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MCCOMB SEPARATE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2020

MCCOMB SEPARATE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
McComb Separate 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 McComb Separate School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the McComb Separate School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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 McComb Separate 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 4-12 and 45-51 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 McComb Separate School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of the McComb Separate 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 McComb Separate 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 McComb Separate School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Madison, Mississippi
September 10, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

The following discussion and analysis of McComb Separate 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 \$3,611,894, including a prior period adjustment of (\$1,259,012) and a fund reclassification of \$45,205, which represents a 44% decrease from fiscal year 2019. Total net position for 2019 decreased \$831,037, including a prior period adjustment of \$338,108, which represents a 11% decrease from fiscal year 2018.
- General revenues amounted to \$20,341,017 and \$20,388,778, or 73% and 75% 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 \$7,362,926, or 27% of total revenues for 2020, and \$6,945,603, or 25% of total revenues for 2019.
- The District had \$30,102,030 and \$28,503,526 in expenses for fiscal years 2020 and 2019; only \$7,362,926 for 2020 and \$6,945,603 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,341,017 for 2020 and \$20,388,778 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,155,465 in revenues and \$20,559,374 in expenditures for 2020, and \$19,785,017 in revenues and \$20,177,456 in expenditures for 2019. The General Fund's fund balance decreased by \$1,340,012 from 2019 to 2020 and decreased by \$5,177,150 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by (\$31,926) for 2020 and increased by \$3,596,316 for 2019. The decrease for 2020 was due to the additions of construction in progress and completed construction less the increase in accumulated depreciation.
- Long-term debt decreased by \$172,940 for 2020 and decreased by \$629,033 for 2019. The decrease for 2020 was due primarily to principal payments on outstanding long-term debt along with the addition of a shortfall note. The liability for compensated absences decreased by \$24,043 for 2020 and decreased by \$17,578 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 non-fiduciary 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.

MCCOMB SEPARATE 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, sixteenth section, pension expense, OPEB expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental 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.

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and a net OPEB liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 \$11,858,586 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.

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

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 12,643,911	\$ 12,988,237	(2.65) %
Restricted assets	9,680,924	10,540,384	(8.15) %
Capital assets, net	14,642,995	14,674,921	(0.22) %
Total assets	36,967,830	38,203,542	(3.23) %
 Deferred outflows of resources	 7,040,302	 3,182,884	 121.19 %
 Current liabilities	 1,577,934	 847,717	 86.14 %
Long-term debt outstanding	7,507,751	7,680,691	(2.25) %
Net OPEB liability	2,565,451	2,280,149	12.51 %
Net pension liability	41,371,395	34,341,763	20.47 %
Total liabilities	53,022,531	45,150,320	17.44 %
 Deferred inflows of resources	 2,844,187	 4,482,798	 (36.55) %
 Net position:			
Net investment in capital assets	7,948,024	8,301,893	(4.26) %
Restricted	11,762,735	11,731,603	0.27 %
Unrestricted	(31,569,345)	(28,280,188)	(11.63) %
Total net position	\$ (11,858,586)	\$ (8,246,692)	(43.80) %

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)	\$ (31,569,345)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the deferred outflows and deferred inflows	39,740,731
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 8,171,386</u>

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 \$31,926.
- The principal retirement of \$587,864 of long-term debt.
- Recognition of the net pension liability in the amount of \$41,371,395.
- Recognition of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,565,451.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$27,703,943 and \$27,334,381, respectively. The total cost of all programs and services was \$30,102,030 for 2020 and \$28,503,526 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

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 306,461	\$ 309,050	(0.84) %
Operating grants and contributions	7,056,465	6,636,553	6.33 %
General revenues:			
Property taxes	7,929,825	7,695,352	3.05 %
Grants and contributions not restricted	11,760,632	11,904,647	(1.21) %
Investment earnings	336,816	372,926	(9.68) %
Sixteenth section sources	131,693	195,079	(32.49) %
Other	182,051	220,774	(17.54) %
Total revenues	27,703,943	27,334,381	1.35 %
Expenses:			
Instruction	12,155,415	12,008,706	1.22 %
Support services	11,005,286	11,059,470	(0.49) %
Non-instructional	2,130,134	2,099,320	1.47 %
Sixteenth section	7,077	16,305	(56.60) %
Pension expense	4,496,712	2,958,710	51.98 %
OPEB expense	123,082	81,081	51.80 %
Interest on long-term liabilities	184,324	279,934	(34.15) %
Total expenses	30,102,030	28,503,526	5.61 %
Increase (Decrease) in net position	(2,398,087)	(1,169,145)	(105.11) %
Net Position, July 1, as previously reported	(8,246,692)	(7,415,655)	(11.21) %
Fund Reclassification	45,205	-	N/A %
Prior Period Adjustment	(1,259,012)	338,108	(472.37) %
Net Position, July 1, as restated	(9,460,499)	(7,077,547)	(33.67) %
Net Position, June 30	\$ (11,858,586)	\$ (8,246,692)	(43.80) %

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2020	2019	
Instruction	\$ 12,155,415	\$ 12,008,706	1.22 %
Support services	11,005,286	11,059,470	(0.49) %
Non-instructional	2,130,134	2,099,320	1.47 %
Sixteenth section	7,077	16,305	(56.60) %
Pension Expense	4,496,712	2,958,710	51.98 %
OPEB Expense	123,082	81,081	51.80 %
Interest on long-term liabilities	184,324	279,934	(34.15) %
Total expenses	\$ 30,102,030	\$ 28,503,526	5.61 %

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (9,672,417)	\$ (9,231,264)	(4.78) %
Support services	(8,220,447)	(9,100,376)	9.67 %
Non-instructional	(35,045)	109,747	(131.93) %
Sixteenth section	(7,077)	(16,305)	56.60 %
Pension Expense	(4,496,712)	(2,958,710)	(51.98) %
OPEB Expense	(123,082)	(81,081)	(51.80) %
Interest on long-term liabilities	(184,324)	(279,934)	34.15 %
Total net (expense) revenue	\$ (22,739,104)	\$ (21,557,923)	(5.48) %

- Net cost of governmental activities (\$22,739,104 for 2020 and \$21,557,923 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$7,929,825 for 2020 and \$7,695,352 for 2019) and state and federal revenues (\$11,760,632 for 2020 and \$11,904,647 for 2019). In addition, there was \$131,693 and \$195,079 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$336,816 for 2020 and \$372,926 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.

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 \$20,862,204, a decrease of \$1,940,929, which includes an increase in inventory of \$29,292, a prior period adjustment of \$(995,986), and a fund reclassification of 45,205. \$8,431,311, or 40% 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 \$12,430,893, or 60% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,340,012. The fund balance of Other Governmental Funds showed a decrease in the amount of \$478,876, which includes a prior period adjustment of (\$121,608). The increase (decrease) in the fund balances of the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Child Nutrition Fund	\$	(143,386)
QZAB Debt Fund	\$	102,902
Sixteenth Section Principal Fund	\$	(81,557)

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. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund 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 \$27,568,950, including land, school buildings, and improvements other than buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$799,292 from 2019. Total accumulated depreciation as of June 30, 2020, was \$12,925,955 and total depreciation expense for the year was \$841,456, resulting in total net capital assets of \$14,642,995.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 138,362	\$ 138,362	- %
Construction in progress	-	3,122,968	(100.00) %
Buildings	6,715,936	6,905,053	(2.74) %
Building improvements	5,760,060	2,520,235	128.55 %
Improvements other than buildings	711,112	666,590	6.68 %
Mobile equipment	854,228	707,860	20.68 %
Furniture and equipment	463,297	613,853	(24.53) %
Total	\$ 14,642,995	\$ 14,674,921	(0.22) %

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

MCCOMB SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Debt Administration. At June 30, 2020, the District had \$7,507,751 in outstanding long-term debt, of which \$3,047,768 is due within one year. During the fiscal year, the District made principal payments totaling \$587,864 on outstanding long-term debt. The liability for compensated absences decreased \$24,043 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	\$ 4,390,000	\$ 4,700,000	(6.60) %
Shortfall notes payable	323,943	169,660	90.94 %
Qualified Zone Academy Bonds payable	2,500,000	2,500,000	- %
Obligation under capital leases	79,790	72,970	9.35 %
Compensated absences payable	214,018	238,061	(10.10) %
Total	<u>\$ 7,507,751</u>	<u>\$ 7,680,691</u>	(2.25) %

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

CURRENT ISSUES

The McComb Separate School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the McComb Separate School District, P.O. Box 868 McComb, MS 39649.

