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Choctaw County School District

Audited Financial Statements
For the Year Ended June 30, 2020

Fortenberry & Ballard, PC
Certified Public Accountants

Choctaw County School District

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	21
Exhibit B - Statement of Activities	22
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	25
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	26
Exhibit E - Statement of Fiduciary Net Position	27
Exhibit F - Statement of Changes in Fiduciary Net Position	28
Notes to the Financial Statements	30
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	59
Schedule of the District’s Proportionate Share of the Net Pension Liability	60
Schedule of District Contributions (PERS)	61
Schedule of the District’s Proportionate Share of the Net OPEB Liability	62
Schedule of District Contributions (OPEB)	63
Notes to the Required Supplementary Information	64
 SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	69
Notes to the Supplementary Information	70
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	71
 OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	73
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	74
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance	78
 INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
	81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	85

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Choctaw County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Choctaw County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Choctaw County School District, as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*. As a result, net position as of July 1, 2019, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District’s Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 19 and 59 to 67, 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 Choctaw County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other

Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021, on our consideration of the Choctaw County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Choctaw County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Choctaw County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 11, 2021

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

The following discussion and analysis of Choctaw County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2020. 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 2020 increased \$3,303,953, including a fund reclassification of \$110,039, which represents a 36% increase from fiscal year 2019. Total net position for 2019 increased \$5,133,515, including a prior period adjustment of (\$86,014), which represents a 128% increase from fiscal year 2018.
- General revenues amounted to \$18,604,638 and \$20,165,358, or 85% and 87% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,169,084, or 15% of total revenues for 2020, and \$3,125,543, or 13% of total revenues for 2019.
- The District had \$18,579,808 and \$18,071,372 in expenses for fiscal years 2020 and 2019; only \$3,169,084 for 2020 and only \$3,125,543 for 2019 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,604,638 for 2020 and \$20,165,358 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$18,691,138 in revenues and \$14,145,740 in expenditures for 2020, and \$20,049,080 in revenues and \$13,920,870 in expenditures for 2019. The General Fund's fund balance increased by \$115,541, which includes a fund reclassification of \$110,039, from 2019 to 2020, and increased by \$1,424,967, from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$3,178,285 for 2020 and increased by \$2,360,427 for 2019. The increase for 2020 was due primarily to additions to construction in progress, mobile equipment and furniture and equipment.
- Long-term debt, including the liability for compensated absences, decreased by \$132,197 for 2020 and decreased by \$265,206 for 2019. The decrease for 2020 was due primarily to principal payments. The liability for compensated absences increased by \$12,597 for 2020 and increased by \$5,158 for 2019.

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,

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

supplementary information, and other information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds - 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

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 present a budgetary comparison schedule, 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 Contribution (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,452,327 as of June 30, 2020.

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.

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Table 1 presents a summary of the District's net position at June 30, 2020 and June 30, 2019.

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 23,837,893	21,712,133	10%
Restricted assets	396,636	390,636	2%
Capital assets, net	15,375,345	12,197,060	26%
Total assets	39,609,874	34,299,829	15%
Deferred outflows of resources	3,680,234	1,811,547	103%
Current liabilities	1,918,411	741,150	159%
Long-term debt outstanding	914,041	1,046,238	(13)%
Net pension liability	24,707,573	22,559,132	10%
Net OPEB liability	1,717,742	1,553,095	11%
Total liabilities	29,257,767	25,899,615	13%
Deferred inflows of resources	1,580,014	1,063,387	49%
Net position:			
Net investment in capital assets	14,750,838	11,488,027	28%
Restricted	15,641,489	1,231,513	1170%
Unrestricted	(17,940,000)	(3,571,166)	(402)%
Total net position	\$ 12,452,327	9,148,374	36%

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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)	\$ (17,940,000)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows.	<u>24,325,095</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 6,385,095</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 \$3,178,285.
- The principal retirement of \$144,794 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$21,773,722 and \$23,290,901, respectively. The total cost of all programs and services was \$18,579,808 for 2020 and \$18,071,372 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019:

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 934,731	714,287	31%
Operating grants and contributions	2,234,353	2,371,773	(6)%
Capital grants and contributions		39,483	(100)%
General Revenues:			
Property taxes	10,868,069	12,768,438	(15)%
Grants and contributions not restricted	7,032,533	6,875,574	2%
Unrestricted investment earnings	341,613	259,902	31%
Sixteenth section sources	323,150	202,204	60%
Other	39,273	59,240	(34)%
Total revenues	<u>21,773,722</u>	<u>23,290,901</u>	(7)%
Expenses:			
Instruction	9,167,472	8,769,140	5%
Support services	5,953,511	5,932,022	0%
Non-instructional	733,222	781,464	(6)%
Sixteenth section	14,775	101,629	(85)%
Pension expense	2,577,401	2,367,328	9%
OPEB expense	103,030	78,042	32%
Interest on long-term liabilities	30,397	41,747	(27)%
Total expenses	<u>18,579,808</u>	<u>18,071,372</u>	3%
Increase (Decrease) in net position	<u>3,193,914</u>	<u>5,219,529</u>	(39)%
Net position (deficit), July 1, as previously reported	9,148,374	4,014,859	128%
Fund reclassification/prior period adjustment	<u>110,039</u>	<u>(86,014)</u>	228%
Net position (deficit), July 1, as restated	<u>9,258,413</u>	<u>3,928,845</u>	136%
Net Position (deficit), June 30	<u>\$ 12,452,327</u>	<u>9,148,374</u>	36%

