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Itawamba County School District

**Audited Financial Statements
For the Year Ended June 30, 2020**



Certified Public Accountants

ITAWAMBA COUNTY SCHOOL DISTRICT

FULTON, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Itawamba 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 Itawamba 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 Itawamba 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.

Auditors' 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 auditors' 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 Itawamba 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.

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 5-12, 43, 44, 45, 46, and 47, 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 Itawamba 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 June 14, 2021 on our consideration of the Itawamba 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 Itawamba 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 Itawamba County School District's internal control over financial reporting and compliance.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

The following discussion and analysis of Itawamba 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 decreased \$1,023,133, including a prior period adjustment of \$507,681, which represents a 5.19% decrease from fiscal year 2019. Total net position for 2019 decreased \$996,130, including a prior period adjustment of \$114,961, which represents a 5.32% decrease from fiscal year 2018.
- General revenues amounted to \$26,360,487 and \$24,586,583, or 81.66% and 80.78% 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 \$5,921,264, or 18.34% of total revenues for 2020, and \$5,849,040, or 19.22% of total revenues for 2019.
- The District had \$33,812,565 and \$31,546,714 in expenses for fiscal years 2020 and 2019; only \$5,921,264 for 2020 and \$5,849,040 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$26,273,982 for 2020 and \$24,586,583 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$26,857,298 in revenues and \$25,742,134 in expenditures for 2020, and \$24,269,791 in revenues and \$24,431,328 in expenditures in 2019. The General Fund's fund balance increased by \$926,127, including a prior period adjustment of \$42,209, from 2019 to 2020, and increased by \$110,750, including a prior period adjustment of \$504,229, from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$785,282 for 2020 and, decreased by \$1,003,270 for 2019. The decrease for 2020 was due to the disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$458,362 for 2020 and decreased by \$1,091,210 for 2019. This decrease for 2020 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$19,534 for 2020 and increased by \$18,885 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, 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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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, pension expense, OPEB expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$20,750,422 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.

**ITAWAMBA 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**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	Percentage Change
Current assets	\$ 6,489,164	\$ 5,175,088	25.39 %
Restricted assets	2,134,426	1,707,269	25.02 %
Capital assets, net	25,223,364	26,008,646	(3.02) %
Total assets	<u>33,846,954</u>	<u>32,891,003</u>	2.91 %
Deferred outflows of resources	<u>6,589,941</u>	<u>7,728,927</u>	(14.74) %
Current liabilities	1,922,439	1,588,725	21.01 %
Long-term debt outstanding	4,835,384	5,274,212	(8.32) %
Net OPEB liability	3,152,915	2,952,211	6.80 %
Net pension liability	50,117,068	45,799,052	9.43 %
Total liabilities	<u>60,027,806</u>	<u>55,614,200</u>	7.94 %
Deferred inflows of resources	<u>1,159,511</u>	<u>4,733,019</u>	(75.50) %
Net position			
Net investment in capital assets	20,787,360	21,114,280	(1.55) %
Restricted	4,224,956	3,306,046	27.79 %
Unrestricted	(45,762,738)	(44,147,615)	(3.66) %
Total net position	<u>\$ (20,750,422)</u>	<u>\$ (19,727,289)</u>	(5.19) %

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)	\$ (45,762,738)
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>47,839,553</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,076,815</u>

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

- Decrease in net capital assets in the amount of \$785,282.
- The principal retirement of \$458,362 of long-term debt.

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$32,281,751 and \$30,435,623, respectively. The total cost of all programs and services was \$33,812,565 for 2020 and \$31,546,714 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.

**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	\$ 734,107	\$ 1,034,304	(29.02) %
Operating grants and contributions	5,187,077	4,696,881	10.44 %
Capital grants and contributions	80	117,855	(99.93) %
General revenues:			
Property taxes	6,426,534	6,792,868	(5.39) %
Grants and contributions not restricted	19,577,202	17,669,150	10.80 %
Unrestricted investment earnings	76,711	24,694	210.65 %
Increase (decrease) in fair market value	-	95,928	(100.00)
Other	280,040	3,943	7,002.21 %
Total revenues	<u>32,281,751</u>	<u>30,435,623</u>	6.07 %
Expenses:			
Instruction	17,852,470	16,934,744	5.42 %
Support services	8,437,428	8,356,121	0.97 %
Non-instructional	1,874,173	1,949,668	(3.87) %
Pension expense	5,396,206	4,031,063	33.87 %
OPEB expense	180,503	159,838	12.93 %
Interest on long-term liabilities	71,785	115,280	(37.73) %
Total expenses	<u>33,812,565</u>	<u>31,546,714</u>	7.18 %
Increase (Decrease) in net position	<u>(1,530,814)</u>	<u>(1,111,091)</u>	(37.78) %
Net Position, July 1, as previously reported	<u>(19,727,289)</u>	<u>(18,731,159)</u>	(5.32) %
Prior Period Adjustments	<u>507,681</u>	<u>114,961</u>	341.61 %
Net Position, July 1, as restated	<u>(19,219,608)</u>	<u>(18,616,198)</u>	(3.24) %
Net Position, June 30	<u>\$ (20,750,422)</u>	<u>\$ (19,727,289)</u>	(5.19) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, 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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2020</u>	<u>2019</u>	
Instruction	\$ 17,852,470	\$ 16,934,744	5.42 %
Support services	8,437,428	8,356,121	0.97 %
Non-instructional	1,874,173	1,949,668	(3.87) %
Pension expense	5,396,206	4,031,063	33.87 %
OPEB expense	180,503	159,838	12.93 %
Interest on long-term liabilities	71,785	115,280	(37.73) %
Total expenses	\$ 33,812,565	\$ 31,546,714	7.18 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2020</u>	<u>2019</u>	
Instruction	\$ (13,694,980)	\$ (14,176,922)	3.40 %
Support services	(8,437,428)	(7,252,367)	(16.34) %
Non-instructional	(110,399)	37,796	(392.09) %
Pension expense	(5,396,206)	(4,031,063)	(33.87) %
OPEB expense	(180,503)	(159,838)	(12.93) %
Interest on long-term liabilities	(71,785)	(115,280)	37.73 %
Total net (expense) revenue	\$ (27,891,301)	\$ (25,697,674)	(8.54) %