FINANCIAL STATEMENTS

MCCOMB SEPARATE SCHOOL DISTRICT

**Statement of Net Position
June 30, 2020**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,411,198
Due from other governments	1,178,811
Inventories	53,902
Restricted assets	9,680,924
Capital assets, non-depreciable:	
Land	138,362
Capital assets, net of accumulated depreciation:	
Buildings	6,715,936
Building improvements	5,760,060
Improvements other than buildings	711,112
Mobile equipment	854,228
Furniture and equipment	463,297
Total Assets	<u>36,967,830</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	6,698,393
Deferred outflows - OPEB	341,909
Total Deferred Outflows of Resources	<u>7,040,302</u>
Liabilities	
Accounts payable and accrued liabilities	1,462,631
Interest payable on long-term liabilities	115,303
Long-term liabilities, due within one year:	
Capital related liabilities	2,899,790
Non-capital related liabilities	147,978
Net OPEB liability	98,434
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,070,000
Non-capital related liabilities	389,983
Net pension liability	41,371,395
Net OPEB liability	2,467,017
Total Liabilities	<u>53,022,531</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,556,613
Deferred inflows - OPEB	287,574
Total Deferred Inflows of Resources	<u>2,844,187</u>
Net Position	
Net investment in capital assets	7,948,024
Restricted for:	
Expendable:	
School-based activities	926,283
Debt service	2,963,093
Forestry improvements	72,572
Unemployment benefits	56,458
Non-expendable:	
Sixteenth section	7,744,329
Unrestricted	(31,569,345)
Total Net Position (deficit)	<u>\$ (11,858,586)</u>

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

MCCOMB SEPARATE SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2020**

Exhibit B

					Net (Expense)
					Revenue and
					Changes in
					Net Position
Program Revenues					
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental
		Services	Grants and	Grants and	Activities
			Contributions	Contributions	
Governmental Activities:					
Instruction	\$ 12,155,415	\$ 258,984	\$ 2,224,014	\$ -	\$ (9,672,417)
Support services	11,005,286	950	2,783,889	-	(8,220,447)
Non-instructional	2,130,134	46,527	2,048,562	-	(35,045)
Sixteenth section	7,077	-	-	-	(7,077)
Pension expense	4,496,712	-	-	-	(4,496,712)
OPEB expense	123,082	-	-	-	(123,082)
Interest on long-term liabilities	184,324	-	-	-	(184,324)
Total Governmental Activities	\$ 30,102,030	\$ 306,461	\$ 7,056,465	\$ -	\$ (22,739,104)
General Revenues:					
Taxes:					
General purpose levies					7,387,655
Debt purpose levies					542,170
Unrestricted grants and contributions:					
State					11,673,021
Federal					87,611
Unrestricted investment earnings					336,816
Sixteenth section sources					131,693
Other					182,051
Total General Revenues					20,341,017
Change in Net Position					(2,398,087)
Net Position - Beginning, as previously reported					(8,246,692)
Fund reclassification					45,205
Prior Period Adjustments					(1,259,012)
Net Position - Beginning, as restated					(9,460,499)
Net Position (deficit) - Ending					\$ (11,858,586)

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

MCCOMB SEPARATE SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2020

Exhibit C

	Major Funds						
	General Fund	Child Nutrition Fund	QZAB Debt Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds	
Assets							
Cash and cash equivalents	\$ 9,336,713	818,765		6,902,263	\$ 1,552,297	\$ 18,610,038	
Investments			2,482,084		-	2,482,084	
Due from other governments	302,576	1,422			874,813	1,178,811	
Due from other funds	1,346,982				12,000	1,358,982	
Advance to other funds				842,066	-	842,066	
Inventories		53,902			-	53,902	
Total assets	\$ 10,986,271	\$ 874,089	\$ 2,482,084	\$ 7,744,329	\$ 2,439,110	\$ 24,525,883	
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 1,422,858	2,741	-		\$ 37,032	\$ 1,462,631	
Due to other funds	12,000	601,942	-		745,040	1,358,982	
Advances from other funds	842,066		-		-	842,066	
Total Liabilities	2,276,924	604,683	-	-	782,072	3,663,679	
Fund Balances:							
Nonspendable:							
Inventory		53,902			-	53,902	
Permanent fund principal				6,902,263	-	6,902,263	
Advances				842,066	-	842,066	
Restricted:							
Debt service			2,482,084		596,312	3,078,396	
Capital projects					274,819	274,819	
Forestry improvement purposes					72,572	72,572	
Grant activities		215,504			656,877	872,381	
Unemployment benefits					56,458	56,458	
Assigned:							
School Activities	278,036				-	278,036	
Unassigned	8,431,311				-	8,431,311	
Total Fund Balances	8,709,347	269,406	2,482,084	7,744,329	1,657,038	20,862,204	
Total Liabilities and Fund Balances	\$ 10,986,271	\$ 874,089	\$ 2,482,084	\$ 7,744,329	\$ 2,439,110	\$ 24,525,883	

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

MCCOMB SEPARATE SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Exhibit C-1

Total fund balances for governmental funds **\$ 20,862,204**

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

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

Land	\$ 138,362	
Buildings	14,117,338	
Building improvements	7,390,555	
Improvements other than buildings	1,185,573	
Mobile equipment	2,547,173	
Furniture and equipment	2,189,949	
Accumulated depreciation	<u>(12,925,955)</u>	14,642,995

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

Net pension liability	(41,371,395)	
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	6,698,393	
Deferred inflows of resources related to pensions	<u>(2,556,613)</u>	(37,229,615)

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

Net OPEB liability	(2,565,451)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	341,909	
Deferred inflows of resources related to OPEB	<u>(287,574)</u>	(2,511,116)

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

Other bonds payable	(2,500,000)	
Notes payable	(4,713,943)	
Obligation under capital leases	(79,790)	
Compensated absences	(214,018)	
Accrued interest payable	<u>(115,303)</u>	(7,623,054)

