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**MONROE COUNTY SCHOOL DISTRICT**

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

# MONROE COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
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Michael W. McCully, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	Edward A. Maxwell, CPA
Thomas J. Browder, CPA	

**INDEPENDENT AUDITORS' REPORT**

Superintendent and School Board  
Monroe County School District

***Report on the Financial Statements***

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

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

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

***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 4-11, 47, 48, 49, 50, 51, and 52 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2021, on our consideration of the Monroe County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Monroe County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County School District's internal control over financial reporting and compliance.

Okolona, Mississippi  
April 5, 2021

*Watkins Ward and Stafford, P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Monroe County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$525,176, which represents a 52.8% decrease from fiscal year 2019. Total net position for 2019 increased \$93,742, which represents a 10.4% increase from fiscal year 2018.
- General revenues amounted to \$17,580,885 and \$16,879,362, or 84% and 82% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,387,254 or 16% of total revenues for 2020, and \$3,655,513, or 18% of total revenues for 2019.
- The District had \$21,493,315 and \$20,441,133 in expenses for fiscal years 2020 and 2019; only \$3,387,254 for 2020 and \$3,655,513 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,580,885 for 2020 and \$16,879,362 for 2019 were inadequate for 2020 but adequate for 2019 to provide for these programs.
- Among major funds, the General Fund had \$18,043,113 in revenues and \$16,274,628 in expenditures in 2020, and \$17,369,637 in revenues and \$16,349,947 in expenditures for 2019. The General Fund's fund balance increased by \$923,925 from 2019 to 2020 and increased by \$203,885 from 2018 to 2019.
- Capital assets, net of accumulated depreciation decreased \$782,857 for 2020, and decreased by \$412,088 for 2019. The decrease for 2020 was due to asset additions of \$13,720 coupled with the increase in accumulated depreciation of \$796,577.
- Long-term debt decreased by \$160,650 for 2020 and decreased by \$155,767 for 2019. The liability for compensated absences increased by \$36,290 for 2020 and increased by \$6,893 for 2019.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2020

change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

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

#### **Notes to the financial statements**

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

#### **Required Supplementary Information**

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

#### **Supplementary Information**

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

#### **Other information**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$468,700 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.

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

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

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 10,336,291	\$ 9,870,668	4.72 %
Restricted assets	2,096,634	2,012,999	4.15 %
Capital assets, net	19,996,008	20,778,865	(3.77) %
<b>Total assets</b>	<b>32,428,933</b>	<b>32,662,532</b>	<b>(0.72) %</b>
<b>Deferred outflows of resources</b>	<b>4,217,750</b>	<b>2,198,103</b>	<b>91.88 %</b>
Current liabilities	120,686	402,252	(70.00) %
Long-term debt outstanding	1,574,196	1,698,556	(7.32) %
Net OPEB liability	2,104,282	1,874,365	12.27 %
Net pension liability	30,225,824	26,465,884	14.21 %
<b>Total liabilities</b>	<b>34,024,988</b>	<b>30,441,057</b>	<b>11.77 %</b>
<b>Deferred inflows of resources</b>	<b>2,152,995</b>	<b>3,425,702</b>	<b>(37.15) %</b>
<b>Net position:</b>			
Net investment in capital assets	18,611,688	19,233,895	(3.23) %
Restricted	3,399,475	3,492,576	(2.67) %
Unrestricted	(21,542,463)	(21,732,595)	0.87 %
<b>Total net position</b>	<b>\$ 468,700</b>	<b>\$ 993,876</b>	<b>(52.84) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (21,542,463)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	
Unrestricted net position exclusive of the net pension liability and net OPEB liability effect	30,265,351
	<u>\$ 8,722,888</u>

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

- Increase in deferred outflows of resources in the amount of \$2,019,647.
- The principal retirement of long-term debt outstanding of \$160,650.
- Increase in net pension liability in the amount of \$3,759,940.
- Decrease in net capital assets of \$782,857

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Management's Discussion and Analysis  
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**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$20,968,139 and \$20,534,875 respectively. The total cost of all programs and services was \$21,493,315 for 2020 and \$20,441,133 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
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 820,850	\$ 894,402	(8.22) %
Operating grants and contributions	2,566,404	2,761,111	(7.05) %
General revenues:			
Property taxes	4,754,117	4,679,106	1.60 %
Grants and contributions not restricted	12,402,336	11,749,744	5.55 %
Investment earnings	58,106	49,538	17.30 %
Sixteenth section sources	227,470	296,980	(23.41) %
Other	138,856	103,994	33.52 %
<b>Total revenues</b>	<b>20,968,139</b>	<b>20,534,875</b>	<b>2.11 %</b>
<b>Expenses:</b>			
Instruction	11,396,414	10,905,778	4.50 %
Support services	6,296,340	6,392,448	(1.50) %
Non-instructional	885,502	1,085,015	(18.39) %
Sixteenth section	29,756	111,239	(73.25) %
Pension expense	2,673,752	1,762,564	51.70 %
OPEB expense	128,538	94,643	35.81 %
Interest on long-term liabilities	83,013	89,446	(7.19) %
<b>Total expenses</b>	<b>21,493,315</b>	<b>20,441,133</b>	<b>5.15 %</b>
<b>Increase (Decrease) in net position</b>	<b>(525,176)</b>	<b>93,742</b>	<b>(660.24) %</b>
<b>Net Position, July 1</b>	<b>993,876</b>	<b>900,134</b>	<b>10.41 %</b>
<b>Net Position, June 30</b>	<b>\$ 468,700</b>	<b>\$ 993,876</b>	<b>(52.84) %</b>