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Comparative Chart of Statement of Activities

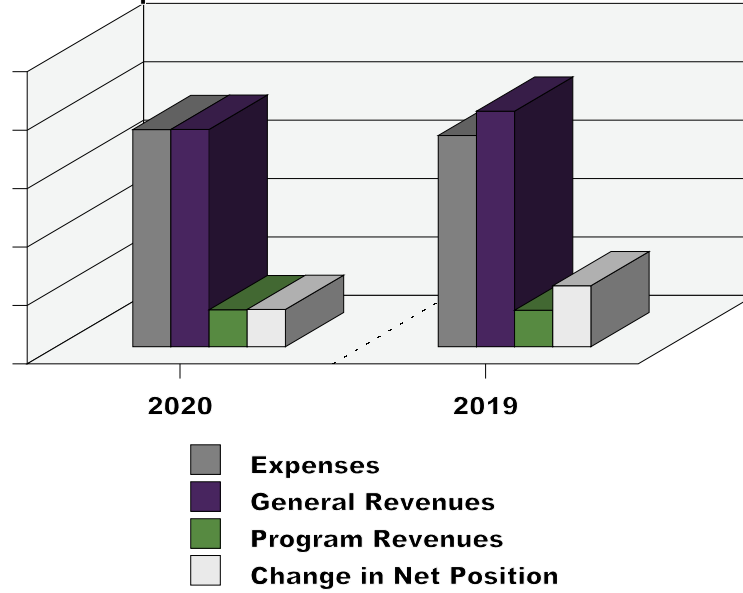
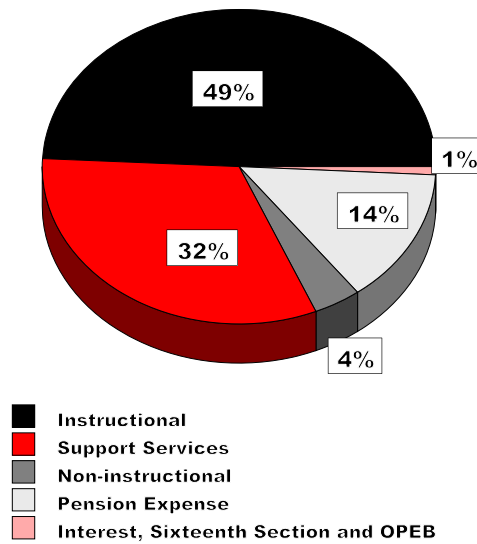


Chart of Expenses per Statement of Activities



Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		
	2020	2019	Percentage Change
Instruction	\$ 9,167,472	8,769,140	5%
Support services	5,953,511	5,932,022	0%
Non-instructional	733,222	781,464	(6)%
Sixteenth section	14,775	101,629	(85)%
Pension expense	2,577,401	2,367,328	9%
OPEB expense	103,030	78,042	32%
Interest on long-term liabilities	30,397	41,747	(27)%
Total expenses	\$ 18,579,808	18,071,372	3%
	Net (Expense) Revenue		
	2020	2019	Percentage Change
Instruction	\$ (7,400,240)	(7,076,662)	(5)%
Support services	(5,273,118)	(5,394,588)	2%
Non-instructional	(57,255)	82,408	(169)%
Sixteenth section	30,717	(69,870)	144%
Pension expense	(2,577,401)	(2,367,328)	(9)%
OPEB expense	(103,030)	(78,042)	(32)%
Interest on long-term liabilities	(30,397)	(41,747)	27%
Total net (expense) revenue	\$ (15,410,724)	(14,945,829)	(3)%

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

- Net cost of governmental activities (\$15,410,724 for 2020 and \$14,945,829 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$10,868,069 for 2020 and \$12,768,438 for 2019) and state and federal revenues (\$7,032,533 for 2020 and \$6,875,574 for 2019). In addition, there was \$323,150 and \$202,204 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$341,613 for 2020 and \$259,902 for 2019.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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 \$22,335,590, an increase of \$1,011,622, which includes a fund reclassification of \$110,039 and an increase in inventory of \$20,133. \$5,968,382 or 27% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$16,367,208 or 73% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$115,541, which includes a fund reclassification of \$110,039. The fund balance of Other Governmental Funds showed an increase in the amount of \$92,479, which includes an increase in inventory of \$20,133.

Major Fund	Increase (Decrease)	
Building Projects Fund	\$	803,602

BUDGETARY HIGHLIGHTS

Over the course of 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.

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$23,912,849, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$3,646,794 from 2019. Total accumulated depreciation as of June 30, 2020, was \$8,537,504, and total depreciation expense for the year was \$498,441, resulting in total net capital assets of \$15,375,345.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 127,409	112,409	13%
Construction in progress	967,116	2,527,658	(62)%
Buildings	12,325,493	7,686,821	60%
Building improvements	485,215	512,436	(5)%
Improvements other than buildings	74,626	77,528	(4)%
Mobile equipment	1,305,813	1,151,402	13%
Furniture and equipment	89,673	128,806	(30)%
Total	<u>\$ 15,375,345</u>	<u>12,197,060</u>	<u>26%</u>

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

Debt Administration. At June 30, 2020, the District had \$914,041 in outstanding long-term debt, of which \$224,169 is due within one year. The liability for compensated absences increased \$12,597 from the prior year.