Net Position of governmental activities **\$ (11,858,586)**

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

MCCOMB SEPARATE SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

Exhibit D

	Major Funds					
	General Fund	Child Nutrition Fund	QZAB Debt Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 7,889,219	63,716	102,902	\$ -	\$ 556,473	\$ 8,612,310
State sources	12,102,108	26,682	-	-	1,145,415	13,274,205
Federal sources	87,506	1,540,626	-	-	3,914,760	5,542,892
Sixteenth section sources	76,632	-	-	170,661	760	248,053
Total Revenues	20,155,465	1,631,024	102,902	170,661	5,617,408	27,677,460
Expenditures:						
Instruction	10,563,436	-	-	-	2,728,258	13,291,694
Support services	9,578,855	-	-	-	2,578,152	12,157,007
Noninstructional services	212,849	1,617,006	-	-	342,016	2,171,871
Sixteenth section	7,077	-	-	-	-	7,077
Facilities acquisition and construction	-	-	-	-	598,452	598,452
Debt service:						
Principal	151,273	-	-	-	436,591	587,864
Interest	45,884	-	-	-	145,366	191,250
Total Expenditures	20,559,374	1,617,006	-	-	6,828,835	29,005,215
Excess (Deficiency) of Revenues over (under) Expenditures	(403,909)	14,018	102,902	170,661	(1,211,427)	(1,327,755)
Other Financing Sources (Uses):						
Proceeds of Loans	280,874	-	-	-	-	280,874
Insurance recovery	950	-	-	-	-	950
Payments held by escrow agent	-	-	1,625	-	-	1,625
Payment to Qualified Zone Academy debt escrow agent	-	-	(1,625)	-	-	(1,625)
Sale of other property	26,491	-	-	-	-	26,491
Operating transfers in	522,863	-	-	-	915,619	1,438,482
Operating transfers out	(915,619)	(209,185)	-	(252,218)	(61,460)	(1,438,482)
Total Other Financing Sources (Uses)	(84,441)	(209,185)	-	(252,218)	854,159	308,315
Net Change in Fund Balances	(488,350)	(195,167)	102,902	(81,557)	(357,268)	(1,019,440)
Fund Balances:						
July 1, 2019, as previously reported	10,049,359	412,792	2,379,182	7,825,886	2,135,914	22,803,133
Fund Reclassification	45,205	-	-	-	-	45,205
Prior period adjustments	(896,867)	22,489	-	-	(121,608)	(995,986)
July 1, 2019, as restated	9,197,697	435,281	2,379,182	7,825,886	2,014,306	21,852,352
Increase (Decrease) in inventory	-	29,292	-	-	-	29,292
June 30, 2020	\$ 8,709,347	\$ 269,406	2,482,084	\$ 7,744,329	\$ 1,657,038	\$ 20,862,204

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

MCCOMB SEPARATE SCHOOL DISTRICT
Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (1,019,440)**

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

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

Capital outlay	\$ 915,421	
Depreciation expense	<u>(841,456)</u>	73,965

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.

(958)

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

Bonds and notes issued	(280,874)	
Payments of debt principal	587,864	
Accrued interest payable	<u>6,926</u>	313,916

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

Pension expense	(4,496,712)	
Contributions subsequent to the measurement date	<u>2,707,013</u>	(1,789,699)

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

OPEB expense	(123,082)	
Contributions subsequent to the measurement date	<u>93,876</u>	(29,206)

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

Change in compensated absences	24,043	
Change in inventory	<u>29,292</u>	53,335

Change in Net Position of governmental activities	<u>\$ (2,398,087)</u>
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The notes to the financial statements are an integral part of this statement.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the McComb Separate School District is considered an "other stand-alone government." The McComb Separate School District is a related organization of, but not a component unit of, the city of McComb since the governing authority of the city selects a majority of the McComb Separate School District's board but does not have financial accountability for the McComb Separate School District.

For financial reporting purposes, McComb Separate 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. 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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

Child Nutrition Fund – This fund accounts for the federal and state revenue received and expenditures incurred related to the food service operation.

QZAB Debt Fund - This debt service fund is a sinking fund used to accumulate a balance over multiple years and at maturity retire the qualified zone academy bonds.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the city 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.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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.

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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the 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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as a deferred outflow related to pensions and a deferred outflow related to OPEB. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions and a deferred inflow related to OPEB. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of district maintenance revenues. If the

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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. The district chose to early implement GASB 84 Fiduciary Activities during the current fiscal year.

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 financial institutions reported in the governmental funds was \$18,610,038. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents of \$11,411,198 and a portion of restricted assets in the amount of \$7,198,840 (see Note 4). The bank balance was \$20,022,053.

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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 \$20,022,053 was exposed to custodial credit risk.

Investments

As of June 30, 2020, the district had the following investments approved by the Board of Trustees in accordance with the Mississippi Code Ann. (1972) Section 29-3-113 which sets guidelines that allow school districts to invest and lend funds.

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury Bills	N/A	less than 1 year	\$ 2,482,084
Total			<u>\$ 2,482,084</u>

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

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

- U.S. Treasury, State and Local Government type of investments of \$2,482,084 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.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

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	Child Nutrition Fund	\$ 601,942
	Other governmental funds	745,040
Other governmental funds	General Fund	12,000
Total		<u>\$ 1,358,982</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	<u>\$ 842,066</u>
Total		<u>\$ 842,066</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2020 is 4 percent.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 121,306	\$ 33,683	\$ 154,989
2022	118,307	28,830	147,137
2023	75,307	24,098	99,405
2024	75,306	21,085	96,391
2025	75,307	18,074	93,381
2026 - 2030	376,533	45,184	421,717
Total	<u>\$ 842,066</u>	<u>\$ 170,954</u>	<u>\$ 1,013,020</u>

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
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C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 915,619
Child Nutrition Fund	General Fund	209,185
Sixteenth Section Principal Fund	General Fund	252,218
Other governmental funds	General Fund	61,460
Total		<u>\$ 1,438,482</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, the transfer of expendable sixteenth section sources, debt service transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$6,902,263 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, restricted assets represent the investments balance of \$2,482,084 of the QZAB debt service sinking fund.

The restricted assets represent the unexpended bond proceeds in the form of cash balance, totaling \$296,577 of the District Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 5 – Capital Assets

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

	Balance 7/1/2019	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2020
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 138,362	\$	\$	\$	\$	\$ 138,362
Construction in progress	3,122,968	598,452		(3,616,291)	(105,129)	-
Total non-depreciable capital assets	3,261,330	598,452	-	(3,616,291)	(105,129)	138,362
<u>Depreciable capital assets:</u>						
Buildings	14,117,338					14,117,338
Building improvements	3,863,635			3,526,920		7,390,555
Improvements other than buildings	1,096,202			89,371		1,185,573
Mobile equipment	2,270,495	276,678				2,547,173
Furniture and equipment	2,160,658	40,291	11,000			2,189,949
Total depreciable capital assets	23,508,328	316,969	11,000	3,616,291	-	27,430,588
<u>Less accumulated depreciation for:</u>						
Buildings	7,212,285	189,117				7,401,402
Building improvements	1,343,400	287,095				1,630,495
Improvements other than buildings	429,612	44,849				474,461
Mobile equipment	1,562,635	130,506			(196)	1,692,945
Furniture and equipment	1,546,805	189,889	10,042			1,726,652
Total accumulated depreciation	12,094,737	841,456	10,042	-	(196)	12,925,955
Total depreciable capital assets, net	11,413,591	(524,487)	958	3,616,291	196	14,504,633
Governmental activities capital assets, net	\$ 14,674,921	\$ 73,965	\$ 958	\$ -	\$ (104,933)	\$ 14,642,995

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 472,629
Support services	197,844
Noninstructional services	170,983
Total depreciation expense - Governmental activities	<u>\$ 841,456</u>