- Net cost of governmental activities ((\$27,891,301) for 2020 and (\$25,697,674) for 2019) was financed by general revenue, which is primarily made up of property taxes (\$6,426,534 for 2020 and \$6,792,868 for 2019) and state and federal revenues (\$19,577,202 for 2020 and \$17,669,150 for 2019).
- Unrestricted investment earnings amounted to \$76,711 for 2020 and \$24,694 for 2019.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,670,123, an increase of \$1,298,322, which includes a prior period adjustment of \$42,209 and an increase in inventory of \$40,834. \$2,389,690 or 35.83% 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 \$4,280,433 or 64.17% 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 \$926,127, which includes a prior period adjustment of \$42,209. The

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

fund balance of Other Governmental Funds showed an increase in the amount of \$123,521, which includes an increase in reserve for inventory of \$40,834. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
QSCB Retirement Fund	\$ 248,674

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$47,318,192, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$33,692 from 2019. Total accumulated depreciation as of June 30, 2020, was \$22,094,828, and total depreciation expense for the year was \$1,058,778, resulting in total net capital assets of \$25,223,364.

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

	June 30, 2020	June 30, 2019	Percentage Change
Land	\$ 1,161,634	\$ 1,161,634	0.00 %
Buildings	21,065,881	21,756,441	(3.17) %
Building improvements	641,778	682,380	(5.95) %
Improvements other than buildings	767,031	809,678	(5.27) %
Mobile equipment	1,427,917	1,401,945	1.85 %
Furniture and equipment	159,123	196,568	(19.05) %
Total	\$ 25,223,364	\$ 26,008,646	(3.02) %

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Debt Administration. At June 30, 2020, the District had \$4,835,384 in outstanding long-term debt, of which \$355,717 is due within one year. The liability for compensated absences increased \$19,534 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 894,000	\$ 1,229,000	(27.26) %
Obligations under capital leases	669,004	792,366	(15.57) %
Qualified school construction bonds payable	2,873,000	2,873,000	0.00 %
Compensated absences payable	399,380	379,846	5.14 %
Total	\$ <u>4,835,384</u>	\$ <u>5,274,212</u>	(8.32) %

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

CURRENT ISSUES

The Itawamba 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 control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2019-2020 year increased by 5.36% to 3,423 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Itawamba County School District, 605 South Cummings Street, Fulton, Mississippi 38843.

BASIC FINANCIAL STATEMENTS

ITAWAMBA COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

		Governmental Activities
Assets		
Cash and cash equivalents	\$	5,320,384
Due from other governments		815,700
Inventories		88,588
Prepaid items		264,492
Restricted assets		2,134,426
Capital assets, non-depreciable:		
Land		1,161,634
Capital assets, net of accumulated depreciation:		
Buildings		21,065,881
Building improvements		641,778
Improvements other than buildings		767,031
Mobile equipment		1,427,917
Furniture and equipment		159,123
Total Assets		33,846,954
Deferred Outflows of Resources		
Deferred outflows - pension		6,162,382
Deferred outflows - OPEB		427,559
Total Deferred Outflows of Resources		6,589,941
Liabilities		
Accounts payable and accrued liabilities		1,866,962
Interest payable on long-term liabilities		55,477
Long-term liabilities, due within one year:		
Capital related liabilities		355,717
Net OPEB liability		115,557
Long-term liabilities, due beyond one year:		
Capital related liabilities		4,080,287
Non-capital related liabilities		399,380
Net pension liability		50,117,068
Net OPEB liability		3,037,358
Total Liabilities		60,027,806
Deferred Inflows of Resources		
Deferred inflows - pension		880,572
Deferred inflows - OPEB		278,939
Total Deferred Inflows of Resources		1,159,511
Net Position		
Net investment in capital assets		20,787,360
Restricted for:		
Expendable:		
School-based activities		1,126,075
Debt service		3,006,072
Unemployment benefits		92,809
Unrestricted		(45,762,738)
Total Net Position	\$	(20,750,422)

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 17,852,470	\$ 427,471	\$ 3,729,939	\$ 80	\$ (13,694,980)
Support services	8,437,428	-	-	-	(8,437,428)
Non-instructional	1,874,173	306,636	1,457,138	-	(110,399)
Pension expense	5,396,206	-	-	-	(5,396,206)
OPEB expense	180,503	-	-	-	(180,503)
Interest on long-term liabilities	71,785	-	-	-	(71,785)
Total Governmental Activities	\$ 33,812,565	\$ 734,107	\$ 5,187,077	\$ 80	\$ (27,891,301)
General Revenues:					
Taxes:					
General purpose levies					5,972,615
Debt purpose levies					453,919
Unrestricted grants and contributions:					
State					19,415,711
Federal					161,491
Unrestricted investment earnings					76,711
Other					280,040
Total General Revenues					<u>26,360,487</u>
Change in Net Position					<u>(1,530,814)</u>
Net Position - Beginning, as previously reported					(19,727,289)
Prior Period Adjustment					<u>507,681</u>
Net Position - Beginning, as restated					<u>(19,219,608)</u>
Net Position - Ending					<u>\$ (20,750,422)</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

	Major Funds			
	General Fund	QSCB Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,916,998	\$ -	\$ 1,581,870	\$ 5,498,868
Investments	-	1,955,942	-	1,955,942
Due from other governments	441,639	-	287,556	729,195
Due from other funds	197,604	-	-	197,604
Advances to other funds	171,836	-	114,615	286,451
Inventories	-	-	88,588	88,588
Prepaid items	-	-	264,492	264,492
Total Assets	<u>\$ 4,728,077</u>	<u>\$ 1,955,942</u>	<u>\$ 2,337,121</u>	<u>\$ 9,021,140</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,652,201	\$ -	\$ 214,761	\$ 1,866,962
Due to other funds	-	-	197,604	197,604
Advances from other funds	114,615	-	171,836	286,451
Total Liabilities	<u>1,766,816</u>	<u>-</u>	<u>584,201</u>	<u>2,351,017</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	88,588	88,588
Advances	171,836	-	-	171,836
Prepaid items	-	-	264,492	264,492
Restricted:				
Debt service	-	1,955,942	841,115	2,797,057
Unemployment benefits	-	-	92,809	92,809
Grant activities	-	-	-	-
Assigned:				
Other district activities	-	-	-	-
Student activities	399,735	-	465,916	865,651
Unassigned	2,389,690	-	-	2,389,690
Total Fund Balances	<u>2,961,261</u>	<u>1,955,942</u>	<u>1,752,920</u>	<u>6,670,123</u>
Total Liabilities and Fund Balances	<u>\$ 4,728,077</u>	<u>\$ 1,955,942</u>	<u>\$ 2,337,121</u>	<u>\$ 9,021,140</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

