activity funds	496,924		-	-				496,924
Unassigned	25,242,247		-	-				25,242,247
Total Fund Balances	25,935,405		35,233,569	25,817,498	29,777,184	10,273,946		127,037,602
Total Liabilities and Fund Balances	\$ 29,351,696	\$ 1,038,770	\$ 36,533,788	\$ 25,817,498	\$ 32,073,350	\$ 11,372,403	\$	136,187,505

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 127,037,602

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

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

Land	\$ 1,056,845	
Construction in progress	18,510,669	
Buildings	58,286,644	
Building improvements	13,329,401	
Improvements other than buildings	1,375,666	
Mobile equipment	9,281,918	
Furniture and equipment	2,052,274	
Accumulated depreciation	<u>(40,753,043)</u>	63,140,374

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

Net pension liability	(109,777,595)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	8,357,684	
Deferred inflows of resources related to pensions	<u>(4,177,442)</u>	(105,597,353)

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

Net OPEB liability	(6,423,086)	
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- Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	299,085	
Deferred inflows of resources related to OPEB	<u>(508,726)</u>	(6,632,727)

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

General obligation bonds	(61,974,000)	
Limited Tax Notes QSCB	(3,000,000)	
Certificates of participation	(34,950,000)	
Qualified zone academy bonds payable	(7,335,926)	
Compensated absences	(852,304)	
Unamortized premiums	(12,130,866)	
Accrued interest payable	<u>(1,281,091)</u>	(121,524,187)

Net Position of governmental activities		<u>\$ (43,576,291)</u>
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VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

Exhibit D

	Major Funds						
	General Fund	Title I Part A Fund	Capital Project Bond 18	Capital Project Bond 19	Capital Project COP19	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	\$ 32,851,467	\$	\$	45,574	254,023	2,691,931	\$ 35,842,995
State sources	34,752,619		-			2,772,811	37,525,430
Federal sources	299,717	3,339,291	-			8,511,755	12,150,763
Sixteenth section sources	403,777		-	-		78,061	481,838
Total Revenues	68,307,580	3,339,291	-	45,574	254,023	14,054,558	86,001,026
Expenditures:							
Instruction	39,043,476	2,951,139	-	-	-	3,376,782	45,371,397
Support services	24,383,005	301,836	86,942	3,227,165	-	4,347,685	32,346,633
Noninstructional services	89,403	21,474		-	-	3,695,279	3,806,156
Sixteenth Section	17,808					4,700	22,508
Facilities acquisition and construction			9,234,472	2,356,808	4,735,689	185,862	16,512,831
Debt service:							-
Principal			-		-	2,120,302	2,120,302
Interest			-		-	636,995	636,995
Other			1,317,116	922,379	691,150		2,930,645
Total Expenditures	63,533,692	3,274,449	10,638,530	6,506,352	5,426,839	14,367,605	103,747,467
Excess (Deficiency) of Revenues over (under) Expenditures	4,773,888	64,842	(10,638,530)	(6,460,778)	(5,172,816)	(313,047)	(17,746,441)
Other Financing Sources (Uses):							
Bonds and notes issued	-		34,890,000	27,745,000	34,950,000		97,585,000
Insurance recovery	2,400						2,400
Sale of transportation equipment	12,808		-	-	-		12,808
Premiums on bonds issued	-		8,237,438	4,533,276			12,770,714
Operating transfers in	130,450		2,466,000	-	-	3,317,802	5,914,252
Operating transfers out	(5,783,802)	(64,842)	-	-	-	(65,608)	(5,914,252)
Total Other Financing Sources (Uses)	(5,638,144)	(64,842)	45,593,438	32,278,276	34,950,000	3,252,194	110,370,922
Net Change in Fund Balances	(864,256)	-	34,954,908	25,817,498	29,777,184	2,939,147	92,624,481
Fund Balances:							
July 1, 2018, as previously reported	26,697,598	-	-	-	-	7,674,201	34,371,799
Prior period adjustments	102,063		278,661	-	-	(278,661)	102,063
July 1, 2018, as restated	26,799,661		278,661	-	-	7,395,540	34,473,862
Increase (Decrease) in inventory	-		-			(60,741)	(60,741)
June 30, 2019	\$ 25,935,405	\$ -	\$ 35,233,569	\$ 25,817,498	\$ 29,777,184	10,273,946	127,037,602

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 92,624,481

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 20,458,071	
Depreciation expense	<u>(2,092,017)</u>	18,366,054

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (67,268)

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

Bonds and notes issued	(97,585,000)	
Premiums on bonds issued	(12,770,714)	
Payments of debt principal	2,120,302	
Accrued interest payable	<u>(1,273,260)</u>	(109,508,672)

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

Pension expense	(9,856,284)	
Contributions subsequent to the measurement date	<u>6,576,542</u>	(3,279,742)

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

OPEB expense	(288,181)	
Contributions subsequent to the measurement date	<u>283,898</u>	(4,283)

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

Change in compensated absences	(191,293)	
Change in inventory	(60,741)	
Amortization of deferred charges, premiums and discounts	<u>639,848</u>	387,814

Change in Net Position of governmental activities	\$	<u>(1,481,616)</u>
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The notes to the financial statements are an intergral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FYE 6/30/2019

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

Blended component units

The Vicksburg Warren School District Leasing Authority, Incorporated, ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards and is included in the District's reporting entity.

The Authority is governed by a five-member board which is appointed by the District's governing board. Although it is legally separate from the District, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the District. (See Note 14).

The VHS Public Benefit Corporation, (QUALICB) as explained in the following paragraph is considered to be a blended component unit as determined by section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards and is included in the District's reporting entity.

The QUALICB is fiscally dependent upon the District and is in a relationship of financial benefit or burden with the QUALICB. Therefore, all of the QUALICB's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the District. (See Note 15).