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Adjustments	Balance 6/30/2020	Amounts due within one year
A. Three Mill notes payable	\$ 4,700,000	\$	\$ 310,000	\$	\$ 4,390,000	\$ 320,000
B. Shortfall notes payable	169,660	280,874	126,591		323,943	137,277
C. Qualified zone academy bonds payable	2,500,000				2,500,000	2,500,000
D. Obligation under capital leases	72,970		151,273	158,093	79,790	79,790
E. Compensated absences payable	238,061		24,043		214,018	10,701
Total	\$ 7,680,691	\$ 280,874	\$ 611,907	\$ 158,093	\$ 7,507,751	\$ 3,047,768

A. Three mill notes payable

Three mill notes payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax notes payable, Series 2017	2.97%	8/15/2017	8/15/2031	\$ 5,000,000	\$ 4,390,000
Total				<u>\$ 5,000,000</u>	<u>\$ 4,390,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 320,000	\$ 130,383	\$ 450,383
2022	330,000	120,879	450,879
2023	340,000	111,078	451,078
2024	350,000	100,980	450,980
2025	360,000	90,585	450,585
2026 – 2030	1,940,000	286,605	2,226,605
2031 – 2034	750,000	32,670	782,670
Total	<u>\$ 4,390,000</u>	<u>\$ 873,180</u>	<u>\$ 5,263,180</u>

This debt will be retired from the Three mill note Fund.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall notes payable, Series 2017	3.49%	6/15/2018	6/30/2020	\$ 254,391	\$
2. Shortfall notes payable, Series 2018	3.26%	6/25/2019	6/28/2021	129,218	43,069
3. Shortfall notes payable, Series 2019	2.12%	6/24/2020	6/30/2022	280,874	280,874
Total				<u>\$ 664,483</u>	<u>\$ 323,943</u>

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

Shortfall notes payable, Series 2017 was paid off during the 2020 fiscal year.

1. Shortfall notes payable issue of Series 2018:

Year Ending June 30	Principal	Interest	Total
2021	\$ 43,069	\$ 1,404	\$ 44,473
Total	<u>\$ 43,069</u>	<u>\$ 1,404</u>	<u>\$ 44,473</u>

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

2. Shortfall notes payable issue of Series 2019:

Year Ending June 30	Principal	Interest	Total
2021	\$ 94,208	\$ 1,621	\$ 95,829
2022	92,827	3,001	95,828
2023	93,839	1,989	95,828
Total	<u>\$ 280,874</u>	<u>\$ 6,611</u>	<u>\$ 287,485</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 137,277	\$ 3,025	\$ 140,302
2022	92,827	3,001	95,828
2023	93,839	1,989	95,828
Total	<u>\$ 323,943</u>	<u>\$ 8,015</u>	<u>\$ 331,958</u>

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

C. Qualified zone academy bonds payable

As more fully explained in Note 9, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified zone academy bonds payable	0%	8/15/2005	9/28/2020	\$ 2,500,000	\$ 2,500,000
Total				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of technology equipment. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Student I-pads	1.90%	6/16/2017	7/15/2019	\$ 218,936	\$ -
2. Student I-pads	1.90%	8/30/2018	8/30/2020	239,400	79,790
Total				<u>\$ 458,336</u>	<u>\$ 79,790</u>

1. The Student I-pads were paid off during the 2020 fiscal year.

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

2. Student I-pads:

Year Ending June 30	Principal	Interest	Total
2021	\$ 79,790	\$ 1,516	\$ 81,306
Total	<u>\$ 79,790</u>	<u>\$ 1,516</u>	<u>\$ 81,306</u>

This debt will be retired from the district maintenance fund.

E. Compensated absences payable

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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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 \$2,707,013, \$2,412,291 and \$2,076,627, 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 \$41,371,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was 0.235172 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.028704 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.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$4,496,712. 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	\$ 3,504,730	\$ 44,016
Net difference between projected and actual earnings on pension plan investments		394,886
Changes of assumptions	405,536	
Changes in proportion and differences between District contributions and proportionate share of contributions	81,114	2,117,711
District contributions subsequent to the measurement date	2,707,013	
Total	\$ <u>6,698,393</u>	\$ <u>2,556,613</u>

\$2,707,013 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	\$ 439,379
2022	(297,063)
2023	1,103,569
2024	188,882

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	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	%		

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 54,384,132	\$ 41,371,395	\$ 30,630,549

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

MCCOMB SEPARATE SCHOOL DISTRICT
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Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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 \$93,876 for the year ended June 30, 2020.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
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 \$2,565,451 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 0.30233668 percent. This was an increase of 0.00757239 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 \$123,082. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,879	\$ 36,722
Changes of assumptions	191,261	133,031
Net difference between projected and actual earnings on OPEB plan investments	48	
Changes in proportion and differences between District contributions and proportionate share of contributions	52,845	117,821
District contributions subsequent to the measurement date	93,876	
Total	\$ <u>341,909</u>	\$ <u>287,574</u>

\$93,876 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	\$ (23,257)
2022	(23,257)
2023	(23,257)
2024	(12,802)
2025	27,671
Thereafter	15,361

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

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
Pre-Medicare	ultimate rate of 4.75% by 2028

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

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

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the 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	\$ 2,849,768	\$ 2,565,451	\$ 2,322,191

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	\$ 2,377,285	\$ 2,565,451	\$ 2,778,610

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

Note 9 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred in certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Southern Professional Properties, LLC, has entered into such an arrangement dated February 5, 2005. Southern Professional Properties, LLC, donated a building that was renovated into an activity center for the district.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before September 1st of each year. The amount on deposit at June 30, 2020, was \$2,482,084. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. All required payments to the sinking fund have been made. The debt will be serviced in fiscal year 2021.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 10,724
2022	9,326
2023	8,246
2024	7,166
2025	5,076
2026-2030	21,818
2031-2035	17,662
2036-2040	12,237
2041-2045	11,447
Thereafter	40,998
Total	<u>\$ 144,700</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.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 13 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Increase or decrease in a revenue or expenditure from a prior period	\$ (995,986)
2. Adjustment to capital assets from a prior period	(104,933)
3. Adjustment to long term debt from a prior period	(158,093)
Total	<u>\$ (1,259,012)</u>

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

Fund	Explanation	Amount
General Fund	Increase or decrease in a revenue or expenditure from a prior period	\$ (896,867)
Child Nutrition Fund	Increase or decrease in a revenue or expenditure from a prior period	22,489
Other governmental funds	Increase or decrease in a revenue or expenditure from a prior period	(121,608)
Total		<u>\$ (995,986)</u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$31,569,345) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,707,013 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$3,991,380 balance of the deferred outflow of resources related to pensions at June 30, 2020 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$2,556,613 balance of the deferred inflow of resources related to pensions at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position amount over the next 3 years.

The unrestricted net position (deficit) amount of (\$31,569,345) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$93,876 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$248,033 balance of the deferred outflow of resources related to OPEB at June 30, 2020 will be recognized as OPEB expense and will decrease the unrestricted net position over the next 6 years. The \$287,574 balance of the deferred inflow of resources related to OPEB at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position amount over the next 6 years.

Note 15 - Insurance loss recoveries

The McComb Separate School District received \$950 in insurance loss recoveries related to property damage during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services within support services.

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 16 – Fund Reclassification

The McComb Separate School District early implemented GASB 84 during the fiscal year 2020. Due to early implementation adjustments the General Fund includes a fund reclassification in the amount of \$45,205.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the McComb Separate School District evaluated the activity of the district through September 10, 2021, (the date the financial statements were available to be issued), and determined that there were the following subsequent events that have occurred requiring disclosure in the notes to the financial statements.