		Amount
Total fund balances for governmental funds	\$	6,670,123
Amounts reported for governmental activities in the statement of net position are different because:		
1. Receivables for the taxes to be received in the future for the purpose of retiring shortfall debt, are not received in the current period and, therefore, are not reported in the funds.		86,505
2. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$	1,161,634
Buildings		37,080,665
Building improvements		1,015,042
Improvements other than buildings		1,849,373
Mobile equipment		5,080,441
Furniture and equipment		1,131,037
Accumulated depreciation		<u>(22,094,828)</u>
		25,223,364
3. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(50,117,068)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		6,162,382
Deferred inflows of resources related to pensions		<u>(880,572)</u>
		(44,835,258)
4. Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability		(3,152,915)
Deferred outflows inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB		427,559
Deferred inflows of resources related to OPEB		<u>(278,939)</u>
		(3,004,295)
5. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable		(894,000)
Capital lease obligations		(669,004)
Qualified school construction bond		(2,873,000)
Compensated absences		(399,380)
Accrued interest payable		<u>(55,477)</u>
		(4,890,861)
Net position of governmental activities	\$	<u><u>(20,750,422)</u></u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds			
	General Fund	QSCB Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 6,518,826	\$ 51,424	\$ 823,581	\$ 7,393,831
State sources	20,140,817	-	761,245	20,902,062
Federal sources	197,655	-	3,616,545	3,814,200
Total Revenues	<u>26,857,298</u>	<u>51,424</u>	<u>5,201,371</u>	<u>32,110,093</u>
Expenditures:				
Instruction	17,424,327	-	2,022,786	19,447,113
Support services	8,172,893	1,950	904,324	9,079,167
Noninstructional services	-	-	1,900,851	1,900,851
Debt service:				
Principal	123,362	-	335,000	458,362
Interest	21,552	24,133	48,792	94,477
Total Expenditures	<u>25,742,134</u>	<u>26,083</u>	<u>5,211,753</u>	<u>30,979,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,115,164</u>	<u>25,341</u>	<u>(10,382)</u>	<u>1,130,123</u>
Other Financing Sources (Uses):				
Sale of other property	85,156	-	-	85,156
Payment into QSCB escrow agent	-	197,250	-	197,250
Payment to QSCB debt escrow agent	-	(197,250)	-	(197,250)
Operating transfers in	137,778	223,333	356,607	717,718
Operating transfers out	(454,180)	-	(263,538)	(717,718)
Total Other Financing Sources (Uses)	<u>(231,246)</u>	<u>223,333</u>	<u>93,069</u>	<u>85,156</u>
Net Change in Fund Balances	<u>883,918</u>	<u>248,674</u>	<u>82,687</u>	<u>1,215,279</u>
Fund Balances:				
July 1, 2019, as previously reported	2,035,134	1,707,268	1,629,399	5,371,801
Prior period adjustments	42,209	-	-	42,209
July 1, 2019, as restated	<u>2,077,343</u>	<u>1,707,268</u>	<u>1,629,399</u>	<u>5,414,010</u>
Increase (Decrease) in reserve for inventory	-	-	40,834	40,834
June 30, 2020	<u>\$ 2,961,261</u>	<u>\$ 1,955,942</u>	<u>\$ 1,752,920</u>	<u>\$ 6,670,123</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2020

		Amount
Net change in fund balances - total governmental funds	\$	1,215,279
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$	298,920
Depreciation expense		(1,058,778)
		(759,858)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(27,093)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Payments of debt principal		458,362
Accrued interest payable		22,692
		481,054
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense		(5,396,206)
Contributions subsequent to the measurement date		2,913,151
		(2,483,055)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense		(180,503)
Contributions subsequent to the measurement date		115,557
		(64,946)
6. Revenue related to the taxes to be received in the future for the purpose of retiring shortfall debt is not a source of current financial resources and, therefore, is not reported in the governmental funds.		86,505
7. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences		(19,534)
Change in inventory reserve		40,834
		21,300
Change in net position of governmental activities	\$	(1,530,814)

ITAWAMBA COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>101,894</u>
Total Assets	<u><u>101,894</u></u>
Liabilities	
Due to student clubs	<u>101,894</u>
Total Liabilities	\$ <u><u>101,894</u></u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For 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, Itawamba 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.
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.

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

The school district reports the following major governmental funds:

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

QSCB Retirement Fund – This fund is used to account for the repayment of the District’s qualified school construction bond.

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

The District’s fiduciary funds include the following:

Student Club Funds – These funds are used to account for the monies raised through school club activities and fund raisers.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are reported within committed or assigned fund balances.

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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 District presents deferred outflows related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element,

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District presents deferred inflows related to pensions and OPEB.

See Note 7, 8 and 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.

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.

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

12. Fund Balances

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

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

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

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

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

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

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

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

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 this Statement was to provide temporary relief to governments in light of the 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 No. 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.

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Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with the financial institutions reported in the governmental funds and fiduciary funds was \$5,498,868 and \$101,894, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2020, none of the district's bank balance of \$6,092,481 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2010	N/A	Various	\$ 1,955,942
Total			\$ <u>1,955,942</u>

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

The district has the following recurring fair value measurement as of June 30, 2020:

- QSCB Construction Bonds Common Trust Funds 2010 type of investments of \$1,955,942 are valued using quoted market prices (Level 1 inputs).

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

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments in QSCB Construction Bonds Common Trust Funds 2010, \$1,955,942 of underlying securities are held by the investment's counterparty, not in the name of the district.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2020, the district had the following investments:

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2010	\$ 1,955,942	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	\$ 197,604
Total		\$ 197,604

The purpose of the inter-fund loans was to cover state and federal funds not received prior to year-end.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 171,836
Other governmental funds	General Fund	114,615
Total		\$ 286,451

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The primary purpose of the interfund advances was to cover loans that were not paid back within one year.