**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.

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ 11,396,414	\$ 10,905,778	4.50 %
Support services	6,296,340	6,392,448	(1.50) %
Non-instructional	885,502	1,085,015	(18.39) %
Sixteenth section	29,756	111,239	(73.25) %
Pension expense	2,673,752	1,762,564	51.70 %
OPEB expense	128,538	94,643	35.81 %
Interest on long-term liabilities	83,013	89,446	(7.19) %
<b>Total expenses</b>	<b>\$ 21,493,315</b>	<b>\$ 20,441,133</b>	<b>5.15 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ (9,130,063)	\$ (9,619,570)	5.09 %
Support services	(6,210,015)	(5,377,611)	(15.48) %
Non-instructional	149,076	269,453	(44.67) %
Sixteenth section	(29,756)	(111,239)	73.25 %
Pension expense	(2,673,752)	(1,762,564)	(51.70) %
OPEB expense	(128,538)	(94,643)	(35.81) %
Interest on long-term liabilities	(83,013)	(89,446)	7.19 %
<b>Total net (expense) revenue</b>	<b>\$ (18,106,061)</b>	<b>\$ (16,785,620)</b>	<b>(7.87) %</b>

- Net cost of governmental activities (\$18,106,061 for 2020 and \$16,785,620 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$4,754,117 for 2020 and \$4,679,106 for 2019) and state and federal revenues (\$12,402,336 for 2020 and \$11,749,744 for 2019). In addition there was \$227,470 and \$296,980 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$58,106 for 2020 and \$49,538 for 2019.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,315,836, an increase of \$827,570, which includes an increase in inventory of \$1,531. \$6,329,932 or 51% of the fund balance is

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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 \$5,985,904 or 49% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$923,925. The fund balance of Other Governmental Funds showed a decrease in the amount of \$96,456, which includes an increase in reserve for inventory of \$1,531. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
IDEA Part B Fund	\$ no increase or decrease
16th Section Principal Fund	\$ 101

### BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund 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 \$33,231,888, including land, school buildings, building and other improvements, buses, other school vehicles, and furniture and equipment, and any intangible assets. This amount represents an increase of \$13,720 from 2019. Total accumulated depreciation as of June 30, 2020, was \$13,235,880 and total depreciation expense for the year was \$904,471, resulting in total net capital assets of \$19,996,008.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 498,838	\$ 498,838	0.00 %
Construction in Progress	21,747	-	N/A %
Buildings	13,648,957	13,940,179	(2.09) %
Building improvements	2,442,458	2,591,474	(5.75) %
Improvements other than buildings	1,773,483	1,881,761	(5.75) %
Mobile equipment	961,738	1,129,480	(14.85) %
Furniture and equipment	166,407	222,594	(25.24) %
Leased property under capital leases	482,380	514,539	(6.25) %
<b>Total</b>	<b>\$ 19,996,008</b>	<b>\$ 20,778,865</b>	<b>(3.77) %</b>

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

**Debt Administration.** At June 30, 2020, the District had \$1,574,196 in outstanding long-term debt, of which \$165,833 is due within one year. The liability for compensated absences increased \$36,290 from the prior year.

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

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Percentage Change</b>
Three mill notes payable	\$ 95,000	190,000	(50.00) %
Obligations under energy efficiency leases	229,320	294,970	(22.26) %
Qualified school construction bonds payable	1,060,000	1,060,000	0.00 %
Compensated absences payable	189,876	153,586	23.63 %
<b>Total</b>	<b>\$ 1,574,196</b>	<b>\$ 1,698,556</b>	<b>(7.32) %</b>

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

#### **CURRENT ISSUES**

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

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

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

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

If you have questions about this report, contact the Superintendent's Office of the Monroe County School District, Post Office Box 209, Amory, Mississippi, 38821.