B. Government-wide and Fund Financial Statements

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FYE 6/30/2019

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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 Part A Fund – This fund accounts for the resources and expenditures of federal revenues for specific purposes.

Capital Projects Bond 18 – This fund accounts for the financial resources of bond proceeds used for capital outlay.

Capital Projects Bond 19 – This fund accounts for the financial resources of bond proceeds used for capital outlay.

Capital Projects COP 19 – This fund accounts for the financial resources of certificates of participation proceeds used for capital outlay.

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

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.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FYE 6/30/2019

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

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

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

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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FYE 6/30/2019

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FYE 6/30/2019

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

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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 periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflow of resources is related to pensions, and deferred outflows related to OPEB.

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

See Note 8 & 9 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for the District.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved 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 District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the General Fund of not less than 5% of the district maintenance revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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13. Accounting Standards Update

The District has elected to early implement Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets and (2) the beneficiaries with whom the relationship exists. This means school district clearing and club funds, which were previously reported as agency funds in the statement of fiduciary net position, will no longer meet the requirements to be considered fiduciary. As a fiduciary fund, these activities have not been required to report revenue and expenses and have not been included in the government-wide financial statements. Beginning July 1, 2018, school clearing and student club funds are reported in the general fund. As part of the general fund, they are included in the governmental fund statements as well as in governmental activities in the government-wide financial statements.

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

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

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

Investments. 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 was \$37,894,065. A portion of this amount, \$6,944,246 is presented as restricted assets on Exhibit A. The carrying amount of deposits reported in government-wide statements was \$30,949,819.

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Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$36,707,979 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$43,241,460. The entire amount is presented as restricted assets on Exhibit A.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of Deposit	N/A	1	\$ 11,192
U.S. Treasury Bond	Various	1-5	49,317,248
Total			<u>\$ 49,328,440</u>

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

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

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

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodial credit risk. Of the District's investments, none of the underlying securities are held by the investment's counterparty, not in the name of the District.

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 did not have any investments to which this would apply.

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Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Part A Fund	\$ 989,488
General Fund	Other governmental funds	864,348
Capital Projects Bond 18 Fund	Capital Projects COP 19 Fund	489,950
Total		<u>\$ 2,343,786</u>

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I Part A Fund	\$ 64,842
General Fund	Other governmental funds	65,608
Capital Projects Bond 18 Fund	General Fund	2,466,000
Other governmental funds	General Fund	3,317,802
Total		<u>\$ 5,914,252</u>

Interfund transfers were to provide funds for daily operations. All interfund 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, cash with fiscal agents, and investments totaling \$1,137,024, \$10,945,676 and \$23,961,138 of the Capital Project Bond 18 Fund; the cash balance, cash with fiscal agents and investments totaling \$135,345, \$280,469 and \$25,356,110 of the Capital Project Bond 19 Fund; and the cash with fiscal agents of the Capital Projects COP 19 Fund totaling \$32,014,871 resulting from unspent proceeds of long-term debt.

The restricted assets represent the cash balance totaling \$3,984,377 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. Cash with fiscal agents in the amount of \$444 is restricted for retirement of 2008 Limited Obligation Bonds. In addition, the restricted assets represent the cash balance, totaling \$1,687,500 of the QSCB Bond Retirement Fund.

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Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2019
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,056,845	\$	\$	\$	\$	1,056,845
Construction-in-progress	497,139	19,633,864		(1,620,334)		18,510,669
Total non-depreciable capital assets	1,553,984	19,633,864		(1,620,334)		19,567,514
<u>Depreciable capital assets:</u>						
Buildings	58,286,644					58,286,644
Building improvements	11,709,067			1,620,334		13,329,401
Improvements other than buildings	1,189,804	185,862				1,375,666
Mobile equipment	9,365,697	531,233	615,012			9,281,918
Furniture and equipment	1,994,100	107,112	56,335		7,397	2,052,274
Total depreciable capital assets	82,545,312	824,207	671,347	1,620,334	7,397	84,325,903
<u>Less accumulated depreciation for:</u>						
Buildings	28,629,011	995,918				29,624,929
Building improvements	1,305,535	538,148				1,843,683
Improvements other than buildings	760,228	18,112				778,340
Mobile equipment	6,898,552	410,422	550,410		6,507	6,765,071
Furniture and equipment	1,656,948	129,417	53,669		8,324	1,741,020
Total accumulated depreciation	39,250,274	2,092,017	604,079	-	14,831	40,753,043
Total depreciable capital assets, net	43,295,038	(1,267,810)	67,268	1,620,334	(7,434)	43,572,860
Governmental activities capital assets, net	\$ 44,849,022	\$ 18,366,054	\$ 67,268	\$ -	\$ (7,434)	\$ 63,140,374

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,074,418
Support services	754,062
Non-instructional	263,537
Total depreciation expense - Governmental activities	<u>\$ 2,092,017</u>

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

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	Spent to June 30, 2019	Remaining Commitment
Governmental Activities:		
Beechwood Elementary	\$ 113,152	\$ 1,567,956
Beechwood Re roof	1,473,155	13,753
Bovina Elementary	14,353	1,304,506
Bovina Elementary Re-roof	1,235	293,711
Bowmar Elementary	28,562	4,688,009
Bowmar Re roof	3,718	888,957
Dana Road Elementary	1,326	315,263
Dana Road Re roof	3,679	876,321
Redwood Elementary	5,161	1,230,234
Redwood Re roof	3,250	775,346
Sherman Avenue Elementary	754	178,109
Sherman Avenue Re roof	3,679	876,321
South Park Elementary	3,705	883,703
Warrenton Elementary	3,185	757,365
Warrenton Re roof	4,420	1,051,906
Vicksburg Intermediate	1,599	380,608
Vicksburg Intermediate Re roof	6,253	1,490,505
Warren Central Intermediate	1,352	323,469
Warren Central Intermediate Re roof	6,253	1,490,505
Grove Street	36,568	2,861,023
Vicksburg Junior High	365,405	9,016,612
Warren Central Junior High	25,337	6,033,593
New Academy Innovation	76,388	18,189,029
Vicksburg High (includes Re roof)	8,458,127	32,956,841
Vicksburg & Warren Central Athletic Impr	4,592,233	9,082,537
Warren Central High (includes Re roof)	3,277,820	29,653,239
Total governmental activities	<u>18,510,669</u>	<u>127,179,421</u>