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	QSCB Retirement Fund	\$ 223,333
General Fund	Other governmental funds	230,847
Other governmental funds	General Fund	137,778
Other governmental funds	Other governmental funds	125,760
Total		<u>\$ 717,718</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$178,484 of debt service funds whose balances are legally restricted and may not be used except for their restricted purposes. Included in the restricted assets balance is the investment balance, totaling \$1,955,942 of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	<u>Balance 7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance 6/30/2020</u>
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,161,634	\$ -	\$ -	\$ -	\$ 1,161,634
Total non-depreciable capital assets	<u>1,161,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161,634</u>
<u>Depreciable capital assets:</u>					
Buildings	37,080,665	-	-	-	37,080,665
Building improvements	1,015,042	-	-	-	1,015,042
Improvements other than buildings	1,849,373	-	-	-	1,849,373
Mobile equipment	5,072,710	278,659	270,928	-	5,080,441
Furniture and equipment	1,105,076	20,261	-	5,700	1,131,037
Total depreciable capital assets	<u>46,122,866</u>	<u>298,920</u>	<u>270,928</u>	<u>5,700</u>	<u>46,156,558</u>
<u>Less accumulated depreciation for:</u>					
Buildings	15,324,224	690,560	-	-	16,014,784
Building improvements	332,662	40,602	-	-	373,264
Improvements other than buildings	1,039,695	42,647	-	-	1,082,342
Mobile equipment	3,670,765	225,594	243,835	-	3,652,524
Furniture and equipment	908,508	59,375	-	4,031	971,914
Total accumulated depreciation	<u>21,275,854</u>	<u>1,058,778</u>	<u>243,835</u>	<u>4,031</u>	<u>22,094,828</u>
Total depreciable capital assets, net	<u>24,847,012</u>	<u>(759,858)</u>	<u>27,093</u>	<u>1,669</u>	<u>24,061,730</u>
Governmental activities capital assets, net	<u>\$ 26,008,646</u>	<u>\$ (759,858)</u>	<u>\$ 27,093</u>	<u>\$ 1,669</u>	<u>\$ 25,223,364</u>

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Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 591,888
Support services	348,851
Non-instructional	118,039
Total depreciation expense	\$ 1,058,778

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	\$ 1,229,000	\$ -	\$ 335,000	\$ 894,000	\$ 229,000
B Obligations under capital leases	792,366	-	123,362	669,004	126,717
C Qualified school construction bonds payable series 2010	2,873,000	-	-	2,873,000	-
D Compensated absences payable	379,846	19,534	-	399,380	-
	\$ 5,274,212	\$ 19,534	\$ 458,362	\$ 4,835,384	\$ 355,717

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill note payable, series 2009	3.97%	07/15/08	7/15/23	\$ 3,500,000	\$ 894,000
Total				\$ 3,500,000	\$ 894,000

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

1. Three mill notes payable issue of 07/15/08.

Year Ending June 30	Principal	Interest	Total
2021	\$ 229,000	\$ 35,492	\$ 264,492
2022	225,000	24,400	249,400
2023	222,000	17,468	239,468
2024	218,000	8,655	226,655
Total	\$ 894,000	\$ 86,015	\$ 980,015

This debt will be retired from the 3 Mill 2009 Debt Fund.

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B. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$1,254,000 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Bus Lease. Series 2014	2.72%	12/15/14	12/15/24	\$ 1,254,000	\$ 669,004
Total				<u>\$ 1,254,000</u>	<u>\$ 669,004</u>

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

1. Trustmark Bus Lease, Series 2014 dated 12/15/14.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2021	\$ 126,717	\$ 18,197	\$ 144,914
2022	130,164	14,750	144,914
2023	133,704	11,210	144,914
2024	137,341	7,573	144,914
2025	141,078	3,837	144,915
Total	<u>\$ 669,004</u>	<u>\$ 55,567</u>	<u>\$ 724,571</u>

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

This debt will be retired from the District Maintenance Fund.

C. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bond, series 2010	0.84%	1/15/10	09/15/24	\$ 3,000,000	\$ 2,873,000
Total				<u>\$ 3,000,000</u>	<u>\$ 2,873,000</u>

Year Ending June 30	Principal	Interest	Total
2021	\$ -	\$ 24,133	\$ 24,133
2022	-	24,133	24,133
2023	-	24,133	24,133
2024	-	24,133	24,133
2025	2,873,000	-	2,873,000
Total	<u>\$ 2,873,000</u>	<u>\$ 96,532</u>	<u>\$ 2,969,532</u>

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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 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$2,913,151, \$2,922,240, and \$2,769,444, 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 \$50,117,068 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

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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 0.2848860 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.0095350 percent 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 \$5,396,206. 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	\$ 29,647	\$ 53,948
Net difference between projected and actual earnings on pension plan investments	-	548,300
Changes of assumptions	491,355	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,728,229	278,324
District contributions subsequent to the measurement date	2,913,151	-
Total	\$ 6,162,382	\$ 880,572

\$2,913,151 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 Ending June 30:	
2021	\$ 1,217,883
2022	453,270
2023	468,696
2024	228,810

Actuarial assumptions. The total pension liability as of 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

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

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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	27.00		4.90	
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
Total	100.00	%		

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 65,880,623	\$ 50,117,068	\$ 37,105,669

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.
Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$115,557 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 \$3,152,915 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 0.37156900 percent. This was an decrease of 0.01007554 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 \$180,503. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,769	\$ 45,131
Changes of assumptions	235,058	163,495
Net difference between projected and actual earnings on OPEB plan investments	59	-
Changes in proportion and differences between District contributions and proportionate share of contributions	72,116	70,313
District contributions subsequent to the measurement date	115,557	-
Total	\$ 427,559	\$ 278,939

\$115,557 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	\$	652
2022		652
2023		652
2024		4,096
2025		18,135
Thereafter		8,876

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For 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 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	\$ 3,502,339	\$ 3,152,915	\$ 2,853,951

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	\$ 2,921,662	\$ 3,152,915	\$ 3,414,886

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/>.