Choctaw County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 445,000	475,000	(6)%
Shortfall notes payable	62,070	122,338	(49)%
Obligations under energy efficiency leases	179,507	234,033	(23)%
Compensated absences payable	227,464	214,867	6%
Total	<u>\$ 914,041</u>	<u>1,046,238</u>	<u>(13)%</u>

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Choctaw County School District, PO Drawer 398, Ackerman, Mississippi 39735.

FINANCIAL STATEMENTS

CHOCTAW COUNTY SCHOOL DISTRICT**STATEMENT OF NET POSITION**

JUNE 30, 2020

EXHIBIT A

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 23,200,883
Cash with fiscal agents	50,029
Investments	15,450
Due to other governments	515,082
Other receivables, net	10,230
Inventories	46,219
Restricted assets	396,636
Capital asset, non-depreciable:	
Land	127,409
Construction in progress	967,116
Capital assets, net of accumulated depreciation:	
Buildings	12,325,493
Building improvements	485,215
Improvements other than buildings	74,626
Mobile equipment	1,305,813
Furniture and equipment	89,673
Total Assets	<u>39,609,874</u>
Deferred Outflows of Resources:	
Deferred outflows - pensions	3,443,205
Deferred outflows - OPEB	237,029
Total Deferred Outflows of Resources	<u>3,680,234</u>
Liabilities:	
Accounts payable and accrued liabilities	1,898,539
Other payables	401
Interest payable on long-term liabilities	19,471
Long-term liabilities (due in one year):	
Capital related liabilities	162,099
Non-capital related liabilities	62,070
Net OPEB liability	66,482
Long-term liabilities (due beyond one year):	
Capital related liabilities	462,408
Non-capital related liabilities	227,464
Net pension liability	24,707,573
Net OPEB liability	1,651,260
Total Liabilities	<u>29,257,767</u>
Deferred Inflows of Resources:	
Deferred inflows - pensions	1,460,894
Deferred inflows - OPEB	119,120
Total Deferred Inflows of Resources	<u>1,580,014</u>
Net Position:	
Net investment in capital assets	14,750,838
Restricted for:	
School-based activities	230,313
Debt service	236,082
Capital projects	14,489,099
Forestry improvements	233,189
Unemployment benefits	56,170
Non-expendable:	
Sixteenth section	396,636
Unrestricted	(17,940,000)
Total Net Position	<u>\$ 12,452,327</u>

The accompanying notes are an integral part of this statement.

CHOCTAW COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 9,167,472	\$ 749,281	\$ 1,017,951	\$ (7,400,240)
<i>Support services</i>	5,953,511	--	680,393	(5,273,118)
<i>Noninstructional services</i>	733,222	139,958	536,009	(57,255)
<i>Sixteenth section</i>	14,775	45,492	--	30,717
<i>Interest on long-term liabilities</i>	30,397	--	--	(30,397)
<i>Pension expense</i>	2,577,401	--	--	(2,577,401)
<i>OPEB expense</i>	103,030	--	--	(103,030)
Total Governmental Activities	<u>\$ 18,579,808</u>	<u>\$ 934,731</u>	<u>\$ 2,234,353</u>	<u>(15,410,724)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				10,666,752
<i>Debt purpose levies</i>				201,317
Unrestricted grants and contributions:				
<i>State</i>				6,884,630
<i>Federal</i>				147,903
<i>Unrestricted investment earnings</i>				341,613
<i>Sixteenth section sources</i>				323,150
<i>Other</i>				39,273
Total General Revenues				<u>18,604,638</u>
<i>Change in Net Position</i>				<u>3,193,914</u>
Net Position - Beginning, as previously reported				9,148,374
Fund reclassification				110,039
Net Position - Beginning, as restated				<u>9,258,413</u>
Net Position - Ending				<u>\$ 12,452,327</u>

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2020

EXHIBIT C

	General Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
<i>Cash and Cash Equivalents</i>	\$ 7,254,258	\$ 15,059,330	\$ 893,706	\$ 23,207,294
<i>Cash with Fiscal Agent</i>	--	--	50,029	50,029
<i>Investments</i>	15,450	--	390,225	405,675
<i>Due from other governments</i>	343,289	--	171,793	515,082
<i>Other receivables, net</i>	10,230	--	--	10,230
<i>Due from other funds</i>	153,289	--	--	153,289
<i>Inventories</i>	--	--	46,219	46,219
Total Assets	<u>\$ 7,776,516</u>	<u>\$ 15,059,330</u>	<u>\$ 1,551,972</u>	<u>\$ 24,387,818</u>
Liabilities and Fund Balances:				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 1,276,251	\$ 570,231	\$ 52,057	\$ 1,898,539
<i>Due to other funds</i>	--	--	153,289	153,289
<i>Other payables</i>	400	--	--	400
Total Liabilities	<u>1,276,651</u>	<u>570,231</u>	<u>205,346</u>	<u>2,052,228</u>
Fund Balances:				
Nonspendable:				
<i>Permanent fund principal</i>	--	--	396,636	396,636
<i>Inventory</i>	--	--	46,219	46,219
Restricted:				
<i>Unemployment benefits</i>	--	--	56,170	56,170
<i>Forestry improvements</i>	--	--	233,189	233,189
<i>Debt service</i>	--	--	255,553	255,553
<i>Grant activities</i>	--	--	240,285	240,285
<i>Food service</i>	--	--	118,574	118,574
Committed:				
<i>Capital improvements</i>	--	14,489,099	--	14,489,099
Assigned:				
<i>Drivers education</i>	10,357	--	--	10,357
<i>Capital improvements</i>	1,399	--	--	1,399
<i>School based health and outreach activities</i>	115,071	--	--	115,071
<i>Activity funds</i>	404,656	--	--	404,656
Unassigned	<u>5,968,382</u>	<u>--</u>	<u>--</u>	<u>5,968,382</u>
Total Fund Balance	<u>6,499,865</u>	<u>14,489,099</u>	<u>1,346,626</u>	<u>22,335,590</u>
Total Liabilities and Fund Balance	<u>\$ 7,776,516</u>	<u>\$ 15,059,330</u>	<u>\$ 1,551,972</u>	<u>\$ 24,387,818</u>

The accompanying notes are an integral part of this statement.