## BASIC FINANCIAL STATEMENTS

**MONROE COUNTY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 9,855,211
Due from other governments	411,471
Other receivables, net	6,230
Inventories	63,379
Restricted assets	2,096,634
Capital assets, non-depreciable:	
Land	498,838
Construction in progress	21,747
Capital assets, net of accumulated depreciation:	
Buildings	13,648,957
Building improvements	2,442,458
Improvements other than buildings	1,773,483
Mobile equipment	961,738
Furniture and equipment	166,407
Leased property under capital leases	482,380
Total Assets	<u>32,428,933</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	3,916,396
Deferred outflows - OPEB	301,354
Total Deferred Outflows of Resources	<u>4,217,750</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	117,089
Interest payable on long-term liabilities	3,597
Long-term liabilities, due within one year:	
Capital related liabilities	165,833
Net OPEB liability - current portion	77,550
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,218,487
Non-capital related liabilities	189,876
Net pension liability	30,225,824
Net OPEB liability - non-current portion	2,026,732
Total Liabilities	<u>34,024,988</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,005,053
Deferred inflows - OPEB	147,942
Total Deferred Inflows of Resources	<u>2,152,995</u>
<b>Net Position</b>	
Net investment in capital assets	18,611,688
Restricted for:	
Expendable:	
School-based activities	688,765
Debt service	711,689
Capital improvements	423,964
Forestry improvements	59,912
Unemployment benefits	54,041
Non-expendable:	
Sixteenth section	1,461,104
Unrestricted	(21,542,463)
Total Net Position	<u>\$ 468,700</u>

The accompanying notes to financial statements are an integral part of these financial statements.

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

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 11,396,414	\$ 533,945	\$ 1,732,406	\$ -	\$ (9,130,063)
Support services	6,296,340	-	86,325	-	(6,210,015)
Non-instructional	885,502	286,905	747,673	-	149,076
Sixteenth section	29,756	-	-	-	(29,756)
Pension expense	2,673,752	-	-	-	(2,673,752)
OPEB expense	128,538	-	-	-	(128,538)
Interest on long-term liabilities	83,013	-	-	-	(83,013)
Total Governmental Activities	<u>\$ 21,493,315</u>	<u>\$ 820,850</u>	<u>\$ 2,566,404</u>	<u>\$ -</u>	<u>\$ (18,106,061)</u>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					4,601,493
Debt purpose levies					152,624
Unrestricted grants and contributions:					
State					12,219,695
Federal					182,641
Unrestricted investment earnings					58,106
Sixteenth section sources					227,470
Other					138,856
Total General Revenues					<u>17,580,885</u>
Change in Net Position					<u>(525,176)</u>
Net Position - Beginning					<u>993,876</u>
Net Position - Ending					<u>\$ 468,700</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**MONROE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

**Exhibit C**

	Major Funds				
	General	IDEA Part B	16th Section	Other	Total
	Fund	Fund	Principal	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 8,531,607	-	1,473,841	1,323,604	\$ 11,329,052
Cash with fiscal agents	7,512	-	-	615,281	622,793
Due from other governments	243,933	98,765	41	68,732	411,471
Other receivables, net	4,086	-	-	-	4,086
Due from other funds	220,691	-	-	1,272	221,963
Inventories	-	-	-	63,379	63,379
Total Assets	\$ 9,007,829	98,765	1,473,882	2,072,268	\$ 12,652,744
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 93,793	-	-	23,296	\$ 117,089
Due to other funds	1,272	98,765	12,778	107,004	219,819
Total Liabilities	\$ 95,065	98,765	12,778	130,300	\$ 336,908
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	63,379	63,379
Permanent fund principal	-	-	1,461,104	-	1,461,104
<b>Restricted:</b>					
Debt service	-	-	-	715,286	715,286
Capital projects	-	-	-	423,964	423,964
Forestry improvement purposes	-	-	-	59,912	59,912
Grant activities	-	-	-	625,386	625,386
Unemployment benefits	-	-	-	54,041	54,041
<b>Assigned:</b>					
Capital improvements	2,257,019	-	-	-	2,257,019
Activity funds	325,813	-	-	-	325,813
<b>Unassigned</b>	6,329,932	-	-	-	6,329,932
Total Fund Balances	8,912,764	-	1,461,104	1,941,968	12,315,836
Total Liabilities and Fund Balances	\$ 9,007,829	98,765	1,473,882	2,072,268	\$ 12,652,744

The accompanying notes to financial statements are an integral part of these financial statements.

**MONROE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Exhibit C-1**

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

**Total fund balances for governmental funds** **\$ 12,315,836**

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	498,838	
Construction in progress	21,747	
Buildings	20,906,596	
Building improvements	3,725,406	
Improvements other than buildings	2,884,237	
Mobile equipment	3,360,647	
Furniture and equipment	1,030,449	
Leased property under capital leases	803,968	
Accumulated depreciation	<u>(13,235,880)</u>	19,996,008

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

Net pension liability	(30,225,824)	
Net OPEB liability	<u>(2,104,282)</u>	(32,330,106)

3. Deferred outflows and inflows related to the net pension and OPEB liabilities are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pension and OPEB	4,217,750	
Deferred inflows of resources related to pension and OPEB	<u>(2,152,995)</u>	2,064,755

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:

Three mill notes payable	(95,000)	
Qualified school construction bonds payable	(1,060,000)	
Obligations under energy efficiency lease	(229,320)	
Compensated absences	(189,876)	
Accrued interest payable	<u>(3,597)</u>	(1,577,793)

**Net position of governmental activities** **\$ 468,700**

The accompanying notes to financial statements are an integral part of these financial statements.