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 9 – Deficit Fund Balance of Individual Funds

The Child Nutrition Fund has a deficit fund balance in the amount of \$15,010.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Adjust accounts payable to correct balance.	\$ 42,209
2. Correct prior year deferred inflows and outflows related to pensions.	463,803
3. Adjust capital assets to correct balance.	1,669
Total	\$ <u>507,681</u>

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

Fund	Explanation	Amount
General Fund	Adjust accounts payable to correct balance.	\$ 42,209
Total		\$ <u>42,209</u>

Note 11 - 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 12 - Risk Management

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 13 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The school district did not apply for any subsidies for the year ended June 30, 2020.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2020 was \$1,955,942. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2021	\$ 210,000
2022	210,000
2023	225,000
2024	173,000
Total	\$ 818,000

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$45,762,738) 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 \$2,913,151 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 \$3,249,231 balance of deferred outflow of resources related to pensions, 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 (\$45,762,738) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$880,572 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$45,762,738) 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 \$115,557 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 \$312,002 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

The unrestricted net position amount of (\$45,762,738) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$278,939 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Management is currently evaluating the impact of the COVID-19 pandemic on the District and has concluded that while it is reasonably possible that the virus could have a negative impact on the District's financial position and results of its operations, the specific financial impact is not readily determinable as of the date of these 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 Itawamba County School District evaluated the activity of the district through June 14, 2021 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes of the financial statements:

- In August 2020, the District received \$86,505 in shortfall promissory note proceeds.
- In August 2020, the District received proceeds from a Limited Tax Note in the amount of \$3,400,000.
- In October 2020, the Board approved the purchase of equipment from SHOTS Computers in the amount of \$310,564.

REQUIRED SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,475,644	\$ 6,533,443	\$ 6,518,826	\$ 57,799	\$ (14,617)
Intermediate sources	-	2,088	-	2,088	(2,088)
State sources	20,080,920	20,140,817	20,140,817	59,897	-
Federal sources	125,000	197,655	197,655	72,655	-
Total Revenues	<u>26,681,564</u>	<u>26,874,003</u>	<u>26,857,298</u>	<u>192,439</u>	<u>(16,705)</u>
Expenditures:					
Instruction	17,970,204	17,424,326	17,424,327	545,878	(1)
Support services	8,280,270	8,147,290	8,172,893	132,980	(25,603)
Debt Service:					
Principal	123,362	123,362	123,362	-	-
Interest	21,553	21,552	21,552	1	-
Other	3,500	-	-	3,500	-
Total Expenditures	<u>26,398,889</u>	<u>25,716,530</u>	<u>25,742,134</u>	<u>682,359</u>	<u>(25,604)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>282,675</u>	<u>1,157,473</u>	<u>1,115,164</u>	<u>874,798</u>	<u>(42,309)</u>
Other Financing Sources (Uses):					
Sale of other property	-	-	85,156	-	85,156
Sale of transportation equipment	-	3,450	-	3,450	(3,450)
Sale of land	-	65,000	-	65,000	(65,000)
Operating transfers in	3,717,815	3,682,045	137,778	(35,770)	(3,544,267)
Operating transfers out	(3,826,093)	(3,998,447)	(454,180)	(172,354)	3,544,267
Total Other Financing Sources (Uses)	<u>(108,278)</u>	<u>(247,952)</u>	<u>(231,246)</u>	<u>(139,674)</u>	<u>16,706</u>
Net Change in Fund Balances	<u>174,397</u>	<u>909,521</u>	<u>883,918</u>	<u>735,124</u>	<u>(25,603)</u>
Fund Balances:					
July 1, 2019, as previously reported	2,568,404	2,035,134	2,035,134	(533,270)	-
Prior period adjustments	-	-	42,209	-	42,209
July 1, 2019, as restated	<u>2,568,404</u>	<u>2,035,134</u>	<u>2,077,343</u>	<u>(533,270)</u>	<u>42,209</u>
June 30, 2020	<u>\$ 2,742,801</u>	<u>\$ 2,944,655</u>	<u>\$ 2,961,261</u>	<u>\$ 201,854</u>	<u>\$ 16,606</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.2848860%	0.2753510%	0.2557970%	0.2698640%	0.2666040%	0.2580780%
District's proportionate share of the net pension liability	\$ 50,117,068	\$ 45,799,052	\$ 42,522,143	\$ 48,204,448	\$ 41,736,676	\$ 31,559,240
District's covered payroll	\$ 18,553,905	\$ 17,583,771	\$ 16,409,530	\$ 17,263,879	\$ 16,655,905	\$ 15,769,911
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	250.58%	200.11%
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 amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,913,151	2,922,240	2,769,444	\$ 2,584,501	\$ 2,719,061	\$ 2,623,305
Contributions in relation to the contractually required contribution	<u>(2,913,151)</u>	<u>(2,922,240)</u>	<u>(2,769,444)</u>	<u>(2,584,501)</u>	<u>(2,719,061)</u>	<u>(2,623,305)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	16,742,530	18,553,905	17,583,771	16,409,530	17,263,879	16,655,905
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.37156900%	0.38164454%	0.37842673%
District's proportionate share of the net OPEB liability	\$ 3,152,915	2,952,211	2,969,170
District's covered-employee payroll	\$ 15,916,655	\$ 17,261,523	\$ 17,001,672
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	19.81%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB
Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 115,557	\$ 126,379	\$ 126,580
Contributions in relation to the actuarially determined contribution	<u>(115,557)</u>	<u>(126,379)</u>	<u>(126,580)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	16,515,209	15,916,655	16,248,746
Contributions as a percentage of covered- employee payroll	0.70%	0.79%	0.78%

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

ITAWAMBA 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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions.*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

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 ages 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:

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.