CHOCTAW COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020*

Total fund balances for governmental funds \$ 22,335,590

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

Capital assets used in governmental activities are not reported in the funds.	15,375,345
Liabilities due in one year are not recognized in the funds.	(290,651)
Payables for energy efficiency leases which are not due in the current period are not reported in the funds.	(122,408)
Payables for bond interest which are not due in the current period are not reported in the funds.	(19,471)
Payables for notes which are not due in the current period are not reported in the funds.	(340,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(227,464)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(24,707,573)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(1,460,894)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	3,443,205
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,651,260)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(119,120)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	237,029
Rounding difference	(1)

Net position of governmental activities \$ 12,452,327

The accompanying notes are an integral part of this statement.

CHOCTAW COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT D

	General Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 11,267,796	\$ 234,258	\$ 364,342	\$ 11,866,396
State sources	6,937,897	--	713,120	7,651,017
Federal sources	142,665	--	1,772,324	1,914,989
Sixteenth section sources	342,780	--	58,826	401,606
Total Revenues	18,691,138	234,258	2,908,612	21,834,008
Expenditures:				
Instruction	8,505,352	--	1,459,025	9,964,377
Support services	5,553,414	129,951	1,028,241	6,711,606
Noninstructional services	64	--	774,870	774,934
Sixteenth section	6,340	--	8,435	14,775
Facilities acquisition and construction	15,000	3,300,705	--	3,315,705
Debt service:				
Principal	54,526	--	90,268	144,794
Interest	11,044	--	22,516	33,560
Total Expenditures	14,145,740	3,430,656	3,383,355	20,959,751
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,545,398	(3,196,398)	(474,743)	874,257
Other Financing Sources (Uses):				
Insurance recovery	5,639	--	--	5,639
Sale of other property	1,554	--	--	1,554
Operating transfers in	118,459	4,000,000	665,548	4,784,007
Operating transfers out	(4,665,548)	--	(118,459)	(4,784,007)
Total Other Financing Sources (Uses)	(4,539,896)	4,000,000	547,089	7,193
Net Change in Fund Balances	5,502	803,602	72,346	881,450
July 1, 2019 - Beginning, as previously reported	6,384,324	13,685,497	1,254,147	21,323,968
Fund reclassification	110,039	--	--	110,039
July 1, 2019 - Beginning, as restated	6,494,363	13,685,497	1,254,147	21,434,007
Increase (decrease) in inventory	--	--	20,133	20,133
June 30, 2020	\$ 6,499,865	\$ 14,489,099	\$ 1,346,626	\$ 22,335,590

The accompanying notes are an integral part of this statement.

CHOCTAW COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020*

Net change in fund balances - total governmental funds	\$ 881,450
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,679,780
The depreciation of capital assets used in governmental activities is not reported in the funds.	(498,441)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(1,500)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,554)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(60,285)
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	90,268
Repayment of energy efficiency lease principal is an expenditure in the funds but is not an expense in the SOA.	54,526
(Increase) decrease in accrued interest from beginning of period to end of period.	3,163
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(12,597)
Change in inventory affects fund balance in the funds but expense in the SOA	20,133
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL	63,438
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,655,965
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(2,577,401)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(103,030)
Rounding difference	(1)
Change in net position of governmental activities	\$ <u>3,193,914</u>

The accompanying notes are an integral part of this statement.

CHOCTAW COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

EXHIBIT E

	Private-purpose Trust Funds
Assets	
Total Assets	\$ --
Net Position	
Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

CHOCTAW COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT F

	Private-purpose Trusts Funds
Additions	
Interest on investments	\$ 310
Total Additions	<u>310</u>
Deductions	
Scholarship Awards	4,000
Dues and fees	<u>38,844</u>
Total Deductions	<u>42,844</u>
Change in Net Position	<u>(42,534)</u>
Net Position	
July 1, 2019	<u>42,534</u>
June 30, 2020	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Choctaw County School District

Notes to the Financial Statements
For the Year Ended June 30, 2020

Choctaw County School District

Notes to the Financial Statements
For the Year Ended June 30, 2020

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

B. Government-wide and Fund Financial Statements

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

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

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

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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 and fiduciary 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.

Building Projects Fund - This is a capital project fund used to accumulate funds for the purpose of funding various construction projects for the district.

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

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

The District's fiduciary funds include the following:

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

Choctaw County School District

Notes to the Financial Statements
For the Year Ended June 30, 2020

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

Choctaw County School District

Notes to the Financial Statements
For the Year Ended June 30, 2020

D. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as a classification of fund balances since they do not constitute expenditures or liabilities.

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

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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 Bonds 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 governmental column 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.