## MONROE COUNTY SCHOOL DISTRICT

Exhibit D

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2020

	Major Funds				
	General Fund	IDEA Part B Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 5,246,022	\$ -	-	454,009	\$ 5,700,031
State sources	12,422,655	-	-	544,724	12,967,379
Federal sources	182,641	504,877	-	1,313,732	2,001,250
Sixteenth section sources	191,795	-	12,879	22,796	227,470
Total Revenues	18,043,113	504,877	12,879	2,335,261	20,896,130
<b>Expenditures:</b>					
Instruction	10,901,992	225,991	-	1,526,878	12,654,861
Support services	5,287,201	271,483	-	570,231	6,128,915
Noninstructional services	105	380	-	1,081,166	1,081,651
Sixteenth section	4,514	-	-	25,242	29,756
Debt service:					
Principal	65,650	-	-	95,000	160,650
Interest	15,166	-	-	69,851	85,017
Other	-	-	-	1,250	1,250
Total Expenditures	16,274,628	497,854	-	3,369,618	20,142,100
Excess (Deficiency) of Revenues over (under) Expenditures	1,768,485	7,023	12,879	(1,034,357)	754,030
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	55,781	-	-	-	55,781
Payment to escrow agent	-	-	-	(62,311)	(62,311)
Payment from QSCB escrow agent	-	-	-	62,311	62,311
Unrealized gain on investments	-	-	-	16,228	16,228
Operating transfers in	47,226	-	-	1,138,806	1,186,032
Operating transfers out	(947,567)	(7,023)	(12,778)	(218,664)	(1,186,032)
Total Other Financing Sources (Uses)	(844,560)	(7,023)	(12,778)	936,370	72,009
Net Change in Fund Balances	923,925	-	101	(97,987)	826,039
<b>Fund Balances:</b>					
July 1, 2019	7,988,839	-	1,461,003	2,038,424	11,488,266
Increase (Decrease) in reserve for inventory	-	-	-	1,531	1,531
June 30, 2020	\$ 8,912,764	-	1,461,104	1,941,968	\$ 12,315,836

The accompanying notes to financial statements are an integral part of these financial statements.

**MONROE COUNTY SCHOOL DISTRICT**

**Exhibit D-1**

**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**

**Net change in fund balances - total governmental funds** **\$ 826,039**

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	\$ 131,188	
Depreciation expense	<u>(904,471)</u>	(773,283)

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.

(9,574)

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 issuance costs, 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:

Payments of debt principal	160,650	
Accrued interest payable	<u>3,254</u>	163,904

4. The implementation of GASB 68 and 75 creates a change in the amount of pension and OPEB expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Recording of pension contributions made subsequent to the measurement date	2,027,237	
Recording of pension expense for the current period	(2,673,752)	
Recording of OPEB contributions made subsequent to the measurement date	77,550	
Recording of OPEB expense for the current period	<u>(128,538)</u>	(697,503)

5. 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	(36,290)	
Change in inventory reserve	<u>1,531</u>	<u>(34,759)</u>

**Change in net position of governmental activities** **\$ (525,176)**

The accompanying notes to financial statements are an integral part of these financial statements.

**MONROE COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

**Exhibit E**

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 11,092	\$ 1,191,399
Total Assets	<u>\$ 11,092</u>	<u>\$ 1,191,399</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ -	\$ 1,189,255
Due to other funds	-	2,144
Total Liabilities	<u>\$ -</u>	<u>\$ 1,191,399</u>
<b>Net Position</b>		
Reserved for endowments	4,547	
Held in trust	6,545	
Total Net Position	<u>\$ 11,092</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

**MONROE COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2020**

**Exhibit F**

	Private Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 100
Total Additions	100
<b>Deductions</b>	
Scholarships awarded	502
Total Deductions	502
Change in Net Position	(402)
<b>Net Position</b>	
July 1, 2019	11,494
June 30, 2020	\$ 11,092

**The accompanying notes to financial statements are an integral part of these financial statements.**

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

**Note 1 – Summary of Significant Accounting Policies**

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

**a. Financial Reporting Entity**

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

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

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

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

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

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

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

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

16<sup>th</sup> Section Principal Fund – This is the school district's sixteenth section principal fund. The principal is restricted and only earnings may be spent to support the district's programs.

IDEA Part B Fund - This is the school district's Individuals with Disabilities Education Act (IDEA) Part B fund. This fund provides assessments and specialized instruction to people with disabilities ages 3 to 21.

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

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

The District's fiduciary funds include the following:

Activity/Agency Fund – This fund is used to account for revenues and expenditures of various student clubs in the district.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Transportation Banquet Fund – This fund has sold advertisements to fund operations for the district's bus shop, mainly providing the cost of annual professional development and training for the district's bus drivers.