ITAWAMBA COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3.00%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 282,570
National school lunch program	10.555	205MS326N1099	1,192,527
Subtotal			<u>1,475,097</u>
COVID-19 Summer food service program for children	10.559	205MS326N1099	83,348
Total child nutrition cluster			<u>1,558,445</u>
Total passed-through Mississippi Department of Education			<u>1,558,445</u>
Total U.S. Department of Agriculture			<u>1,558,445</u>
Federal Communications Commission			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.XXX	N/A	77,707
Total Federal Communications Commission			<u>77,707</u>
U.S. Department of Education			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A190024	1,182,284
Career and technical education-basic grants to states	84.048	V048A190024	20,665
Rural education	84.358	ES358B190024	27,655
English language acquisition grants	84.365	ES365A190024	65
Supporting effective instruction state grants	84.367	ES367A190023	12,738
Student support and academic enrichment program	84.424	ES424A190025	7,234
Subtotal			<u>1,250,641</u>
Special education cluster:			
Special education-grants to states	84.027	H027A190108	856,635
Special education-positive behavior	84.027A		8,097
Special education-preschool grants	84.173	H173A190113	52,129
Total special education cluster			<u>916,861</u>
Total passed-through Mississippi Department of Education			<u>2,167,502</u>
Total U.S. Department of Education			<u>2,167,502</u>
U.S. Department of Health and Human Services			
Pass-Through Mississippi Department of Education			
Medicaid cluster:			
Medical assistance program	93.778	2005MS5ADM	27,591
Total Medicaid cluster			<u>27,591</u>
Total passed-through Mississippi Department of Education			<u>27,591</u>
Total U.S. Department of Health and Human Services			<u>27,591</u>
U.S. Department of Social Security			
Passed-through Mississippi Department of Education:			
Social security disability program	96.001	04-20-04MSD100	476
Total passed-through Mississippi Department of Education			<u>476</u>
Total U.S. Department of Social Security			<u>476</u>
Total for All Federal Awards			<u>\$ 3,831,721</u>

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

ITAWAMBA 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 Itawamba County 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 Itawamba County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Itawamba County School District.

(2) Summary of Significant Accounting Policies

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

(3) Non-Cash Awards

The Itawamba County School District is the recipient of certain non-cash assistance in the form of donated commodities received from the U.S. Department of Agriculture. Revenues and expenditures are recorded for the value of commodities received. In addition, the Itawamba County School District may receive certain other non-cash assistance from federal and state awarding agencies. The amount of non-cash assistance received at June 30, 2020 was \$139,410.

(4) Indirect Cost Rate

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

ITAWAMBA 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	\$ 24,874,009	20,152,812	805,664	1,724,624	2,190,909
Other	<u>6,105,961</u>	<u>1,589,094</u>	<u>345,017</u>	<u>118,470</u>	<u>4,053,380</u>
Total	<u>\$ 30,979,970</u>	<u>21,741,906</u>	<u>1,150,681</u>	<u>1,843,094</u>	<u>6,244,289</u>
 Total number of students *	<u>3,423</u>				
Cost per student \$	<u>9,051</u>	<u>6,352</u>	<u>336</u>	<u>538</u>	<u>1,825</u>

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

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

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

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

Other - includes all expenditure functions not included in Instruction or Administrative 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

ITAWAMBA COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances -
General Fund, Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 6,518,826	\$ 6,360,333	\$ 6,323,597	\$ 6,061,408
State sources	20,140,817	17,730,039	18,396,467	18,702,983
Federal sources	197,655	179,419	210,604	274,414
Total Revenues	26,857,298	24,269,791	24,930,668	25,038,805
Expenditures:				
Instruction	17,424,327	16,472,876	16,648,066	16,905,792
Support services	8,172,893	7,813,538	7,860,254	7,850,327
Debt service:				
Principal	123,362	120,095	216,915	403,819
Interest	21,552	24,819	32,899	45,330
Other	-	-	3,350	3,140
Total Expenditures	25,742,134	24,431,328	24,761,484	25,208,408
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,115,164	(161,537)	169,184	(169,603)
Other Financing Sources (Uses):				
Insurance recovery	-	-	2,988	9,796
Sale of other property	85,156	-	-	12,090
Operating transfers in	137,778	175,537	-	-
Operating transfers out	(454,180)	(407,479)	(434,489)	(577,351)
Total Other Financing Sources (Uses)	(231,246)	(231,942)	(431,501)	(555,465)
Net Change in Fund Balances	883,918	(393,479)	(262,317)	(725,068)
Fund Balances:				
Beginning of period, as previously reported	2,035,134	1,924,384	2,308,808	3,033,876
Prior period adjustments	42,209	504,229	(122,107)	-
Beginning of period, as restated	2,077,343	2,428,613	2,186,701	3,033,876
End of Period	\$ 2,961,261	\$ 2,035,134	\$ 1,924,384	\$ 2,308,808

*SOURCE - PRIOR YEAR AUDIT REPORTS

ITAWAMBA 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	\$ 7,393,831	\$ 7,842,298	\$ 7,801,978	\$ 7,608,903
Increase (decrease in fair market value)	-	95,928	(12,850)	-
State sources	20,902,062	18,541,999	19,668,493	19,937,892
Federal sources	3,814,200	3,951,582	3,920,785	3,769,753
Total Revenues	32,110,093	30,431,807	31,378,406	31,316,548
Expenditures:				
Instruction	19,447,113	18,426,398	18,612,482	18,784,657
Support services	9,079,167	8,887,868	8,831,834	8,628,907
Noninstructional services	1,900,851	1,948,557	1,929,981	2,098,608
Debt service:				
Principal	458,362	1,110,095	1,911,657	1,786,027
Interest	94,477	135,924	132,472	257,055
Other	-	-	6,843	4,490
Total Expenditures	30,979,970	30,508,842	31,425,269	31,559,744
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,130,123	(77,035)	(46,863)	(243,196)
Other Financing Sources (Uses):				
Insurance recovery	-	-	2,988	9,796
Sale of other property	85,156	-	-	12,090
Payment into QSCB escrow agent	197,250	200,000	200,000	200,000
Payment to QSCB escrow agent	(197,250)	(200,000)	(200,000)	(200,000)
Operating transfers in	717,718	583,016	434,489	577,351
Operating transfers out	(717,718)	(583,016)	(434,489)	(577,351)
Total Other Financing Sources (Uses)	85,156	-	2,988	21,886
Net Change in Fund Balances	1,215,279	(77,035)	(43,875)	(221,310)
Fund Balances:				
Beginning of period, as previously reported	5,371,801	5,339,125	5,515,782	5,754,486
Prior period adjustments	42,209	114,961	(161,263)	-
Beginning of period, as restated	5,414,010	5,454,086	5,354,519	5,754,486
Increase (Decrease) in inventory	40,834	(5,250)	28,481	(17,394)
End of Period	\$ 6,670,123	\$ 5,371,801	\$ 5,339,125	\$ 5,515,782

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Itawamba 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 Itawamba County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Itawamba County School District's basic financial statements, and have issued our report thereon dated June 14, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba 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.