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reported \$3,443,205 regarding the cost-sharing pension plan deferred outflows. The School District also reported \$237,029 regarding the cost-sharing OPEB plan deferred outflow.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The School District reported \$1,460,894 for deferred inflows regarding the cost-sharing pension plan. The School District also reported \$119,120 for deferred inflows regarding the cost-sharing OPEB plan.

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

See Note 14 for further details.

8. Compensated Absences

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

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

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

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

Business Manager pursuant to authorization established by the policy adopted by the school district.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of revenues.

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of the Statement was to provide temporary relief to governments in light of COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides N. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months. The School District chose to implement Statement No. 84 of the Governmental Accounting Standards Board *Fiduciary Activities* during this year.

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:

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interest in, any open-end or close-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 \$23,207,294.

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, 2020, none of the district's bank balance of \$23,439,109 was

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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 \$50,029.

Investments

As of June 30, 2020, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	N/A	\$ <u>405,675</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 process 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, 2020:

Certificates of deposit type of investments of \$405,675 are valued using a matrix pricing model (Level 2 inputs).

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

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

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

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

Choctaw County School District

Notes to the Financial Statements
For the Year Ended June 30, 2020

investments. As of June 30, 2020, the district had the following investments:

Issuer		Fair Value	% of Total Investments
Regions Bank Certificates of Deposit	\$	405,675	100%

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 153,289

The purpose of the inter-fund transaction and balances was to cover deficit cash balances at year end.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 118,459
Building Projects Fund	General Fund	4,000,000
Other Governmental Funds	General Fund	665,548
Total		\$ 4,784,007

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$6,411 and \$390,225 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.

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

Note 5 - Capital Assets

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

	Balance 7-1-2019	Additions	Retirements	Completed Construction	Balance 6-30-2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 112,409	15,000			127,409
Construction in progress	2,527,658	3,300,705		(4,861,247)	967,116
Total non-depreciable capital assets	2,640,067	3,315,705	0	(4,861,247)	1,094,525
<u>Depreciable capital assets:</u>					
Buildings	13,439,912			4,861,247	18,301,159
Building improvements	680,534				680,534
Improvements other than buildings	126,484				126,484
Mobile equipment	2,786,560	357,600			3,144,160
Furniture and equipment	592,498	6,475	32,986		565,987
Total depreciable capital assets	17,625,988	364,075	32,986	4,861,247	22,818,324
<u>Less accumulated depreciation for:</u>					
Buildings	5,753,091	222,575			5,975,666
Building improvements	168,098	27,221			195,319
Improvements other than buildings	48,956	2,902			51,858
Mobile equipment	1,635,158	203,189			1,838,347
Furniture and equipment	463,692	42,554	29,932		476,314
Total accumulated depreciation	8,068,995	498,441	29,932	0	8,537,504
Total depreciable capital assets, net	9,556,993	(134,366)	3,054	4,861,247	14,280,820
Governmental activities capital assets, net	\$ 12,197,060	3,181,339	3,054	0	15,375,345

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 348,909
Support services	99,689
Non-instructional	49,843
Total depreciation expense	\$ 498,441

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

Governmental Activities:	Spent to June 30, 2020	Remaining Commitments
CCHS Admin & Classroom Addition & Renovation	\$ 967,116	3,009,496

Construction projects included in governmental activities are funded with local district funds.

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

Note 6 - Long-term liabilities

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

	Balance 7-1-2019	Additions	Reductions	Balance 6-30-2020	Amounts due within one year
A. Three mill notes payable	\$ 475,000		30,000	445,000	105,000
B. Shortfall notes payable	122,338		60,268	62,070	62,070
C. Obligations under energy efficiency leases	234,033		54,526	179,507	57,099
D. Compensated absences payable	214,867	12,597		227,464	
Total	\$ 1,046,238	12,597	144,794	914,041	224,169

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trustmark National Bank - Series 2008	3.97%	09-11-08	08-01-23	\$ 660,000	445,000

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 105,000	17,667	122,667
2022	110,000	13,498	123,498
2023	115,000	9,131	124,131
2024	115,000	4,565	119,565
Total	\$ 445,000	44,861	489,861

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

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Bank of Kilmichael Promissory Note	2.99%	08-30-17	08-30-20	\$ 180,856	62,070

The amount outstanding is included in due from other governments on the Statement of Net

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

Position.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 62,070	1,856	63,926

This debt will be retired from the District Maintenance Fund.

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	4.62%	07-30-08	04-15-23	\$ 703,094	179,507

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 57,099	8,471	65,570
2022	59,793	5,777	65,570
2023	62,615	2,955	65,570
Total	\$ 179,507	17,203	196,710

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated June 13, 2008 was executed by and between the district, the lessee, and Sun Trust Equipment Finance and Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$703,094 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

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

Upon written notice to the lessor, the lessee has the option of repaying the total amount due

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

as set forth by the agreement.

D. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

The school district has several operating leases for the following:

1. Energy lease
2. Copiers

Lease expenditures for the year ended June 30, 2020, amounted to \$107,033.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2021	\$ 107,033
2022	107,033
2023	107,033
2024	41,463
2025	41,464
Total	<u>\$ 404,026</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.