The District closed the daycare that was being operated under the umbrella of Kennedy Early Childhood Center. The Family Nurturing Center was closed at the end of December 2020.

The district issued a demand letter on March 10, 2021 to the vendor overpaid in Finding 2020-002. The district has formally requested the vendor to repay the district in the full amount of \$419,621 that was overpaid by the district.

REQUIRED SUPPLEMENTARY INFORMATION

MCCOMB SEPARATE SCHOOL DISTRICT
Required Supplementary Information

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	\$ 8,064,998	7,878,616	7,889,219	\$ (186,382)	\$ 10,603
State sources	11,603,195	12,102,108	12,102,108	498,913	-
Federal sources	150,661	87,506	87,506	(63,155)	-
Sixteenth section sources	100,495	76,631	76,632	(23,864)	1
Total Revenues	19,919,349	20,144,861	20,155,465	225,512	10,604
Expenditures:					
Instruction	10,489,334	10,557,031	10,563,436	(67,697)	(6,405)
Support services	8,659,599	9,578,855	9,578,855	(919,256)	-
Noninstructional services	314,986	211,849	212,849	103,137	(1,000)
Sixteenth section		7,077	7,077	(7,077)	-
Debt service:					
Principal		156,606	151,273	(156,606)	5,333
Interest		47,502	45,884	(47,502)	1,618
Total Expenditures	19,463,919	20,558,920	20,559,374	(1,095,001)	(454)
Excess (Deficiency) of Revenues over (under) Expenditures	455,430	(414,059)	(403,909)	(869,489)	10,150
Other Financing Sources (Uses):					
Proceeds of loans		280,874	280,874	280,874	-
Insurance recovery		950	950	950	-
Sale of other property		26,491	26,491	26,491	-
Operating transfers in	281,182	3,304,518	522,863	3,023,336	(2,781,655)
Operating transfers out	(3,034,005)	(3,662,867)	(915,619)	(628,862)	2,747,248
Total Other Financing Sources (Uses)	(2,752,823)	(50,034)	(84,441)	2,702,789	(34,407)
Net Change in Fund Balances	(2,297,393)	(464,093)	(488,350)	1,833,300	(24,257)
Fund Balances:					
July 1, 2019, as previously reported	10,049,359	10,049,359	10,049,359	-	-
Fund reclassification			45,205	-	45,205
Prior period adjustments	(896,867)	(896,867)	(896,867)	-	-
July 1, 2019, as restated	9,152,492	9,152,492	9,197,697	-	45,205
June 30, 2020	\$ 6,855,099	\$ 8,688,399	\$ 8,709,347	\$ 1,833,300	\$ 20,948

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

MCCOMB SEPARATE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Child Nutrition 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	\$ 82,800	63,716	63,716	(19,084)	\$ -
State sources	21,500	26,682	26,682	5,182	-
Federal sources	2,183,500	1,540,626	1,540,626	(642,874)	-
Total Revenues	2,287,800	1,631,024	1,631,024	(656,776)	-
Expenditures:					
Noninstructional services	2,137,800	1,617,006	1,617,006	520,794	-
Total Expenditures	2,137,800	1,617,006	1,617,006	520,794	-
Excess (Deficiency) of Revenues over (under) Expenditures	150,000	14,018	14,018	(135,982)	-
Other Financing Sources (Uses):					
Operating transfers out	(150,000)	(209,185)	(209,185)	(59,185)	-
Total Other Financing Sources (Uses)	(150,000)	(209,185)	(209,185)	(59,185)	-
Net Change in Fund Balances	-	(195,167)	(195,167)	(195,167)	-
Fund Balances:					
July 1, 2019, as previously reported	412,792	412,792	412,792	-	-
Prior period adjustments		22,489	22,489	22,489	-
July 1, 2019, as restated	412,792	435,281	435,281	22,489	-
Increase (Decrease) in inventory		29,292	29,292	29,292	-
June 30, 2020	\$ 412,792	\$ 269,406	\$ 269,406	\$ (143,386)	\$ -

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

McComb Separate 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	0.235172%		0.206468%		0.232436%		0.228300%		0.222100%		0.214100%
District's proportionate share of the net pension liability	\$ 41,371,395	\$	34,341,763	\$	38,638,757	\$	40,780,081	\$	34,007,662	\$	25,989,883
District's covered payroll	15,316,133		13,184,933		14,143,638		14,603,651		13,872,705		13,083,670
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.1165%		260.4622%		273.1882%		279.2458%		245.1408%		198.6437%
Plan fiduciary net position as a percentage of the total pension liability	61.588%		62.535%		61.490%		57.468%		61.704%		67.208%

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

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

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

**McComb Separate School District
Required Supplementary Information**

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	\$ 2,707,013	\$ 2,412,291	\$ 2,076,627	\$ 2,227,623	\$ 2,300,075	\$ 2,184,951
Contributions in relation to the contractually required contribution	2,707,013	2,412,291	2,076,627	2,227,623	2,300,075	2,184,951
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	15,557,546	15,316,133	13,184,933	14,143,638	14,603,651	13,872,705
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

McComb Separate School District
Required Supplementary Information
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	0.30233668%	0.29476429%	0.30664345%
District's proportionate share of the net OPEB liability	\$ 2,565,451	\$ 2,280,149	\$ 2,405,952
District's covered-employee payroll	15,316,133	13,184,933	14,143,638
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.750%	17.294%	17.011%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0%

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

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

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

**McComb Separate School District
Required Supplementary Information**

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2020	2019	2018
Actuarially determined contribution	\$ 93,876	\$ 102,831	\$ 102,569
Contributions in relation to the actuarially determined contribution	93,876	102,831	102,569
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	17,187,384	15,316,133	13,184,933
Contributions as a percentage of covered-employee payroll	0.55%	0.67%	0.78%

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

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

MCCOMB SEPARATE 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 any major special revenue funds 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%.

MCCOMB SEPARATE 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.

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

MCCOMB SEPARATE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

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%
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

**McComb Separate School District
Supplementary Information**

**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>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 401,445
National school lunch program	10.555	205MS326N1099	1,424,746
Summer food service program for children	10.559	205MS326N1099	278,738
Total child nutrition cluster			<u>2,104,929</u>
Total passed-through Mississippi Department of Education			<u>2,104,929</u>
Total U.S. Department of Agriculture			<u>2,104,929</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX		43,485
Total U.S. Department of Defense			<u>43,485</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A190024	1,892,408
Impact Aid	84.041	*	12,596
Career and technical education - basic grants to states	84.048	V048A190024	66,047
Twenty-first century community learning centers	84.287	ES287C19024	153,512
Rural Education	84.358	S3588190024	9,698
Supporting Effective Instruction State Grants	84.367	S367A190023	308,419
Student Support and Academic Enrichment Program	84.424A	S424A190025	122,008
Subtotal			<u>2,564,688</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108	829,317
Special education - preschool grants	84.173	H173A190113	26,733
Total special education cluster			<u>856,050</u>
Total passed-through Mississippi Department of Education			<u>3,420,738</u>
Total U.S. Department of Education			<u>3,420,738</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	9,277
Total passed-through Mississippi Department of Education			<u>9,277</u>
Total U.S. Department of Health and Human Services			<u>9,277</u>
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	04-19-04MSDI00	532
Total passed-through Mississippi Department of Education			<u>532</u>
Total U.S. Department of Social Security Administration			<u>532</u>
Total for All Federal Awards			<u>\$ 5,578,961</u>

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

MCCOMB SEPARATE 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 McComb Separate 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 McComb Separate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the McComb Separate School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities of \$154,050 are included in the National School Lunch Program.