Red Bay, Alabama
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Corinth, Mississippi
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Booneville, Mississippi
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Iuka, Mississippi
Phone: (662) 423-5057

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Itawamba County School District's Response to Findings

Itawamba County School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Itawamba County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, slightly slanted script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 14, 2021



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

Superintendent and School Board
Itawamba County School District

Report on Compliance for Each Major Federal Program

We have audited Itawamba 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 Itawamba County School District's major federal programs for the year ended June 30, 2020. Itawamba County School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

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

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

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

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



The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 14, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2020, which collectively comprise Itawamba County School District's basic financial statements and have issued our report thereon dated June 14, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

Red Bay, Alabama
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State Compliance Finding: 2020-001

Instance of Noncompliance with other state laws and regulations

Criteria: Section 37-39-31, Miss. Code Ann. (1972) requires any individual or individuals designated by the school board to negotiate and make private contract or to purchase must be bonded as a purchasing agent. Individuals bonded under other titles are required to be bonded separately as a purchase agent in the additional amount of \$50,000.

Condition: The District failed to bond the principals, which the District policy states has approved purchasing authority, as purchasing agents in addition to their title as principal for the additional \$50,000 as required by Section 37-39-31 Miss. Code Ann. (1972).

Cause: The District did not have a strong system in place to ensure compliance with Section 37-39-31 Miss. Code Ann. (1972).

Effect: Failure to bond purchasing agents independently of their original title could result in the uninsured liability arising from the purchase made by one of the unbonded agents.

Recommendation: The District should comply with Section 37-39-31 Miss. Code Ann. (1972) by bonding each Board approved purchasing agent independently of the bond for their original title in the amount of \$50,000.

Response: We have initiated a formal process of documenting procedures separate from the District policy for the Board to review and approve. These procedures will eliminate confusion regarding which employees have purchasing authority. Our District policy gives the principals authority to make necessary purchases for the schools. We follow different procedures that do not allow principals to have purchasing authority and these procedures were not documented prior to this finding. Going forward, after Board approval, the District will follow the implemented procedures regarding purchasing authority separate from the District's policy on the matter. These procedures will not require the principals to be bonded as purchasing agents in addition to being bonded as principals since they will not have purchasing authority.

State Compliance Finding 2020-002

Instance of Noncompliance with other state laws and regulations

Criteria: Section 37-57-104, Miss. Code Ann. (1972) requires each school board to submit to the levying authority for the school district a certified copy of an order adopted by the school board requesting an ad valorem tax effort in dollars for the support of the school district. The copy of the order shall be submitted by the school board when the copies of the school district's budget are filed with the levying authority pursuant to Section 37-61-9.

Condition: During the review of the District's Limitation on Ad Valorem Taxes, it was noted the District failed to document a copy of an order requesting an ad valorem tax effort in dollars adopted by the board to the levying authority as required by Section 37-57-104, Miss. Code Ann. (1972).

Cause: The District did not have a strong system in place to ensure compliance with Section 37-57-104, Miss. Code Ann. (1972).

Effect: Failure to document a certified copy of an order requesting an ad valorem tax effort in dollars adopted by the board could result in the lack of knowledge of the district receiving more or less than the requested amount.

Recommendation: The District should comply with Section 37-57-104, Miss. Code Ann. (1972) by submitting and documenting a copy of an order adopted by the school board requesting an ad valorem tax effort in dollars in support of the District.

Response: We are currently working to ensure this issue is corrected for the 2021-2022 school year. Due to the timing difference of the audit, we understand this could not be corrected for the 2020-2021 school year, but we are taking the appropriate action to ensure the District documents the board approved order submitted for the request of the Ad Valorem tax effort for the following school years.

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 insure that corrective action has been taken.

The Itawamba 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.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, slightly slanted script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 14, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | No |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u> | |
| | Title I, Part A | |
| | 84.010 Title I Grants to Local Educational Agencies | |
| | Special Education Cluster | |
| | 84.027 Special Education – grants to states | |
| | 84.173 Special Education – preschool grants | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

Section II: Financial Statement Findings

Finding 2020-001

Significant Deficiency over Internal Control

Criteria: The District is required to design and implement a system of internal controls that is sufficient to ensure a low risk of misappropriation of assets and financial statement misstatements.

ITAWAMBA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Condition: In conjunction with performing procedures from the cash audit program, it was noted that none of the twelve reconciliations prepared provided documentation that someone other than the preparer reviewed the completed reconciliation.

Cause: A strong system of internal controls was not in place to ensure that all reconciliations have been reviewed and signed by another individual separate from the preparer of the reconciliation.

Effect: Failure to have an individual review and document their review of bank reconciliations could result in the misstatement of the District's financial statements, misappropriation of assets, or an occurrence of fraud that might not be promptly detected.

Recommendation: The District should implement policies and procedures to ensure that an individual other than the person performing the bank reconciliation review and document their review of the bank reconciliations.

Response: In addition to presenting the bank reconciliation to the Board each month, we will ensure that all bank reconciliations are signed by the preparer and the reviewer each month.

Finding 2020-002

Significant Deficiency over Internal Control

Criteria: The District is required to design and implement a system of internal controls that is sufficient to ensure a low risk of misappropriation of assets and financial statement misstatements. To comply with District policy, event forms should be fully and accurately completed by the appropriate authorities and deposited within one day of the event.

Condition: During the testing of 13 athletic fund revenue deposits, the following deficiencies were noted: 9 event forms contained mathematical errors causing deposits to be less or in excess of gate sales, 1 instance where proper authority failed to complete entire portion of the event forms, and 1 deposit date was not in compliance with the District's deposit policy.

Cause: A strong set of internal controls was not in place to ensure that all athletic fund revenue deposits were accurately reconciled to the event form by appropriate authorities and deposited timely in accordance with the District's policy.