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% 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 only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019, and 2018, were \$1,655,965, \$1,440,655, and \$1,364,143, 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, 2020, the school district reported a liability of \$24,707,573 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was 0.140448 percent, which was based on a

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

measurement date of June 30, 2019. This was an increase of .004819 from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,577,401. At June 30, 2020 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	\$ 14,115	\$
Net difference between projected and actual earnings on pension plan investments		257,526
Changes of assumptions	242,185	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,530,940	1,203,368
District contributions subsequent to the measurement date	1,655,965	
Total	<u>\$ 3,443,205</u>	<u>\$ 1,460,894</u>

\$1,655,965 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, 2021. 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 ended June 30:	
2021	\$ 223,805
2022	(245,799)
2023	235,540
2024	112,800
Total	<u>\$ 326,346</u>

Actuarial assumptions. The total pension liability in the June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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 most recent 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>
Domestic Equity	27%	4.90%
International Equity	22	4.75
Global Equity	12	5.00
Fixed Income	20	1.50
Real Estate	10	4.00
Private Equity	8	6.25
Cash	1	0.25
Total	<u>100%</u>	

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 current contribution rate (17.40%). 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 percent, 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 32,478,962	\$ 24,707,573	\$ 18,292,991

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

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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 \$63,438 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$1,717,742 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the District's proportion was .0243478 percent. This was an increase of 0.00165982 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$103,030. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,597	\$ 24,588
Changes of assumptions	128,062	89,073
Net difference between projected and actual earnings on OPEB plan investments	32	
Changes in proportion and differences between District contributions and proportionate share of contributions	42,900	5,459
District contributions subsequent to the measurement date	63,438	
Total	<u>\$ 237,029</u>	<u>\$ 119,120</u>

\$63,438 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, 2021. 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:

2021	\$ 5,047
2022	5,047
2023	5,047
2024	9,745
2025	21,063
Thereafter	<u>8,522</u>
	<u>54,471</u>

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate rate
Pre-Medicare	of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount Rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. 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 the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 1,908,112	\$ 1,717,742	\$ 1,554,863

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,591,753	\$ 1,717,742	\$ 1,860,467

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
2021	\$ 40,797
2022	20,799
2023	10,602
2024	10,065
2025	9,015
2026 – 2030	24,281
2031 – 2035	1,962
2036 – 2039	1,569
Total	<u>\$ 119,090</u>

Note 11 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 56 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 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 - Insurance Loss Recoveries

The Choctaw County School District received \$5,639 in insurance loss recoveries related to lightning and van wreck damage during the 2019 - 2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services and allocated to support services expense.

Note 14 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$17,940,000) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,655,965 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, 2021. The \$1,787,240 balance of deferred outflow of resources, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$17,940,000) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,460,894 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

Choctaw County School District

Notes to the Financial Statements For the Year Ended June 30, 2020

The unrestricted net position amount of (\$17,940,000) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$63,438 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, 2021. The \$173,591 balance of deferred outflow of resources, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$17,940,000) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$119,120 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 15 - Fund Reclassification

The Choctaw County School District early adopted the provisions of Statement No. 84 of the Governmental Accounting Standards Board - Fiduciary Activities. This Statement should be applied retroactively by restating financial statements for the current period. The Choctaw County School District reclassified all Agency Funds to the General Fund.

Note 16 - Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

Note 17 - 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 Choctaw County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2020

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 11,413,658	11,267,795	11,267,796	(145,863)	1
State sources	6,744,264	6,937,898	6,937,897	193,634	(1)
Federal sources	181,000	142,665	142,665	(38,335)	-
Sixteenth section sources	304,350	342,781	342,780	38,431	(1)
Total Revenues	<u>18,643,272</u>	<u>18,691,139</u>	<u>18,691,138</u>	<u>47,867</u>	<u>(1)</u>
Expenditures:					
Instruction	8,360,000	8,518,418	8,505,352	(158,418)	13,066
Support services	6,675,214	5,342,839	5,553,414	1,332,375	(210,575)
Noninstructional services		64	64	(64)	-
Sixteenth section	20,000	6,340	6,340	13,660	-
Facilities acquisition and construction	163,850	30,324	15,000	133,526	15,324
Debt service:					
Principal	54,526	54,526	54,526	-	-
Interest	11,044	11,044	11,044	-	-
Total Expenditures	<u>15,284,634</u>	<u>13,963,555</u>	<u>14,145,740</u>	<u>1,321,079</u>	<u>(182,185)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,358,638</u>	<u>4,727,584</u>	<u>4,545,398</u>	<u>1,368,946</u>	<u>(182,186)</u>
Other Financing Sources (Uses):					
Sale of transportation equipment	1,000	-	-	(1,000)	-
Insurance recovery	-	5,639	5,639	5,639	-
Sale of other property	-	1,554	1,554	1,554	-
Operating transfers in	941,435	1,043,977	118,459	102,542	(925,518)
Operating transfers out	(5,882,365)	(5,591,066)	(4,665,548)	291,299	925,518
Total Other Financing Sources (Uses)	<u>(4,939,930)</u>	<u>(4,539,896)</u>	<u>(4,539,896)</u>	<u>400,034</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,581,292)</u>	<u>187,688</u>	<u>5,502</u>	<u>1,768,980</u>	<u>(182,186)</u>
Fund Balances:					
July 1, 2019, as previously reported	6,711,227	6,507,428	6,384,324	(203,799)	(123,104)
Fund reclassification	-	-	110,039	-	110,039
July 1, 2019, as restated	<u>6,711,227</u>	<u>6,507,428</u>	<u>6,494,363</u>	<u>(203,799)</u>	<u>(13,065)</u>
June 30, 2020	<u>\$ 5,129,935</u>	<u>6,695,116</u>	<u>6,499,865</u>	<u>1,565,181</u>	<u>(195,251)</u>