* - pass through entity identifying number not provided.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

**McComb Separate School District
Supplementary Information**

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 21,316,097	15,253,525	1,250,446	2,025,940	2,786,186
Other	7,689,118	1,952,530	301,435	101,750	5,333,403
Total	<u>\$ 29,005,215</u>	<u>17,206,055</u>	<u>1,551,881</u>	<u>2,127,690</u>	<u>8,119,589</u>
Total number of students *	<u>2,388</u>				
Cost per student	<u>\$ 12,146</u>	<u>7,205</u>	<u>650</u>	<u>891</u>	<u>3,400</u>

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

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

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

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

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

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

OTHER INFORMATION

MCCOMB SEPARATE SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 7,889,219	\$ 8,023,154	\$ 8,026,751	\$ 7,753,598
State sources	12,102,108	11,512,404	11,557,457	11,825,046
Federal sources	87,506	133,476	149,674	146,972
Sixteenth Section sources	76,632	115,983	90,205	80,676
Total Revenues	20,155,465	19,785,017	19,824,087	19,806,292
Expenditures:				
Instruction	10,563,436	10,323,856	9,502,077	10,090,143
Support services	9,578,855	9,431,898	9,190,952	9,600,864
Noninstructional services	212,849	197,666	199,975	211,057
Sixteenth section	7,077	6,613	3,070	6,165
Facilities acquisition and construction			323,692	204,435
Debt Service:				
Principal	151,273	89,546	91,950	18,070
Interest	45,884	127,877	48,819	52,742
Other				213
Total Expenditures	20,559,374	20,177,456	19,360,535	20,183,689
Excess (Deficiency) of Revenues over (under) Expenditures	(403,909)	(392,439)	463,552	(377,397)
Other Financing Sources (Uses):				
Bonds and notes issued	280,874	129,218	5,254,391	660,787
Inception of capital leases				272,536
Insurance recovery	950	5,000		696,007
Sale of transportation equipment				1,485
Sale of other property	26,491			
Operating transfers in	522,863	283,691	5,085	425,031
Operating transfers out	(915,619)	(910,977)	(676,437)	(1,109,322)
Other financing uses				(191,047)
Total Other Financing Sources (Uses)	(84,441)	(493,068)	4,583,039	755,477
Net Change in Fund Balances	(488,350)	(885,507)	5,046,591	378,080
Fund Balances:				
Beginning of period, as previously reported	10,049,359	15,226,509	10,179,918	9,801,838
'Fund Reclassification	45,205	(4,652,390)		
'Prior period adjustments	(896,867)	360,747		
Beginning of period, as restated	9,197,697	10,934,866	10,179,918	9,801,838
End of Period	\$ 8,709,347	\$ 10,049,359	\$ 15,226,509	\$ 10,179,918

*SOURCE - PRIOR YEAR AUDIT REPORTS

MCCOMB SEPARATE SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 8,612,310	\$ 8,477,878	\$ 8,501,411	\$ 8,272,246
State sources	13,274,205	13,013,706	13,092,107	13,475,445
Federal sources	5,542,892	5,527,495	5,153,733	5,043,422
Sixteenth section sources	248,053	310,302	207,388	228,285
Total Revenues	27,677,460	27,329,381	26,954,639	27,019,398
Expenditures:				
Instruction	13,291,694	13,451,739	12,470,428	13,122,340
Support services	12,157,007	11,780,932	10,734,258	10,965,195
Noninstructional services	2,171,871	2,328,353	2,221,530	2,307,805
Sixteenth section	7,077	16,305	11,360	6,165
Facilities acquisition and construction	598,452	3,750,418	823,393	230,934
Debt service:				
Principal	587,864	740,673	1,047,066	811,687
Interest	191,250	288,513	78,303	104,074
Other		1,625	2,975	1,598
Total Expenditures	29,005,215	32,358,558	27,389,313	27,549,798
Excess (Deficiency) of Revenues over (under) Expenditures	(1,327,755)	(5,029,177)	(434,674)	(530,400)
Other Financing Sources (Uses):				
Bonds and notes issued	280,874	129,218	5,254,391	660,787
Inception of capital leases				272,536
Insurance recovery	950	5,000		696,007
Payment held by escrow agent	1,625	1,625		101,741
Payment to QZAB debt escrow agent	(1,625)	(1,625)		(101,741)
Sale of transportation equipment				1,485
Sale of other property	26,491			
Operating transfers in	1,438,482	1,194,668	840,136	1,719,767
Operating transfers out	(1,438,482)	(1,194,668)	(840,136)	(1,719,767)
Other financing uses				(191,047)
Total Other Financing Sources (Uses)	308,315	134,218	5,254,391	1,439,768
Net Change in Fund Balances	(1,019,440)	(4,894,959)	4,819,717	909,368
Fund Balances:				
Beginning of period, as previously reported	22,803,133	27,345,054	22,524,409	21,614,590
Fund Reclassification	45,205			
Prior period adjustments	(995,986)	360,380		
Beginning of period, as restated	21,852,352	27,705,434	22,524,409	21,614,590
Increase (Decrease) in reserve for inventory	29,292	(7,342)	928	451
End of Period	\$ 20,862,204	\$ 22,803,133	\$ 27,345,054	\$ 22,524,409

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



McKENZIE CPA, PLLC

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

Superintendent and School Board
McComb Separate 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 McComb Separate School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise McComb Separate School District's basic financial statements, and have issued our report thereon dated September 10, 2021.

Internal Control Over Financial Reporting

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

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 and significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost in which the findings are reported, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as **Finding 2020-001, 2020-002 and 2020-003** to be material weaknesses. We consider **2020-004, 2020-005 and 2020-006** to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McComb Separate School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are described in the accompanying Schedule of Findings and Questioned Cost as **Finding 2020-001, 2020-002, and 2020-003**.

McComb Separate School District's Responses to Findings

McComb Separate School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. McComb Separate 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.

McKenzie CPA, PLLC
Madison, Mississippi
September 10, 2021

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC".



McKENZIE CPA, PLLC

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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Superintendent and School Board
McComb Separate School District

Report on Compliance for Each Major Federal Program

We have audited McComb Separate 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 McComb Separate School District's major federal programs for the year ended June 30, 2020. McComb Separate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, McComb Separate 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2020-007 and 2020-008**. Our opinion on each major federal program is not modified with respect to these matters.

McComb Separate School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. McComb Separate School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of McComb Separate 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 McComb Separate 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 McComb Separate School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings **2020-007 and 2020-008** that we consider to be material weaknesses.

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

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKenzie CPA, PLLC
Madison, Mississippi
September 10, 2021



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



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

Superintendent and School Board
McComb Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Separate School District as of and for the year ended June 30, 2020, which collectively comprise McComb Separate School District's basic financial statements and have issued our report thereon dated September 10, 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 instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

State Legal Finding 01

Article 4 Section 96 of the Mississippi State Constitution prohibits donations to any public employee.

During field work the following items were noted as donations or benefits to district employees:

- 1) The district operates a daycare that does not charge staff an adequate amount to break even. The district absorbed a cost of \$81,989 to cover cost that were above revenue charged to staff for operating a day care facility.

- 2) The district held a Christmas banquet for 225 employees at a cost of \$2250.

The two items noted above are considered to be donations of public funds to the district employees. The food purchases appear to be excessive due to nature and length of staff meetings.