Construction projects included in governmental activities are funded with Capital Project Bond Issue 2018 (3024) fund, Capital Project Bond Issue 2019 (3025) fund, and Capital Project COP 19 fund.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General obligation refunding bonds payable	\$ 895,000	\$	895,000	\$ -	
General obligation bonds payable		62,635,000	661,000	61,974,000	907,000
Premiums		12,770,714	639,848	12,130,866	
B. Certificates of participation payable		34,950,000		34,950,000	1,240,000
C. Qualified zone academy bonds payable	7,900,228		564,302	7,335,926	564,302
D. Limited Tax Notes Payable QSCB	3,000,000			3,000,000	
E. Compensated absences payable	661,011	191,293		852,304	42,615
Total	<u>\$ 12,456,239</u>	<u>\$ 110,547,007</u>	<u>\$ 2,760,150</u>	<u>\$ 120,243,096</u>	<u>\$ 2,753,917</u>

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A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bond	2.0 -3.5%	6/29/2010	4/1/2019	7,205,000 \$	0
General Obligation Bond Series 2018 A	4.48%	10/22/2018	3/1/2033	\$ 12,310,000	11,649,000
General Obligation Bond Series 2018	4.125-5.25%	10/23/2018	3/1/2047	22,580,000	22,580,000
General Obligation Bond Series 2019	3.125-5.50%	6/3/2019	3/1/2049	27,745,000	27,745,000
Total				<u>\$ 69,840,000</u>	<u>\$ 61,974,000</u>

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

1. General obligation bond issue of October 22, 2018:

Year Ending June 30	Principal	Interest	Total
2020	\$ 612,000	\$ 521,875	\$ 1,133,875
2021	640,000	494,457	1,134,457
2022	669,000	465,785	1,134,785
2023	700,000	435,814	1,135,814
2024	732,000	404,454	1,136,454
2025 – 2029	4,194,000	1,499,456	5,693,456
2030 – 2034	4,102,000	469,638	4,571,638
Total	<u>\$ 11,649,000</u>	<u>\$ 4,291,479</u>	<u>\$ 15,940,479</u>

This debt will be retired from the GO Bond 2018A fund (4033).

2. General obligation bond issue of October 23, 2018:

Year Ending June 30	Principal	Interest	Total
2020	\$	\$ 1,147,650	\$ 1,147,650
2021		1,147,650	1,147,650
2022		1,147,650	1,147,650
2023		1,147,650	1,147,650
2024		1,147,650	1,147,650
2025 – 2029		5,738,250	5,738,250
2030 – 2034	1,180,000	5,738,250	6,918,250
2035 – 2039	6,925,000	4,739,438	11,664,438
2040 – 2044	9,010,000	2,713,988	11,723,988
2045-2047	5,465,000	435,356	5,900,356
Total	<u>\$ 22,580,000</u>	<u>\$ 25,103,532</u>	<u>\$ 47,683,532</u>

This debt will be retired from the GO Bond 2018 fund (4032).

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3. General obligation bond issue of June 3, 2019:

Year Ending June 30	Principal	Interest	Total
2020	\$ 295,000	\$ 1,005,600	\$ 1,300,600
2021		1,336,056	1,336,056
2022		1,336,056	1,336,056
2023		1,336,056	1,336,056
2024		1,336,056	1,336,056
2025 – 2029		6,680,281	6,680,281
2030 – 2034		6,680,281	6,680,281
2035 – 2039	4,865,000	6,422,331	11,287,331
2040 – 2044	9,925,000	4,441,406	14,366,406
2045 – 2049	12,660,000	1,699,906	14,359,906
Total	<u>\$ 27,745,000</u>	<u>\$ 32,274,029</u>	<u>\$ 60,019,029</u>

This debt will be retired from the GO Bond 2019 fund (4034).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 907,000	\$ 2,675,125	\$ 3,582,125
2021	640,000	2,978,163	3,618,163
2022	669,000	2,949,491	3,618,491
2023	700,000	2,919,520	3,619,520
2024	732,000	2,888,160	3,620,160
2025 – 2029	4,194,000	13,917,987	18,111,987
2030 – 2034	5,282,000	12,888,169	18,170,169
2035 – 2039	11,790,000	11,161,769	22,951,769
2040 – 2044	18,935,000	7,155,394	26,090,394
2045 – 2049	18,125,000	2,135,262	20,260,262
Total	<u>\$ 61,974,000</u>	<u>\$ 61,669,040</u>	<u>\$ 123,643,040</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2019, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 1, 2018.

B. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school

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district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificate of Participation, Series 2019	3.47%	3/1/2019	3/1/2039	\$ 34,950,000	\$ 34,950,000
Total				<u>\$ 34,950,000</u>	<u>\$ 34,950,000</u>

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

1. Certificates of participation issue of March 1, 2019:

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,240,000	\$ 1,212,765	\$ 2,452,765
2021	1,280,000	1,169,737	2,449,737
2022	1,325,000	1,125,321	2,450,321
2023	1,375,000	1,079,344	2,454,344
2024	1,420,000	1,031,631	2,451,631
2025 – 2029	7,880,000	4,383,651	12,263,651
2030 – 2034	9,345,000	2,918,097	12,263,097
2035 – 2039	11,085,000	1,179,973	12,264,973
Total	<u>\$ 34,950,000</u>	<u>\$ 14,100,519</u>	<u>\$ 49,050,519</u>

This debt will be retired from the COP Series 2019 fund (4094).