Walker Manufacturing Scholarship Fund – This fund contains the proceeds from the sale of a donated vo-tech vehicle from Walker Manufacturing that were used to establish a college scholarship fund for one of the district's graduating seniors each year.

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.

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

**FIDUCIARY FUNDS**

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

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

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

**d. Encumbrances**

An encumbrance system is 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.

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the 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 activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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.

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

The following schedule details the capitalization thresholds:

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

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

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

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

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

See Note 8 and Note 9 for further details.

**8. Compensated Absences**

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

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

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

9. Long-term Liabilities and Bond Discounts / Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pension (OPEB)

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

12. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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 total revenues for the year. If the unassigned fund balance at fiscal year falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

13. Accountings 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 Statements 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.

**f. Use of Estimates**

The preparation of financial statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

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

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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

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

**Note 2 – Cash and Cash Equivalents, and Cash with Fiscal Agents (Continued)**

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.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,329,052 and \$1,202,491, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2020, none of the district's bank balance of \$12,817,028 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$622,793.

**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	IDEA Part B Fund	\$ 98,765
General Fund	16th Section Principal Fund	12,778
General Fund	Other Governmental Funds	107,004
Other Governmental Funds	General Fund	1,272
General Fund	Agency Funds	2,144
		<u>\$ 221,963</u>

Inter-fund receivables and payables resulted primarily from the General Fund's loan to various special revenue funds to cover cash deficits in pooled bank accounts

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

**Note 3 – Inter-fund Receivables, Payables and Transfers (Continued)**

**b. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 947,567
IDEA Part B	General Fund	7,023
16 Section Principal Fund	Other Governmental Funds	12,778
Other Governmental Funds	General Fund	40,203
Other Governmental Funds	Other Governmental Funds	178,461
		<u>\$ 1,186,032</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$1,473,841 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. Also, restricted assets include the cash with fiscal agents balances of \$7,512 of the various Activity Funds and \$615,281 of the QSCB Debt Service Sinking Fund.

MONROE COUNTY SCHOOL DISTRICT  
Notes to 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	Balance 6/30/2020
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 498,838		-	\$ 498,838
Construction in progress		21,747	-	21,747
Total non-depreciable capital assets	498,838	21,747	-	520,585
<u>Depreciable capital assets:</u>				
Buildings	20,846,876	59,720	-	20,906,596
Building improvements	3,725,406		-	3,725,406
Improvements other than buildings	2,884,237	-	-	2,884,237
Mobile equipment	3,432,602	21,378	93,333	3,360,647
Furniture and equipment	1,026,241	28,343	24,135	1,030,449
Leased property under capital lease	803,968	-	-	803,968
Total depreciable capital assets	32,719,330	109,441	117,468	32,711,303
<u>Less accumulated depreciation for:</u>				
Buildings	6,906,697	350,942	-	7,257,639
Building improvements	1,133,932	149,016	-	1,282,948
Improvements other than buildings	1,002,476	108,278	-	1,110,754
Mobile equipment	2,303,122	179,787	84,000	2,398,909
Furniture and equipment	803,647	84,289	23,894	864,042
Leased property under capital leases	289,429	32,159	-	321,588
Total accumulated depreciation	12,439,303	904,471	107,894	13,235,880
Total depreciable capital assets, net	20,280,027	(795,030)	9,574	19,475,423
Governmental activities capital assets, net	\$ 20,778,865	(773,283)	9,574	\$ 19,996,008

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 209,255
Support services	684,549
Non-instructional	10,667
Total depreciation expense	\$ 904,471

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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

**Note 5 – Capital Assets (Continued)**

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

	Spent to June 30, 2020	Remaining Commitment
<b>Governmental Activities:</b>		
Baseball Fence - Hatley	21,747	8,700
Total governmental activities	\$ 21,747	\$ 8,700

Construction projects included in governmental activities are funded with donations.

**Note 6 – Long-term Liabilities**

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

Description	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Three mill notes payable	190,000	-	95,000	95,000	95,000
B. Obligations under energy efficiency leases	294,970		65,650	229,320	70,833
C. Qualified school construction bonds payable	1,060,000	-	-	1,060,000	-
D. Compensated absences payable	153,586	36,290	-	189,876	-
Total	\$ 1,698,556	36,290	160,650	1,574,196	165,833

**A. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note-Series 2010	3.29%	7/1/2010	6/30/2021	875,000	95,000
Total				\$ 875,000	95,000

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 95,000	3,125	98,125
Total	\$ 95,000	3,125	98,125

This debt will be retired from the District Maintenance Fund.

MONROE COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
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**Note 6 – Long-term Liabilities (Continued)**

**B. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease					
Equipment Lease	5.44%	12/16/2010	6/30/2023	\$ 808,482	229,320
Total				<u>\$ 808,482</u>	<u>229,320</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 70,833	11,525	82,358
2022	76,329	7,598	83,927
2023	82,158	3,367	85,525
Total	<u>\$ 229,320</u>	<u>22,490</u>	<u>251,810</u>

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated December 16, 2010 was executed by and between the district, the lessee, and First Security Leasing, the lessor.