Questioned Cost

\$84,239

Recommendation

The district should comply with Article 4 Section 96 of the Mississippi State Constitution. The district should implement controls to ensure that employee benefits paid by the district are reasonable and authorized by state statute or federal law. Repayment should be made to reimburse the district for these expenditures for which there was no statutory authority. The district should limit its food purchases provided to staff.

Response

The district will implement new policies to ensure that the district is in compliance with Article 4 Section 96 of the Mississippi State Constitution.

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

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

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

McKenzie CPA, PLLC
Madison, Mississippi
September 10, 2021

McKenzie CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | 4. | Internal control over major programs: | | | | | | | | | |
|------------------------|--|---------------------|---|--------|--|------------------------|-------------------------|----------------|---------------------------|--|
| a. | Material weakness identified? | Yes | | | | | | | | |
| b. | Significant deficiency identified? | None reported | | | | | | | | |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified | | | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes | | | | | | | | |
| 7. | Identification of major programs: | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> <tr> <td>84.010</td> <td>Title I Grants to local educational agencies</td> </tr> <tr> <td>10.553; 10.555; 10.559</td> <td>Child Nutrition Cluster</td> </tr> <tr> <td>84.027; 84.173</td> <td>Special Education Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.010 | Title I Grants to local educational agencies | 10.553; 10.555; 10.559 | Child Nutrition Cluster | 84.027; 84.173 | Special Education Cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | |
| 84.010 | Title I Grants to local educational agencies | | | | | | | | | |
| 10.553; 10.555; 10.559 | Child Nutrition Cluster | | | | | | | | | |
| 84.027; 84.173 | Special Education Cluster | | | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes | | | | | | | | |

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

Section II: Financial Statement Findings

Material Weaknesses and Material Noncompliance

2020-001 Finding

Repeat Finding 2019-001

School Board should approve all contracts for the district and document within minutes

Criteria:

Section 37-7-301, Miss. Code Ann. (1972), grants the school board the power to enter into legal contracts for the district's best interest. District's management is responsible for following guidelines set in the board approved contracts.

Condition:

While performing testing on purchases, the auditor noted that the board had not approved any contracts within the board minutes. This was noted in the prior year audit, due to the timing of that audit the district started approving contracts in the last few months of the 2020 fiscal year.

Cause:

Management had a lack of controls that resulted in processing multiple contracts without board approval.

Effect:

Due to the lack of controls the district management entered into contracts without the boards authority.

Recommendation:

The district should comply with Section 37-7-301, Miss. Code Ann. (1972), which requires the district's board to enter into contractual agreements in the best interest of the district. The district has put in place auditors recommendations and should be resolved for future audits.

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

2020-002 Finding
Repeat Finding 2019-002

Vendor overpaid by the School Board

Criteria:

Section 37-7-301, Miss. Code Ann. (1972), grants the school board the power to enter into legal contracts for the district's best interest. District's management is responsible for following guidelines set in the board approved contracts.

Condition:

While performing testing on purchases, the auditor noted that the board had not approved any contracts within the board minutes. One of the contracts selected when reviewed by the auditor, was determined to be overpaid by the district. The district appears to overpaid the vendor by approximately \$419,621. This was presented in the prior year audit. The district has issued a demand to the vendor on March 10, 2021 for repayment.

Cause:

Management had a lack of controls that resulted in processing multiple contracts without board approval and review of the contract. The contract was based on a percentage of the job completed. The vendor billed the district on a percentage of the job completed and also a monthly amount.

Effect:

Due to the lack of controls the district management entered into contracts without the board's authority. The vendor has been overpaid by the district.

Recommendation:

The district should comply with Section 37-7-301, Miss. Code Ann. (1972), which requires the district's board to enter into contractual agreements in the best interest of the district. It has been determined by the auditor this particular contract was not in the best interest of the district. The board should take action to collect the overpayment from the vendor or district management. This was presented in the prior year audit. The district has issued a demand to the vendor on March 10, 2021 for repayment.

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

2020-003 Finding
Repeat Finding 2019-004

District should not operate a business type entity daycare within the General Fund

Criteria:

State and local governmental financial reports should possess these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability. Governmental business-type activities frequently operate in an environment that differs to a certain extent from the environment in which governmental-type activities operate. Governmental business-type activities should be reported within the Enterprise funds to separate them from other governmental transactions.

Condition:

It was discovered upon review with the district's management that the district has been operating a daycare on the campus of the Kennedy Early Childhood Center within the General fund. The daycare has been operating as a business type activity, but has not been reported in an Enterprise Fund. This was presented in the prior year audit. The district has dissolved the daycare effective July 2020.

Cause:

The district did not understand that it should be presented in a different fund.

Effect:

Due to not being presented in an Enterprise fund, the transactions specific to the business-type activities are hidden within the General Fund. Due to being hidden within the general fund, a reader would not be able to determine that the district had to supplement the business-type entities operations with General funds.

Recommendation:

The district should move the operations of the daycare into an Enterprise fund so that the business-type activities are presented in a way a reader can understand and view the relevant transactions. The district has dissolved the daycare and should no longer be an issue in future audits.

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

Significant Deficiencies

2020-004 Finding

Deficiencies in controls surrounding payroll expenditures.

Criteria:

The school district is charged with developing controls surrounding the payroll expenditure cycle that will provide for authorization of pay transactions through school board approval and the existence of time and attendance records. Controls should also include policies and procedures that will ensure compliance with the record-keeping requirements of federal wage and hour law. Finally, assignments for new employees should align to board approved duties and contracted descriptions.

Condition:

In our review of the controls surrounding payroll expenditures, we noted that the school board did not approve several supplemental amounts paid to district employees, including supplements for extra duties assigned. We also noted several instances where hourly time records were not available to support compliance with wage and hour laws for non-exempt employees. The district did not list employee names along with the corresponding amount that employees should be paid within the minutes.

Cause:

The cause is likely an oversight or lack of controls to ensure items were reconciled and approved appropriately.

Effect:

The effect is a breakdown in the controls surrounding the payroll expenditure cycle and exposure to risk of noncompliance with federal wage and hour law. Further, employees who are approved for one position are actually serving in a different capacity.

Recommendation:

We recommend that the school district comply with the recordkeeping requirements of the federal wage and hour law. We further recommend that all supplemental pay amounts be approved by the school board and that all employees be approved for the position/title that corresponds to their actual work assignments. The district implemented new procedures that made recommended corrections.

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

2020-005 Finding

Non-Payroll expenditures should be supported by adequate documentation and approval.

Criteria:

Management is responsible for ensuring that all non-payroll expenditures made by the district are adequately documented and approved by the governing board.

Condition:

We noted the following items while testing non-payroll expenditures:

- Invoices were not signed or dated noting items received
- Invoices not properly canceled indicating payment
- Several instances of the service being performed before the PO was issued
- Two items selected could not be found for testing
- Several invoices reviewed were dated before the purchase order date

Cause:

The district did not have the proper controls and procedures in place to ensure non-payroll expenditures and applicable processes are properly board approved. Controls were also not in place to ensure that all approvals were properly recorded accurately in the minutes.

Effect:

Omitting documentation of approval or receipt of items could result in payments of unauthorized amounts to vendors without receiving the requested goods.

Recommendation:

We recommend the district implement procedures and internal controls to ensure that all invoices are properly canceled and that higher quotes be approved by the school board.

View of Responsible Officials:

The district will implement controls to ensure that all invoices are canceled and higher quotes are approved and documented within the board minutes.

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

2020-006 Finding

Receipting of revenues and Athletic gate receipts.