C. Qualified zone academy bonds payable

As more fully explained in Note 16, debt has been issued by the District that qualifies as Qualified Zone Academy bonds. Qualified zone academy bonds currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bond, Series 2015 A	0%	9/25/2015	9/25/2031	\$ 8,572,169	\$ 7,335,926
Total				<u>\$ 8,572,169</u>	<u>\$ 7,335,926</u>

D. Qualified School Construction Bonds Payable

As more fully explained in Note 17, debt has been issued by the District that qualifies as Qualified School Construction Bonds. Qualified school construction bonds payable currently outstanding is as follows:

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2009 QSCB	0%	10/2/2009	10/6/2026	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

E. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

The District has several operating leases for 71 Canon copiers. Lease expenditures for the year ended June 30, 2019 amounted to \$217,944. Future lease payments for these leases are as follows:

Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2020	\$ 177,050
2021	147,840
2022	147,840
Total	<u>\$ 472,730</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial

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reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$6,576,542, \$6,591,304, and \$6,584,681, 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 \$109,777,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The District's proportionate share used to calculate the June 30, 2019 net pension liability was 0.66 percent, which was based on a measurement date of June 30, 2018. This is an increase of 0.01 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$9,856,284. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 481,248	\$ 455,756
Net difference between projected and actual earnings on pension plan investments		2,040,664
Changes of assumptions	63,790	60,633
Changes in proportion and differences between District contributions and proportionate share of contributions	1,236,104	1,620,389
District contributions subsequent to the measurement date	6,576,542	
Total	\$ <u>8,357,684</u>	\$ <u>4,177,442</u>

\$6,576,542 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ 594,658
2021	(306,056)

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2022	(2,191,231)
2023	(493,671)

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

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

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

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

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

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

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

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

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percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 144,545,610	\$ 109,777,595	\$ 80,880,809

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing 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 \$283,898 for the year ended June 30, 2019.

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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 \$6,423,086 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 .83 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$288,181. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,078	\$
Changes of assumptions		457,658
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	2,109	51,068
District contributions subsequent to the measurement date	283,898	
Total	\$ <u>299,085</u>	\$ <u>508,726</u>

\$283,898 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (100,351)
2021	(100,351)
2022	(100,351)
2023	(100,351)
2024	(79,627)
Thereafter	(12,508)

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

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation

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

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

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

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

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

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

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

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

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	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 7,119,831	\$ 6,423,086	\$ 5,823,863

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 5,949,901	\$ 6,423,086	\$ 6,960,489

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

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	\$ 265,658
2021	242,488
2022	189,393
2023	76,566
2024	65,335
2025 – 2029	184,901
2030 – 2034	181,990
2035 – 2039	142,815
2040 – 2044	48
Total	<u>\$ 1,349,194</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior year capital assets	\$ (7,434)
2. To reclassify agency funds to the General fund	<u>102,063</u>

VICKSBURG WARREN SCHOOL DISTRICT
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Total	\$	94,629
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Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To reclassify agency funds to the General fund	\$ 102,063
Capital Projects Bond 18 Fund	Fund Reclassification	278,661
Other Governmental Funds	Fund Reclassification	(278,661)
	Total	\$ 102,063

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Note 14 – Trust Certificates

A trust agreement dated March 1, 2019, was executed by and between the school district and Vicksburg-Warren School District Leasing Authority, Incorporated, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$34,950,000.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

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Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 15 – New Market Tax Credit Financing

On September 12, 2018, the Board of Trustees approved and authorized a series of transactions utilizing federal New Market Tax Credits and Mississippi Equity Investment Tax Credits. The district formed the VHS Public Benefit Corporation, a Mississippi nonprofit corporation and instrumentality of the District which constitutes a "qualified active low-income community business" (QUALICB) in order to qualify for federal New Market Tax Credits pursuant to Section 45D of the Internal Revenue Code of 1986, as amended and Mississippi Equity Investment Tax Credits, pursuant to Section 57-105-1 of the Mississippi Code of 1972, Ann.

Note 16 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Vicksburg-Warren School District Leasing Authority, Incorporated, has entered into such an arrangement dated September 25, 2015.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The following schedule reports the annual deposits to be made to the sinking fund by the school district:

Year Ending June 30	Amount
2020	\$ 564,302
2021	564,302
2022	564,302
2023	564,302
2024	564,302
2025-2029	2,821,510
Thereafter	1,692,906
Total	<u>\$ 7,335,926</u>

Note 17 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal

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percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2019 was \$1,687,500. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2020	\$ 187,500
2021	187,500
2022	187,500
2023	187,500
2024	187,500
2025 – 2026	375,000
Total	<u>\$ 1,312,500</u>

Note 18 - Insurance loss recoveries

The Vicksburg Warren School District received \$2,400 in insurance loss recoveries related to mobile equipment damage during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 2,400	100%	Support services
<u>\$ 2,400</u>	<u>100%</u>	

Note 19 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$87,343,213) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$6,576,542 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$1,781,142 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$87,343,213) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,177,442 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$87,343,213) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources

VICKSBURG WARREN SCHOOL DISTRICT
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related to OPEB in the amount of \$283,898 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$15,187 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$87,343,213) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$508,726 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 20 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

Note 21 - 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 Vicksburg Warren School District evaluated the activity of the district through September 30, 2021 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

Issue Date	Interest Rate	Amount	Type of Financing
10/11/2019	2.38%	20,365,000	MDB Special Obligation Bond, Series 2019A
11/7/2019	5.00%	16,670,000	Limited Tax Note, Series 2019

On June 4, 2021, Standard & Poor pulled the District's A+ bond rating due to insufficient financial information.