The agreement authorized the borrowing of \$808,482 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund and not to exceed fifteen (15) years.

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

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

**C. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction					
Bonds Payable-Series 2010	6.00%	12/17/2010	6/30/2028	\$ 1,060,000	1,060,000
Total				<u>1,060,000</u>	<u>1,060,000</u>

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

**Note 6 – Long-term Liabilities (Continued)**

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

Year Ending		Principal	Interest	Total
June 30				
2021	\$	0	63,600	63,600
2022		0	63,600	63,600
2023		0	63,600	63,600
2024		0	63,600	63,600
2025-2028		1,060,000 *	254,400	1,314,400
Total	\$	1,060,000	508,800	1,568,800

- Payable from sinking fund, see Note 12.

**D. Compensated absences payable**

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

**Note 7 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Note 8 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest

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

**Note 8 – Defined Benefit Pension Plan (Continued)**

compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$2,027,237, \$1,762,418 and \$1,600,382, 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 \$30,225,824 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 .171816 percent, which was based on a measurement date of June 30, 2019. This was an increase of .012699 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,673,752. 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	\$ 16,557	\$ (33,943)
Net difference between projected and actual earnings on pension plan investments		(334,241)
Changes of assumptions	296,537	
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	1,576,065	(1,636,869)
Entity's contributions subsequent to the measurement date	2,027,237	
Total	\$ 3,916,396	\$ (2,005,053)

\$2,027,237 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

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

**Note 8 – Defined Benefit Pension Plan (Continued)**

Year Ending June 30,		
2021	\$	(112,828)
2022		(662,709)
2023		521,645
2024		137,998
Thereafter		-
Total	\$	<u>(115,894)</u>

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	<u>100.00</u>	

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

**Note 8 – Defined Benefit Pension Plan (Continued)**

*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 employer 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 presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1- percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 39,732,893	\$ 30,225,824	\$ 22,378,592

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

**Note 9 – Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan**

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

*Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life

MONROE COUNTY SCHOOL DISTRICT  
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**Note 9 – Other Postemployment Benefits (OPEB) (Continued)**

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 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 \$77,550 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 \$2,104,282 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 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 .24798824 percent. This was an increase of .00568137 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 \$128,538. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,182	\$ (30,121)
Changes of assumptions	156,880	(109,117)
Net difference between projected and actual earnings on OPEB plan investments	40	
Changes in proportion and differences between District contributions and proportionate share of contributions	63,702	(8,704)
District contributions subsequent to the measurement date	77,550	-
<b>Total</b>	<b>\$ 301,354</b>	<b>\$ (147,942)</b>

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

**Note 9 – Other Postemployment Benefits (OPEB) (Continued)**

\$77,550 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	\$	8,507
2022		8,507
2023		8,507
2024		11,772
2025		26,240
Thereafter		12,329
	\$	<u>75,862</u>

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

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

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

**Note 9 – Other Postemployment Benefits (OPEB) (Continued)**

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of an 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 4.5%.

*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 June 30, 2018 and 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 Buyer General Obligation 20-year Municipal Bond Index Rate.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

		Current	
	1% Decrease	Discount	1% Increase
	(2.50%)	Rate (3.50%)	(4.50%)
Net OPEB liability	\$ 2,337,490	\$ 2,104,282	\$ 1,904,751

*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:

		Healthcare	
	1% Decrease	Cost Trend	1% Increase
		Rates Current	
Net OPEB liability	\$ 1,949,941	\$ 2,104,282	\$ 2,279,124

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

**Note 10 – 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.

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

**Note 10 – Contingencies (Continued)**

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.

On March 11, 2020 the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the entity's operations. As of April 5, 2021, Management reports an adverse effect on revenue, workforce or related costs which can be attributed directly to COVID-19

**Note 11 – Risk Management**

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

**Participation in Public Entity Risk Pool**

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

**Note 12 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2020, the subsidy payments amounted to \$52,766

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

**Note 12 – Qualified School Construction Bonds (Continued)**

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2020 was \$615,281. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2021	\$	62,311
2022		62,311
2023		62,311
2024		62,311
2025		62,311
2026-2030		187,646
Total	\$	<u>499,201</u>

**Note 13 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$21,542,463) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,027,237 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$1,889,159 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$21,542,463) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,005,053 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$21,542,463) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$77,550 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$223,804 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$21,542,463) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$147,942 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

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

**Note 14 – 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	96,694
2022	52,123
2023	52,123
2024	9,886
2025	9,886
2026-2030	32,174
2031-2035	27,336
2036-2040	23,834
2041-2045	7,638
Total	\$ 311,694

**Note 15 – Insurance Loss Recoveries**

The Monroe County School District received \$55,781 in insurance loss recoveries related to storm damage and vehicle damage during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 55,781	100%	Instruction
\$ 55,781	100%	

**Note 16 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated November 13, 2015 creating the Monroe County School District Career and Technical Educational Center. The consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Nettleton Line Consolidated School District, the Aberdeen School District, and the Monroe County School District.