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

Choctaw County School District

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

PERS

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 24,707,573	22,559,132	23,023,733	24,554,682	20,696,135	15,468,883
District's proportion of the net pension liability	0.140448%	0.135629%	0.138502%	0.137465%	0.133886%	0.127440%
District's covered payroll	8,279,626	8,661,225	8,884,952	8,793,937	8,364,438	7,787,244
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.41%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

Choctaw County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,655,965	1,440,655	1,364,143	1,399,380	1,385,045	1,317,399
Contributions in relation to the contractually required contribution	1,655,965	1,440,655	1,364,143	1,399,380	1,385,045	1,317,399
Contribution deficiency (excess)	\$ -	-	-	-	-	-
District's covered payroll	9,517,040	9,147,016	8,661,225	8,884,952	8,793,937	8,364,438
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Choctaw County School District

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

OPEB

Last 10 Fiscal Years*

	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 1,717,742	1,553,095	1,531,953 *
District's proportion of the net OPEB liability	0.20243478%	0.20077496%	0.19525052%
District's covered-employee payroll	9,270,351	9,080,915	8,772,069 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

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

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

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.

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

	2020	2019	2018
Actuarially determined contribution	\$ 63,438	68,852	65,309 **
Contributions in relation to the actuarially determined contribution	63,438	68,852	65,309 **
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	9,021,823	9,431,431	9,494,343
Contributions as a percentage of covered-employee payroll	0.70%	0.73%	0.69%

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

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

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

Choctaw County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

Choctaw County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2020

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

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

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(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, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Choctaw County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2020

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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.

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) Changes in benefit provisions

2017:

None

2018:

None

2019:

None

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.*
The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Choctaw County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2020

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.25 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	4.75 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89 percent

SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	195MS326N1099	10.553	\$ 136,347
National School Lunch Program	195MS326N1099	10.555	394,961
Subtotal			<u>531,308</u>
COVID-19 - Summer Food Service Program	195MS326N1099	10.559	50,264
Subtotal			<u>50,264</u>
Total Child Nutrition Cluster			<u>581,572</u>
State Administrative Expenses for Child Nutrition	205MS907N2533	10.560	5,238
Total passed-through the Mississippi Department of Education			<u>586,810</u>
Passed-through Choctaw County:			
Schools and Roads - Grants to States	N/A	10.665	20,788
Total passed-through Choctaw County			<u>20,788</u>
Total U.S. Department of Agriculture			<u>607,598</u>
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A180024	84.010	748,316
Career and Technical Education - Basic Grants to States	V048A180024	84.048	22,308
Supporting Effective Instruction State Grants	ES367A180023	84.367	120,772
Student Support and Academic Enrichment Program	ES424A180025	84.424A	47,973
Subtotal			<u>939,369</u>
Special Education Cluster:			
Special Education - Grants to States	H027A180108	84.027	334,069
Special Education - Preschool Grants	H173A180113	84.173	8,581
Total Special Education Cluster			<u>342,650</u>
Total passed-through the Mississippi Department of Education			<u>1,282,019</u>
Total U.S. Department of Education			<u>1,282,019</u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1905MS5ADM	93.778	24,999
Total passed-through the Mississippi Department of Education			<u>24,999</u>
Total U.S. Department of Health and Human Services			<u>24,999</u>
<u>Social Security Administration</u>			
Direct Award:			
Social Security Disability Insurance		96.001	588
Total Social Security Administration			<u>588</u>
Total for All Federal Awards			\$ <u>1,915,204</u>

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

Choctaw County School District

Notes to the Supplementary Information
For the Year Ended June 30, 2020

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the school district under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The Choctaw County School District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$40,760 are included in the National School Lunch Program.

CHOCTAW COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2020

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	13,307,799	9,712,646	846,897	988,025	1,760,231
Other	7,651,952	1,334,258	161,296	33,944	6,122,454
Total \$	<u>20,959,751</u>	<u>11,046,904</u>	<u>1,008,193</u>	<u>1,021,969</u>	<u>7,882,685</u>
Total number of students *	<u>1,188</u>				
Cost per student \$	<u>17,643</u>	<u>9,299</u>	<u>849</u>	<u>860</u>	<u>6,635</u>

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

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

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

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

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

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

OTHER INFORMATION

Choctaw County School DistrictStatement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years**"UNAUDITED"**