REQUIRED SUPPLEMENTARY INFORMATION

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VICKSBURG WARREN SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 31,688,536	\$ 32,904,841	\$ 32,851,467	\$ 1,216,305	\$ (53,374)
State sources	34,308,426	34,308,426	34,752,619	-	444,193
Federal sources	1,309,616	1,309,616	299,717	-	(1,009,899)
Sixteenth section sources	-	515,243	403,777	515,243	(111,466)
Total Revenues	67,306,578	69,038,126	68,307,580	1,731,548	(730,546)
Expenditures:					
Instruction	39,249,489	46,246,517	39,043,476	(6,997,028)	7,203,041
Support services	26,478,287	25,250,947	24,383,005	1,227,340	867,942
Noninstructional services	92,163	66,221	89,403	25,942	(23,182)
Sixteenth section	16,992	23,014	17,808	(6,022)	5,206
Total Expenditures	65,836,931	71,586,699	63,533,692	(5,749,768)	8,053,007
Excess (Deficiency) of Revenues over (under) Expenditures	1,469,647	(2,548,573)	4,773,888	(4,018,220)	7,322,461
Other Financing Sources (Uses):					
Insurance recovery			2,400	-	2,400
Operating transfers in	2,279,808	2,494,531	130,450	214,723	(2,364,081)
Sales of transportation equipment	-	-	12,808	-	12,808
Operating transfers out	(4,728,244)	(1,573,218)	(5,783,802)	3,155,026	(4,210,584)
Total Other Financing Sources (Uses)	(2,448,436)	921,313	(5,638,144)	3,369,749	(6,559,457)
Net Change in Fund Balances	(978,789)	(1,627,260)	(864,256)	(648,471)	763,004
Fund Balances:					
July 1, 2018, as previously reported	25,773,644	25,773,644	26,697,598	-	923,954
Prior period adjustments	-	-	102,063	-	102,063
July 1, 2018, as restated	25,773,644	25,773,644	26,799,661	-	1,026,017
June 30, 2019	\$ 24,794,855	\$ 24,146,384	\$ 25,935,405	\$ (648,471)	\$ 1,789,021

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

VICKSBURG WARREN SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 4,063,782	\$ 4,289,687	\$ 3,339,291	\$ 225,905	\$ (950,396)
Sixteenth section sources				-	-
Total Revenues	4,063,782	4,289,687	3,339,291	225,905	(950,396)
Expenditures:					
Instruction	3,096,433	3,605,851	2,951,139	(509,418)	654,712
Support services	281,479	553,185	301,836	(271,706)	251,349
Noninstructional services	64,165	65,809	21,474	(1,644)	44,335
Total Expenditures	3,442,077	4,224,845	3,274,449	(782,768)	950,396
Excess (Deficiency) of Revenues over (under) Expenditures	621,705	64,842	64,842	(556,863)	-
Other Financing Sources (Uses):					
Operating transfers out	(119,000)	(64,842)	(64,842)	54,158	-
Total Other Financing Sources (Uses)	(119,000)	(64,842)	(64,842)	54,158	-
Net Change in Fund Balances	502,705	-	-	(502,705)	-
Fund Balances:					
July 1, 2018				-	-
June 30, 2019	\$ 502,705	\$ -	\$ -	(502,705)	\$ -

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

VICKSBURG WARREN SCHOOL DISTRICT

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

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.66%	0.65%	0.66%	0.68%	0.68%
District's proportionate share of the net pension liability	\$ 109,777,595	108,052,061	117,892,480	105,114,590	82,539,548
District's covered payroll	41,849,529	41,805,780	41,928,959	42,286,152	41,526,051
District's proportionate share of the net pension liability as a percentage of its covered payroll	262.32%	258.46%	281.17%	248.58%	198.77%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

VICKSBURG WARREN SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

		2019	2018	2017	2016	2015
Contractually required contribution	\$	6,576,542	6,591,304	6,584,681	6,603,658	6,660,069
Contributions in relation to the contractually required contribution		6,576,542	6,591,304	6,584,681	6,603,658	6,660,069
Contribution deficiency (excess)	\$	-	-	-	-	-
District's covered payroll		41,755,804	41,849,529	41,805,780	41,927,987	42,286,152
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%	15.75%

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

VICKSBURG WARREN SCHOOL DISTRICT

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

OPEB

Last 10 Fiscal Years*

	2019	2018
District's proportion of the net OPEB liability	0.83%	0.83%
District's proportionate share of the net OPEB liability	\$ 6,423,086	6,512,534
District's covered - employee payroll	41,849,529	41,805,780
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	15.35%	15.58%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12911%	0.00%

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT

Schedule of District Contributions

OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 283,898	\$ 277,639
Contributions in relation to the actuarially determined contributions	283,898	277,639
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
District's covered - employee payroll	41,849,529	41,805,780
Contributions as a percentage of covered - employee payroll	0.68%	0.66%