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

**Note 16 – Vocational School Consortium (Continued)**

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Monroe County School District has been designated as the fiscal agent for the Monroe County School District Career and Technical Educational Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Monroe County School District Career and Technical Educational Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2020

**Revenues**

Local sources:	
Tuition from other LEA's within the state:	
Aberdeen School District	\$ 8,700
Nettleton Line Consolidated School District	4,620
Total tuition from other LEA's within the state	13,320
Total local sources	13,320
State sources	424,589
Federal sources	59,893
Total Revenues	497,802

**Expenditures**

Salaries	1,003,263
Employee benefits	325,747
Other professional services	8,494
Supplies	17,676
Property	39,723
Other	59,661
Total Expenditures	1,454,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	(956,762)

**Other Financing Sources/Uses:**

Transfer in	955,780
Total Other Financing Sources/Uses	955,780
Net Change in Fund Balance	(982)

**Fund Balance:**

July 1, 2019	984
June 30, 2020	\$ 2

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

**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 Monroe County School District evaluated the activity of the district through April 5, 2021 (the date the financial statements were available to be issued) and determined that the following subsequent event had occurred requiring disclosure in the notes to financial statements.

On September 15, 2020, the school board approved the issuance of a \$875,000 three mill note from Community Bank at an annual interest rate of 1.73%.

## REQUIRED SUPPLEMENTARY INFORMATION

**Monroe County 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
<b>Revenues:</b>					
Local sources	\$ 5,017,200	\$ 5,156,132	\$ 5,246,022	\$ 138,932	\$ 89,890
State sources	12,027,301	12,422,655	12,422,655	395,354	-
Federal sources	192,200	182,641	182,641	(9,559)	-
Sixteenth section	99,365	191,795	191,795	92,430	-
Total Revenues	17,336,066	17,953,223	18,043,113	617,157	89,890
<b>Expenditures:</b>					
Instruction	11,106,934	10,902,547	10,901,992	204,387	555
Support services	5,590,496	5,287,201	5,287,201	303,295	-
Noninstructional services	-	105	105	(105)	-
Sixteenth section	-	4,514	4,514	(4,514)	-
Debt service:					
Principal	65,650	65,650	65,650	-	-
Interest	15,166	15,166	15,166	-	-
Other	-	-	-	-	-
Total Expenditures	16,778,246	16,275,183	16,274,628	503,063	555
Excess (Deficiency) of Revenues over (under) Expenditures	557,820	1,678,040	1,768,485	1,120,220	90,445
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	1,000	55,781	55,781	54,781	-
Sale of other property	5,000	-	-	(5,000)	-
Operating transfers in	47,227	47,227	47,226	-	(1)
Operating transfers out	(832,534)	(947,567)	(947,567)	(115,033)	-
Total Other Financing Sources (Uses)	(779,307)	(844,559)	(844,560)	(65,252)	(1)
Net Change in Fund Balances	(221,487)	833,481	923,925	1,054,968	90,444
July 1, 2019	7,411,668	8,078,729	7,988,839	667,061	(89,890)
June 30, 2020	\$ 7,190,181	\$ 8,912,210	\$ 8,912,764	\$ 1,722,029	\$ 554

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

**Monroe County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**IDEA Part B Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 626,289	\$ 626,289	\$ 504,877	\$ -	\$ (121,412)
Total Revenues	626,289	626,289	504,877	-	(121,412)
<b>Expenditures:</b>					
Instruction	272,015	266,235	225,991	5,780	40,244
Support services	338,341	360,483	271,483	(22,142)	89,000
Noninstructional services	3,000	3,000	380	-	2,620
Total Expenditures	613,356	629,718	497,854	(16,362)	131,864
Excess (Deficiency) of Revenues over (under) Expenditures	12,933	(3,429)	7,023	(16,362)	10,452
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(12,933)	(7,023)	(7,023)	5,910	-
Total Other Financing Sources (Uses)	(12,933)	(7,023)	(7,023)	5,910	-
Net Change in Fund Balances	-	(10,452)	-	(10,452)	10,452
Fund Balances:					
July 1, 2019	-	-	-	-	-
June 30, 2020	\$ -	\$ (10,452)	\$ -	\$ (10,452)	\$ 10,452

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

**Monroe County School District**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years \***

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.171816%	0.159117%	0.179248%	0.176966%	0.172654%	0.179029%
District's proportionate share of the net pension liability	\$ 30,225,824	26,465,884	29,797,101	31,616,618	26,696,014	20,744,130
District's covered payroll	\$ 11,189,956	10,161,156	11,498,857	11,320,946	10,786,444	10,444,641
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.28%	247.50%	198.61%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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.