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 11,267,796	13,161,631	8,900,186	10,674,351
Intermediate sources				10,000
State sources	6,937,897	6,499,861	6,426,602	6,419,702
Federal sources	142,665	170,756	191,213	176,756
Sixteenth section sources	342,780	216,832	278,909	154,562
Total Revenues	<u>18,691,138</u>	<u>20,049,080</u>	<u>15,796,910</u>	<u>17,435,371</u>
Expenditures:				
Instruction	8,505,352	8,145,917	8,088,211	7,655,380
Support services	5,553,414	5,409,895	5,344,468	5,219,371
Noninstructional services	64	-	-	-
Sixteenth section	6,340	83,912	93,547	33,916
Facilities acquisition and construction	15,000	215,577	415,879	394,324
Debt service:				
Principal	54,526	52,068	49,722	47,481
Interest	11,044	13,501	15,848	18,089
Total Expenditures	<u>14,145,740</u>	<u>13,920,870</u>	<u>14,007,675</u>	<u>13,368,561</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,545,398</u>	<u>6,128,210</u>	<u>1,789,235</u>	<u>4,066,810</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	180,856	-
Insurance recovery	5,639	-	11,253	20,780
Sale of transportation equipment	-	2,813	-	2,300
Sale of other property	1,554	-	-	-
Operating transfers in	118,459	12,421	13,700	13,081
Operating transfers out	(4,665,548)	(4,718,477)	(3,648,792)	(5,599,871)
Total Other Financing Sources (Uses)	<u>(4,539,896)</u>	<u>(4,703,243)</u>	<u>(3,442,983)</u>	<u>(5,563,710)</u>
Net Change in Fund Balances	5,502	1,424,967	(1,653,748)	(1,496,900)
Fund Balances:				
Beginning of period, as previously reported	6,384,324	4,959,357	6,613,105	8,091,885
Fund reclassification	110,039	-	-	-
Prior period adjustment	-	-	-	18,120
Beginning of period, as restated	<u>6,494,363</u>	<u>4,959,357</u>	<u>6,613,105</u>	<u>8,110,005</u>
End of period	<u>\$ 6,499,865</u>	<u>6,384,324</u>	<u>4,959,357</u>	<u>6,613,105</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Choctaw County School District

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 11,866,396	13,805,486	9,330,606	11,041,575
Intermediate sources	-	-	-	10,000
State sources	7,651,017	7,142,351	7,342,464	7,260,527
Federal sources	1,914,989	2,144,479	1,880,489	2,132,541
Sixteenth section sources	401,606	256,861	316,565	177,420
Total Revenues	<u>21,834,008</u>	<u>23,349,177</u>	<u>18,870,124</u>	<u>20,622,063</u>
Expenditures:				
Instruction	9,964,377	9,602,251	9,443,752	9,012,521
Support services	6,711,606	6,598,088	6,311,217	6,294,641
Noninstructional services	774,934	815,393	808,472	781,309
Sixteenth section	14,775	101,629	108,693	87,179
Facilities acquisition and construction	3,315,705	2,333,646	806,349	394,324
Debt service:				
Principal	144,794	270,364	734,722	463,481
Interest	33,560	45,589	59,608	76,102
Other	-	-	900	1,350
Total Expenditures	<u>20,959,751</u>	<u>19,766,960</u>	<u>18,273,713</u>	<u>17,110,907</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>874,257</u>	<u>3,582,217</u>	<u>596,411</u>	<u>3,511,156</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	180,856	-
Insurance recovery	5,639	-	11,253	20,780
Sale of transportation equipment	-	2,813	-	2,300
Sale of other property	1,554	-	-	-
Operating transfers in	4,784,007	4,860,358	3,662,492	5,612,952
Operating transfers out	(4,784,007)	(4,860,358)	(3,662,492)	(5,612,952)
Total Other Financing Sources (Uses)	<u>7,193</u>	<u>2,813</u>	<u>192,109</u>	<u>23,080</u>
Net Change in Fund Balances	881,450	3,585,030	788,520	3,534,236
Fund Balances:				
Beginning of period, as previously reported	21,323,968	17,739,774	16,956,464	13,394,806
Fund reclassification	110,039	-	-	-
Prior period adjustment	-	-	-	18,120
Beginning of period, as restated	<u>21,434,007</u>	<u>17,739,774</u>	<u>16,956,464</u>	<u>13,412,926</u>
Increase (decrease) in inventory	20,133	(836)	(5,210)	9,302
End of period	<u>\$ 22,335,590</u>	<u>21,323,968</u>	<u>17,739,774</u>	<u>16,956,464</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Choctaw County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Choctaw County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Choctaw County School District's basic financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) 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 the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Choctaw County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 11, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Choctaw County School District

Report on Compliance for Each Major Federal Program

We have audited Choctaw County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Choctaw County School District's major federal programs for the year ended June 30, 2020. The Choctaw County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the Choctaw County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 11, 2021

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Choctaw County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2020, which collectively comprise Choctaw County School District's basic financial statements and have issued our report thereon dated January 11, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding 1

Criteria:

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

Condition:

During our testing of retired personnel, we noted 15 out of 18 Form 4Bs were not filed with the PERS office within five (5) days of re-employment. We also noted 2 out of 18 Form 4Bs were not filled out properly.

Cause:

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

Effect:

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

Recommendation:

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

School District's Response:

Our payroll manager was not aware that holding these PERS reports was a violation. All required were sent in but in a batch together and some were later than required by statute. She is aware of this error and has taken steps to insure that this does not occur again.

Finding 2

Criteria:

Section 25-4-25, Mississippi Code Annotated (1972), provides that "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote..." Section 25-4-29(1), Mississippi Code Annotated (1972), provides that "Required statements hereunder shall be filed as follows: a) Every incumbent public official required....to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day

thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer's county of residence..."

Condition:

During our testing of the Statement of Economic Interest, we noted one (1) Board Member had not filed a Statement of Economic Interest by May 1st.

Cause:

The School District failed to comply with Section 25-4-25, Mississippi Code Annotated (1972).

Effect:

Failure to file the Statement of Economic Interest, as required by state law, results in non-compliance with Section 25-4-25 and could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by Section 25-4-29(2).

Recommendation:

We recommend the School Board Members file the Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, regardless of the duration.

School District's Response:

The School Board report listed was an oversight on our part. We are aware of the required deadline and will make sure that this does not occur in the future.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The Choctaw County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 11, 2021

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Choctaw County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster

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

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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