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

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2019

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2019

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

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SUPPLEMENTARY INFORMATION

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VICKSBURG WARREN SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 1,498,907
National school lunch program	10.555	195MS326N1099	3,254,822
National school lunch program - commodities	10.555	195MS326N1099	286,043
Summer food service program for children	10.559	195MS326N1099	85,811
Total child nutrition cluster			<u>5,125,583</u>
Fresh Fruit and Vegetable Program	10.582	195MS326L1603	182,006
Healthier US School Challenge	10.543	N/A	22,500
Total passed-through Mississippi Department of Education			<u>5,330,089</u>
Total U.S. Department of Agriculture			<u><u>5,330,089</u></u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	101,099
Total U.S. Department of Defense			<u><u>101,099</u></u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A160024	74,395
Title I grants to local educational agencies	84.010	ES010A170024	855,663
Title I grants to local educational agencies	84.010	ES010A180024	2,801,243
Career and technical education - basic grants to states	84.048	V048A180024	122,080
Education for homeless children and youth	84.196	ES196A170025	41,960
Rural education	84.358	ES358B160024	8,582
Rural education	84.358	ES358B170024	73,722
Rural education	84.358	ES358B180024	23,122
Supporting Effective Instruction State Grants	84.367	ES367A160023	562
Supporting Effective Instruction State Grants	84.367	ES367A170023	127,683
Supporting Effective Instruction State Grants	84.367	ES367A180023	359,733
Student Support and Academic Enrichment Program	84.424	ES424A170025	52,038
Student Support and Academic Enrichment Program	84.424	ES424A180025	125,569
Hurricane Relief Temporary Emergency Impact Aid for Displaced Students	84.938	S938C180031	8,269
Subtotal			<u>4,674,621</u>
Special education cluster:			
Special education - grants to states	84.027	H027A160108	16
Special education - grants to states	84.027	H027A170108	211,867
Special education - grants to states	84.027	H027A180108	1,576,226
Special education - preschool grants	84.173	H173A160113	2,887
Special education - preschool grants	84.173	H173A170113	9,223
Special education - preschool grants	84.173	H173A180113	32,415
Total special education cluster			<u>1,832,634</u>
Total passed-through Mississippi Department of Education			<u>6,507,255</u>
Total U.S. Department of Education			<u><u>6,507,255</u></u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through MS Department of Rehabilitation Services:			
Medicaid cluster:			
Medical assistance program	93.778	1805MS5ADM	72,218
Total Medicaid cluster			<u>72,218</u>
Total passed-through MS Department of Rehabilitation Services			<u>72,218</u>
Total U.S. Department of Health and Human Services			<u><u>72,218</u></u>
Total for All Federal Awards			<u><u>\$ 12,010,661</u></u>

VICKSBURG WARREN SCHOOL DISTRICT

Supplementary Information

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 56,679,057	44,999,436	2,020,943	3,603,767	6,054,911
Other	47,068,410	8,891,151	880,083	103,213	37,193,963
Total	<u>\$ 103,747,467</u>	<u>53,890,587</u>	<u>2,901,026</u>	<u>3,706,980</u>	<u>43,248,874</u>
Total number of students *	<u>6,536</u>				
Cost per student	<u>\$ 15,873</u>	<u>8,245</u>	<u>444</u>	<u>567</u>	<u>6,617</u>

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

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

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

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

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OTHER INFORMATION

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VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 32,851,467	\$ 32,982,636	\$ 32,576,140	\$ 31,973,030
State sources	34,752,619	35,277,252	34,246,587	34,957,692
Federal sources	299,717	1,333,396	346,666	393,643
Sixteenth section sources	403,777	392,565	458,870	752,835
Total Revenues	68,307,580	69,985,849	67,628,263	68,077,200
Expenditures:				
Instruction	39,043,476	37,967,046	38,447,458	38,245,580
Support services	24,383,005	24,065,648	24,464,886	23,225,665
Noninstructional services	89,403	74,858	124,197	118,208
Sixteenth section	17,808	8,360	13,475	5,665
Total Expenditures	63,533,692	62,115,912	63,050,016	61,595,118
Excess (Deficiency) of Revenues over (under) Expenditures	4,773,888	7,869,937	4,578,247	6,482,082
Other Financing Sources (Uses):				
Insurance recovery	2,400	68,457	1,472	11,632
Operating transfers in	130,450	610,482	139,841	123,115
Sales of other property			4,515	
Sales of transportation equipment	12,808			
Operating transfers out	(5,783,802)	(3,147,890)	(2,444,636)	(2,271,930)
Total Other Financing Sources (Uses)	(5,638,144)	(2,468,951)	(2,298,808)	(2,137,183)
Net Change in Fund Balances	(864,256)	5,400,986	2,279,439	4,344,899
Fund Balances:				
Beginning of period, as previously reported	26,697,598	21,272,779	18,909,356	14,564,457
Prior period adjustments	102,063	23,833	83,984	
Beginning of period, as restated	26,799,661	21,296,612	18,993,340	14,564,457
End of Period	\$ 25,935,405	\$ 26,697,598	\$ 21,272,779	\$ 18,909,356

*SOURCE - PRIOR YEAR AUDIT REPORTS

VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 35,842,995	33,534,676	32,999,315	32,503,837
State sources	37,525,430	38,463,174	37,676,698	37,995,461
Federal sources	12,150,763	12,719,994	11,494,243	11,586,103
Sixteenth section sources	481,838	449,565	487,223	849,380
Total Revenues	86,001,026	85,167,409	82,657,479	82,934,781
Expenditures:				
Instruction	45,371,397	44,496,427	44,143,053	43,786,016
Support services	32,346,633	29,121,845	29,661,538	28,216,256
Noninstructional services	3,806,156	3,753,680	3,776,614	3,453,172
Sixteenth section	22,508	24,570	27,168	30,560
Facilities acquisition and construction	16,512,831	1,104,036	1,380,108	7,599,828
Debt service:				
Principal	2,120,302	2,697,000	2,644,941	2,055,000
Interest	636,995	88,518	143,293	159,119
Other	2,930,645			336,029
Total Expenditures	103,747,467	81,286,076	81,776,715	85,635,980
Excess (Deficiency) of Revenues over (under) Expenditures	(17,746,441)	3,881,333	880,764	(2,701,199)
Other Financing Sources (Uses):				
Bonds and notes issued	97,585,000			9,022,169
Insurance recovery	2,400	68,457	1,472	11,632
Premiums on bonds issued	12,770,714			
Sales of other property			4,515	
Sale of transportation equipment	12,808			
Operating transfers in	5,914,252	4,462,218	2,865,078	2,656,446
Operating transfers out	(5,914,252)	(4,462,218)	(2,865,078)	(2,656,446)
Total Other Financing Sources (Uses)	110,370,922	68,457	5,987	9,033,801
Net Change in Fund Balances	92,624,481	3,949,790	886,751	6,332,602
Fund Balances:				
Beginning of period, as previously reported	34,371,799	30,319,221	29,185,122	22,878,424
Prior period adjustments	102,063	107,792	199,710	(14,450)
Beginning of period, as restated	34,473,862	30,427,013	29,384,832	22,863,974
Increase (Decrease) in reserve for inventory	(60,741)	(5,004)	47,638	(11,454)
End of Period	\$ 127,037,602	\$ 34,371,799	\$ 30,319,221	\$ 29,185,122