Effect: Inadequate internal controls related to athletic fund revenue collection and receipting could result in a loss of assets and improper revenue recognition.

Recommendation: The District should follow the implemented policies and procedures to ensure receipts from all activities are safeguarded, properly recognized, recorded, and deposited in a timely manner. This can be done by accurately recalculating the amounts of tickets sold at each game and documenting the event forms.

Response: We plan to immediately implement a more detailed event form across the District for the 2021-2022 school year. Due to the timing difference of the audit, we understand this issue could not be corrected for the 2020-2021 school year, but we are taking the appropriate action to ensure the District uses the new event forms. We have held meetings with appropriate personnel at each school to ensure the forms are accurately completed with appropriate signatures and deposited in a timely manner. We will further strengthen internal controls to ensure that all schools abide by the policies and procedures.

ITAWAMBA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Finding 2020-003

Significant Deficiency over Internal Control

Criteria: The District is required to design and implement a system of internal controls along with established policies and procedures that is sufficient to ensure that the risk of misappropriation of assets and financial statements is at a low level.

Condition: In dual testing the District's internal controls and compliance with established policies and procedures, it was noted that 14 of 40 expenditure transactions were purchased prior to obtaining a purchase order with proper approval.

Cause: A strong system of internal controls was not in place to ensure that all transactions were in accordance with the District's policies and procedures regarding purchasing.

Effect: Failure to obtain a purchase order with proper approval prior to making the purchase could result in a misstatement of the District's financial statements, errors, or an occurrence of fraud that is not promptly detected.

Recommendation: The District should implement policies and procedures to ensure that proper internal controls are in place in order for purchase orders to be obtained with proper approval prior to a purchase.

Response: We have initiated a formal process of documenting internal control procedures for the Board to review and approve separate from the District policy. The separate procedures we are in the process of documenting for the Board will relieve any confusion regarding purchasing authority and procedures in the future. We have had meetings with the principals and discussed the procedures we plan to implement once Board approval is obtained to ensure that each location is following those policies and procedures.

Finding 2020-004

Significant Deficiency over Internal Control

Criteria: The District is required to design and implement a system of internal controls that is sufficient to ensure low risk of misappropriation of assets and financial statement misstatements.

Condition: In conjunction with testing the internal controls related to payroll, it was noted that both the Director of Finance and the Payroll Clerk have access to perform payroll from the District's payroll system and both individuals have access to make implement changes within the payroll system.

Cause: A strong system of internal controls was not in place to ensure that only one authorized employee has access to the District's payroll system to perform payroll and a separate authorized employee has access to implement Board approved changes to the payroll system.

Effect: Failure to allow only one authorized employee access to the District's payroll system to perform payroll and a separate authorized employee to implement Board approved changes within the payroll system could result in the misstatement of the District's financial statements, misappropriation of assets, or an occurrence of fraud that might not be promptly detected.

Recommendation: The District should implement policies and procedures to ensure that only one authorized employee has access to the District's payroll system to perform payroll while a separate authorized employee is allowed to implement changes within the payroll system. The changes should be reviewed by the Board before they are implemented.

ITAWAMBA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Response: We are currently in the process of implementing the appropriate segregation of duties for entering payroll, approving changes, and implementing those approved changes. Once approved by the Board, we will ensure that these updated procedures strengthen internal controls.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

ITAWAMBA COUNTY SCHOOL DISTRICT
Auditee's Corrective Action Plan
June 30, 2020

As required by 2 CFR 200.511 (a), the Itawamba County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020.

- 2020-001 a. Name of Contact Person Responsible for Corrective Action
- Name: Jennifer Gray
Title: Finance Director
Phone Number: 662-862-2159 ext 104
- b. Corrective Action Planned:
- In addition to presenting the bank reconciliation to the Board each month, we will ensure that all bank reconciliations are signed by the preparer and the reviewer each month.
- c. Anticipated Completion Date:
- 4/14/2021
-
- 2020-002 a. Name of Contact Person Responsible for Corrective Action
- Name: Jennifer Gray
Title: Finance Director
Phone Number: 662-862-2159 ext 104
- b. Corrective Action Planned:
- We plan to immediately implement a more detailed event form across the District for the 2021-2022 school year. Due to the timing difference of the audit, we understand this issue could not be corrected for the 2020-2021 school year, but we are taking the appropriate action to ensure the District uses the new event forms. We have held meetings with appropriate personnel at each school to ensure the forms are accurately completed with appropriate signatures and deposited in a timely manner. We will further strengthen internal controls to ensure that all schools abide by the policies and procedures.
- c. Anticipated Completion Date:
- 8/3/2021
-
- 2020-003 a. Name of Contact Person Responsible for Corrective Action
- Name: Jennifer Gray
Title: Finance Director
Phone Number: 662-862-2159 ext 104
- b. Corrective Action Planned:
- We have initiated a formal process of documenting internal control procedures for the Board to review and approve separate from the District policy. The separate procedures we are in the process of documenting for the Board will relieve any confusion regarding purchasing authority and procedures in the

ITAWAMBA COUNTY SCHOOL DISTRICT
Auditee's Corrective Action Plan
June 30, 2020

future. We have had meetings with the principals and discussed the procedures we plan to implement once Board approval is obtained to ensure that each location is following those policies and procedures.

- c. Anticipated Completion Date:

7/1/2021

2020-004

- a. Name of Contact Person Responsible for Corrective Action

Name: Jennifer Gray
Title: Finance Director
Phone Number: 662-862-2159 ext 104

- b. Corrective Action Planned:

We are currently in the process of implementing the appropriate segregation of duties for entering payroll, approving changes, and implementing those approved changes. Once approved by the Board, we will ensure that these updated procedures strengthen internal controls.

- c. Anticipated Completion Date:

5/1/2021

ITAWAMBA COUNTY SCHOOL DISTRICT
Auditee's Summary of Prior Federal Audit Findings
June 30, 2020

As required by *Title 2 U.S. Code of Federal (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG)*, the Itawamba County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2020.

Finding 2019-001 – Corrected

Finding 2019-002 – Corrected

Finding 2019-003 – Corrected

Finding 2019-004 – Corrected