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. Daily receipts of revenues are an important part of this process. Athletic event ticket reconciliation forms are an important part of the controls surrounding the cash deposits flowing from ticket sales at athletic events. The proper use of these forms serves to provide assurance that cash deposits from ticket sales are complete and that deposits are made on a timely basis. The forms also act as documentation of the chain of custody of change cash and ticket sales proceeds throughout the process of athletic event ticket sales transactions.

Condition:

We noted the following items while testing receipts:

1. School event forms were not prepared properly or reconciled.
2. Six forms tested miscalculated the number of tickets sold.
3. Three forms did not have a beginning or ending ticket number.
4. Ticket prices were not approved by the board.

Cause:

The district lacks appropriate controls to ensure all receipt procedures are implemented and properly recorded.

Effect:

This could cause the district to misstate the receipt balances at year end.

Recommendation:

The district should implement procedures and internal controls with regard to the receipt of funds and reconciliation of athletic event forms.

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

Section III: Federal Award Findings and Questioned Costs

Material Weakness and Noncompliance

2020-007 Finding

Deficiencies in controls surrounding payroll expenditures.

Programs:

Child Nutrition Cluster, CFDA #10.553; 10.555; 10.559

Title I grants to local educational agencies, CFDA #84.010

Supporting Effective instruction state grants, CFDA # 84.367

Special Education Cluster, CFDA # 84.027; 84.173

Compliance Requirement: Allowable Cost

Questioned Cost: \$0

Criteria:

The school district is charged with developing controls surrounding the payroll expenditure cycle that will provide for authorization of pay transactions through school board approval and the existence of time and attendance records. Controls should also include policies and procedures that will ensure compliance with the record-keeping requirements of federal wage and hour law. Finally, assignments for new employees should align to board approved duties and contracted descriptions.

Condition:

In our review of the controls surrounding payroll expenditures, we noted that the school board did not approve several supplemental amounts paid to district employees, including supplements for extra duties assigned. We also noted that federal funds were used to pay teacher incentives for four employees tested. District implemented new procedures that showed improvements for the last few months of the fiscal year.

Cause:

The cause is likely an oversight or lack of controls to ensure items were reconciled and approved appropriately.

Effect:

The effect is a breakdown in the controls surrounding the payroll expenditure cycle and exposure to risk of noncompliance with federal wage and hour law. Further, employees who are approved for one position are actually serving in a different capacity.

Recommendation:

We recommend that the school district comply with the recordkeeping requirements of the federal wage and hour law. We further recommend that all supplemental pay amounts be approved by the school board and that all employees be approved for the position/title that corresponds to their actual work assignments. The district implemented new procedures in February of 2020 that made recommended corrections.

View of Responsible Officials:

The district will implement controls to ensure that all payroll expenditures are approved and documented within the board minutes.

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

2020-008 Finding

Non-Payroll expenditures should be supported by adequate documentation and approval.

Program:

Title I grant to local educational agencies, CFDA # 84.010
Child Nutrition Cluster, CFDA # 10.553; 10.555, 10.559
Special Education Cluster, CFDA # 84.027; 84.173

Compliance Requirement: Allowable Cost
Questioned Cost: \$0

Criteria:

Management is responsible for ensuring that all non-payroll expenditures made by the district are adequately documented and approved by the governing board.

Condition:

We noted the following items while testing non-payroll expenditures:

- Invoices were not signed or dated noting items received
- Invoices not properly canceled indicating payment
- Several instances of the service being performed before the PO was issued
- Several invoices reviewed were dated before the purchase order date

Cause:

The district did not have the proper controls and procedures in place to ensure non-payroll expenditures and applicable processes are properly board approved. Controls were also not in place to ensure that all approvals were properly recorded accurately in the minutes.

Effect:

Omitting documentation of approval or receipt of items could result in payments of unauthorized amounts to vendors without receiving the requested goods.

Recommendation:

We recommend the district implement procedures and internal controls to ensure that all invoices are properly canceled and that higher quotes be approved by the school board.

View of Responsible Officials:

The district will implement controls to ensure that all invoices are canceled and higher quotes are approved and documented within the board minutes.

AUDITEE'S CORRECTIVE ACTION PLAN/
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**McComb Separate School District
P. O. Box 868
Office of the Superintendent
McComb, Mississippi 39649
Cedric Ellis, Superintendent
Emily Beach, Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The McComb Separate 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:

Finding	Corrective Action Plan Details
2020-001	<p><u>School Board should approve all contracts for the district and document within minutes</u></p> <p>A. Name of contact person responsible for corrective action: Name: Cedric Ellis Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will comply with Section 37-7-301 Miss. Code Ann. (1972) which required the district management to get board approval of all contracts.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2021.</p>
2020-002	<p><u>Vendor overpaid by the School Board</u></p> <p>A. Name of contact person responsible for corrective action: Name: Cedrick Ellis Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will implement a plan to collect overpayment from the vendor.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2021</p>

**McComb Separate School District
P. O. Box 868
Office of the Superintendent
McComb, Mississippi 39649
Cedric Ellis, Superintendent
Emily Beach, Business Manager**

2020-003

District should not operate a business type entity daycare within the General Fund

A. Name of contact person responsible for corrective action:

Name: Emily Beach

Title: Business Manager

B. Corrective action planned:

The district has dissolved the day care.

C. Anticipated completion date:

June 30, 2021

2020-004

Deficiencies in controls surrounding payroll expenditures.

A. Name of contact person responsible for corrective action:

Name: Emily Beach

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure supplemental pay and other pay related items are board approved and recorded by the proper scales or rates.

C. Anticipated completion date:

June 30, 2021

**McComb Separate School District
P. O. Box 868
Office of the Superintendent
McComb, Mississippi 39649
Cedric Ellis, Superintendent
Emily Beach, Business Manager**

2020-005

Non-Payroll expenditures should be supported by adequate documentation and approval.

D. Name of contact person responsible for corrective action:

Name: Emily Beach

Title: Business Manager

E. Corrective action planned:

The business manager will strengthen controls to ensure adequate documentation is provided and approval on purchases.

F. Anticipated completion date:

June 30, 2021

2020-006

Receipting of revenues and Athletic gate receipts.

A. Name of contact person responsible for corrective action:

Name: Emily Beach

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure athletic gate receipts are properly reconciled and calculated.

C. Anticipated completion date:

June 30, 2021

**McComb Separate School District
P. O. Box 868
Office of the Superintendent
McComb, Mississippi 39649
Cedric Ellis, Superintendent
Emily Beach, Business Manager**

2020-007

Deficiencies in controls surrounding payroll expenditures.

A. Name of contact person responsible for corrective action:

Name: Emily Beach

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure unallowable cost are not incurred in the federal programs for payroll expenditures.

C. Anticipated completion date:

June 30, 2021

2020-008

Non-Payroll expenditures should be supported by adequate documentation and approval.

A. Name of contact person responsible for corrective action:

Name: Emily Beach

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure unallowable cost are not incurred in the non-payroll expenditures for the federal programs.

C. Anticipated completion date:

June 30, 2021

**McComb Separate School District
P. O. Box 868
Office of the Superintendent
McComb, Mississippi 39649
Cedric Ellis, Superintendent
Emily Beach, Business Manager**

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the McComb Separate School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2020:

Finding Status

2019-001	Not Corrected (See Finding 2020-001)
2019-002	Not Corrected (See Finding 2020-002)
2019-003	Corrected
2019-004	Not Corrected (See Finding 2020-003)
2019-005	Corrected