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vicksburg Warren School District's internal control over financial reporting (internal control) as a basis for designing 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 Vicksburg Warren School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Vicksburg Warren School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned cost, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items 2019-001, 2019-002, 2019-003, and 2019-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vicksburg Warren 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 financial statements. 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.

Vicksburg Warren School District's Response to Findings

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

Purpose of this Report

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

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
September 30, 2021

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
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**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance**

Superintendent and School Board
Vicksburg Warren School District

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Vicksburg Warren 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 Vicksburg Warren 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 Vicksburg Warren School District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-006 that we consider to be a material weaknesses.

Vicksburg Warren School District's response to the internal control over compliance findings identified in our audit is described in the accompanying auditee's corrective action plan. Vicksburg Warren School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
September 30, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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VICKSBURG WARREN SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes
 - b. Significant deficiency(ies) identified? Yes
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes
 - 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)? Yes
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555; 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). Yes

VICKSBURG WARREN SCHOOL DISTRICT

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

Section II: Financial Statement Findings

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

Finding 2019-001:

Material Weakness:

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

CONDITION: The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement. Test-work performed identified the following:

1. The district processes invoices and makes payments to vendors including employees prior to board approval.
2. The district's accounting system does not assign claim numbers to transactions. Sequential numbering of claims ensures that transactions are accounted for.
3. A claims docket is exported from the district's new accounting system into Excel monthly and then formatted for presentation to the school board. Controls were not in place to prevent alteration or omission of data submitted to the school board. Claims dockets presented to the board from July 2018-April 2019 omitted the date of payment for each claim.
4. The district failed to accrue construction contracts payable and retainage payable on five invoices which totaled \$2,830,932, which resulted in the district's financial statements to be materially misstated. Audit adjustments were proposed and accepted by the district to correct this error.

CAUSE: The cause is a result of not properly implementing a designed system of accounting controls.

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

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

VIEWS OF MANAGEMENT: See Management's Corrective Action Plan.

Finding 2019-002:

Material Weakness:

CRITERIA: Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records. An important aspect of effective internal controls over cash balances by the district is the control activity of the timely update of bank reconciliations to the ledger.

VICKSBURG WARREN SCHOOL DISTRICT

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

CONDITION: During our test of internal controls over bank reconciliations we found that:

1. The district's reconciliation for the District Maintenance, Accounts Payable Clearing and Payroll Clearing funds were not reconciled to the general ledger at the beginning of the audit. Which resulted in the district hiring a CPA firm to assist with the bank reconciliations. Failure to prepare accurate and timely bank reconciliations could lead to misappropriation of assets that go undetected by management.
2. Accurate bank reconciliations were not provided to the school board monthly. The district should have monthly reconciliations of the bank statements to maintain accurate accounts of all district assets. The district should provide monthly updates to the governing board for review of the bank reconciliations.

CAUSE: The cause is a result of not properly implementing a designed system of accounting controls.

EFFECT: The effect of this condition could result in the financial statements being materially misstated and an increased risk of misappropriation of assets.

RECOMMENDATION: It is recommended that the district implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

VIEWS OF MANAGEMENT: See Management's Corrective Action Plan.

Finding 2019-003

Material Weakness:

CRITERIA: Management is charged with developing a system of accounting controls that will ensure the correctness and completeness of financial information and that will protect district assets. The Mississippi Accounting Manual for School District states "all monies shall be receipted to the school district utilizing prenumbered receipts and maintained in a bound book or ledger. All receipts shall include date, received from, amounts, account classification and signature of receiver, at a minimum."

CONDITION: The district did not utilize two or three part pre-numbered receipts to properly account for monies received and document account classifications.

CAUSE: This condition was caused by district's failure to follow the requirements of the Mississippi Accounting Manual for School District as prescribed by the Mississippi Department of Education.

EFFECT: This could result in misstatements in the depositing or recording of revenues and not being detected.

RECOMMENDATION: It is recommended that the district implement stronger internal controls to ensure that all revenues are properly recorded through receipting, recording the deposit, recording in the general ledger, and timely bank reconciliations. At a minimum, the district should implement the requirements as outlined in the Mississippi Accounting Manual for School Districts as prescribed by the Mississippi Department of Education.

VIEWS OF MANAGEMENT: See Management's Corrective Action Plan.

Finding 2019-004

Material Weakness:

VICKSBURG WARREN SCHOOL DISTRICT

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

CRITERIA: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records. This includes accounting for construction in progress, completed construction, and depreciation.

CONDITION: The following items were noted during testing of capital assets:

1. Construction in progress items were not being reconciled monthly.
2. The district did not have a reconciled total of construction items that should have been capitalized.
3. The district failed to remove one asset totaling \$1,620,334 from construction in progress and add to building improvements upon completion of the project resulting in an understatement in depreciable assets and depreciation. Conversion audit adjustments were proposed and accepted by the district to correct construction in progress and depreciation.

CAUSE: The district lacked appropriate controls to ensure all construction in progress was properly accounted for and to ensure that completed projects were properly capitalized and recorded in the district capital asset subsidiary ledger.

EFFECT: This caused the district to misstate the capital asset balances at year end. As a result, the district hired a consultant to correct and submitted adjusted subsidiary records for audit purposes. Proposed adjustments were made during the audit and accepted by the district to properly present the capital asset balances.

RECOMMENDATION: It is recommended that the district implement internal controls to ensure that all construction in progress and completed construction are accurately recorded in the district's subsidiary records in a timely manner.

VIEWS OF MANAGEMENT: See Management's Corrective Action Plan.

Finding 2019-005

Significant Deficiency

CRITERIA: The school district is charged with developing a system of internal controls surrounding the capturing and recording of revenue and expenditures for donated commodities. A well-designed system will ensure that donated commodities are captured and recorded correctly.

CONDITION: The district failed to record donated commodities revenue and related expenditures for the proper amount resulting in an understatement of revenue and expenditures of \$29,505 in the governmental funds for the year ended June 30, 2019.

CAUSE: This condition was caused by oversight by school district management.

EFFECT: The effect is an understatement in revenues and expenditures for \$29,505. An audit adjustment was proposed and accepted to record donated commodities.

RECOMMENDATION: It is recommended that the district exercise due diligence in identifying and recording all financial transactions of the school district.

VIEWS OF MANAGEMENT: See Management's Corrective Action Plan.

VICKSBURG WARREN SCHOOL DISTRICT

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding related to the federal awards.

Finding 2019-006

Material weakness.

Special Education Cluster CFDA # 84.027 and 84.173
Pass through the Mississippi Department of Education

CONDITION: The district did not align its Special Education – Grants to States budgeted expenditures in its financial accounting software to the project application budget approved by the Mississippi Department of Education. Three (3) line items out of a total of twenty-four (24) line items were not aligned with the approved application budget in the Special Education FY 19 grant; and one (1) line item out of four (4) was not aligned with the approved budget in the Preschool FY 19 grant.

CRITERIA: The school district is charged with developing a system of internal controls that will ensure all expenditures made from the grant are allowable. A budgetary accounting system that aligns grant/fund expenditures with project applications approved by the oversight agency help to ensure that all expenditures are held to the amounts approved in the project application.

CAUSE: The cause is not fully known.

EFFECT: The effect is a control deficiency in the area of allowable and unallowable costs that would allow certain expenditures to be made in excess of the amounts allowable in the approved project application.

QUESTIONED COSTS: None

CONTEXT: This deficiency/noncompliance is systemic in nature to this cluster and crosses over all grants within this cluster. The alignment variances are material to the grant as a whole.

RECOMMENDATION: We recommend that the district align all grant budgetary accounts with the latest approved project application budgets approved by the Mississippi Department of Education for the Special Education Cluster of Awards.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

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CORRECTIVE ACTION

Finding 2019-001

- a. Contact Person: (Cassandra Lewis)
- b. Corrective Action: Currently checks are processed and held until the end of the month and distributed once the board has approved the claims docket. The district will seek assistance (MUNIS support) in creating a report for board approval of invoices to be paid. After board approval, the checks will be processed and distributed accordingly. The report will detail the type of payment and amount, along with the effective date of payment.
Construction accruals and retainage are now accounted for and posted accordingly at year end. A support ledger for all of the construction activity and the accruals is maintained so at year end they are properly booked for that fiscal year.
- c. Anticipated Completion Date: 6/30/20

Finding 2019-002

- a. Contact Person: Financial Reporting Accountant/Cassandra Lewis
- b. Corrective Action: The conversion from Innovac to MUNIS and inadequate training contributed to this finding and the untimeliness of the bank reconciliation. The district will engage an accounting firm to assist in the clean up and close out of FY 20 and FY 21 outstanding items as it relates to the conversion. The accounting firm will also assist the Financial Reporting Accountant in the timeliness of preparing the bank reconciliation.
- c. Anticipated Completion Date: 6/30/21

Finding 2019-003

- a. Contact Person: Director of Accounting/Cassandra Lewis
- b. Corrective Action: The district now has three part pre-numbered receipts that will strengthen internal controls and to properly record and track activity into the General Ledger. Revenue is properly recorded through receipting and can be traced to the General Ledger.
- c. Anticipated Completion Date: 6/30/20

Finding 2019-004

- a. Contact Person: Construction AP/Cassandra Lewis
- b. Corrective Action: The district will properly track and record all construction in progress and completed projects timely. A ledger is now maintained and categorized for those projects that are CIP's, and completed projects, so that they are booked throughout the fiscal year. Once a project is marked as complete, the district will properly record and capitalize the asset.
- c. Anticipated Completion Date: 6/30/20

Finding 2019-005

- a. Contact Person: Director of Financial Services/Cassandra Lewis
- b. Corrective Action: The district will ensure that donated commodities are properly recorded and reconciled to the state financial report at fiscal year end.
- c. Anticipated Completion Date: 6/30/20

Finding 2019-006

- a. Contact Person: Director of SPED/Director of Accounting/Cassandra Lewis
- b. Corrective Action: The district's accounting office and Business Manager will work closely with the SPED Director's office in ensuring timely tracking and recording of budget adjustments in MUNIS and that they aligned with the approved States budgeted expenditures.
- c. Anticipated Completion Date: 6/30/20

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SCHOOL BOARD
James Stirus, Jr., President
Sally Bullard, Vice President
Bryan Pratt, Secretary
Kimble Slaton, Member
Alonzo Stevens, Member

AUDITEE’S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Uniform Guidance, the Vicksburg Warren School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2019:

Finding	Status
2018-001	Corrected
2018-002	Corrected