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

**Monroe County 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	\$ 2,027,237	1,762,418	1,600,382	1,811,070	1,783,049	1,698,865
Contribution in relation to the contractually required contribution	2,027,237	1,762,418	1,600,382	1,811,070	1,783,049	1,698,865
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	11,650,787	11,189,956	10,161,156	11,498,857	11,320,946	10,786,444
Contributions as a percentage of its covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years.  
 However, GASB 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.

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

**Monroe County 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	0.24798824%	0.24230687%	0.24380000%
District's proportionate share of the net OPEB liability	\$ 2,104,282	1,874,365	1,913,208
District's covered-employee payroll	\$ 11,189,956	10,953,264	11,498,857
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.81%	17.11%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	.13%	0.00%

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

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

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

**Monroe County School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**OPEB**  
**Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 77,550	84,346	81,563
Contribution in relation to the actuarially determined contribution	77,550	84,346	81,563
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	11,650,787	11,189,956	10,953,264
Contributions as a percentage of its covered-employee payroll	0.67%	0.75%	0.74%

This schedule is presented to illustrate the requirement to show information for 10 years.  
 However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled,  
 the District has only presented information for the years in which information is available.

Prior year information is based on historical amounts reported in prior year audit report(s).

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from 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

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

Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
---------------------------	---

OPEB Schedules

(1) *Changes of assumptions*

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

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

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

(3) *Methods and assumptions used in 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	

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

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

**Monroe County 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	Passed through to Sub- Recipients	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Passed-through Mississippi Department of Education:				
Child nutrition cluster:				
School breakfast program	10.553	205MS326N1099	-	192,314
National school lunch program	10.555	205MS326N1099	-	544,313
Subtotal			-	736,627
COVID-19 - Summer food service program for children	10.559	205MS326N1099	-	10,680
Subtotal			-	10,680
Total child nutrition cluster			-	747,307
Total passed-through Mississippi Department of Education			-	747,307
<b>Total US Department of Agriculture</b>			-	747,307
<b><u>Federal Communications Commission</u></b>				
Administered through the Universal Service Administrative Company:				
The schools and libraries program of the universal service fund	32.XXX	N/A	-	33,240
<b>Total Federal Communications Commission</b>			-	33,240
<b><u>U.S. Department of Education</u></b>				
Passed-through Mississippi Department of Education:				
Title I grants to local educational agencies	84.010	S010A170024	-	13,246
Title I grants to local educational agencies	84.010	S010A180024	-	141,208
Title I grants to local educational agencies	84.010	S010A190024	-	240,362
Vocational rehabilitation grants to states	84.126	N/A	-	59,893
Rural education	84.358	ES424A180025	-	23,896
Supporting effective instruction state grants	84.367	S3678A190023	-	69,718
Subtotal			-	548,323
Special education cluster:				
Positive behavior specialist	84.027A	H027A190108	-	5,164
Special education - grants to states	84.027	H027A170108	-	17,679
Special education - grants to states	84.027	H027A180108	-	100,400
Special education - grants to states	84.027	H027A190108	-	386,797
Special education - preschool grants	84.173	H173A180113	-	3,264
Special education - preschool grants	84.173	H173A190113	-	13,343
Total special education cluster			-	526,647
COVID-19 Education Stabilization Fund (ESSER)	84.425	S425D200031	-	1,495
Total passed-through Mississippi Department of Education			-	1,076,465
<b>Total U.S. Department of Education</b>			-	1,076,465
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed-through Mississippi Dept of Human Services:				
Medicaid cluster:				
Medical assistance program	93.778	2005MS5ADM	-	25,353
Total passed-through Mississippi Dept of Human Services			-	25,353
<b>Total U.S. Department of Health and Human Services</b>			-	25,353
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,882,365

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

**MONROE COUNTY SCHOOL DISTRICT**  
**Notes to the Supplementary Information**  
**For the Year Ended June 30, 2020**

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Noncash Awards – Commodities

The amount of commodities reported on the schedule of expenditures of federal awards is the value of commodities received by the district and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$73,214.

(4) Indirect Cost Rate

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

**Monroe County School District**  
**Supplementary Information**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2020**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 16,266,646	12,999,969	648,198	1,250,977	1,367,502
Other	3,875,454	1,224,911	152,327	24,061	2,474,155
Total	<u>\$ 20,142,100</u>	<u>14,224,880</u>	<u>800,525</u>	<u>1,275,038</u>	<u>3,841,657</u>
Total number of students *	<u>2,188</u>				
Cost per student	<u>\$ 9,206</u>	<u>6,501</u>	<u>366</u>	<u>583</u>	<u>1,756</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

**Monroe County School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2020	2019*	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 5,246,022	5,163,482	5,009,472	5,348,798
State sources	12,422,655	11,771,465	11,255,169	11,490,637
Federal sources	182,641	185,005	206,451	280,810
Sixteenth section sources	191,795	249,685	267,605	113,024
Total Revenues	<u>18,043,113</u>	<u>17,369,637</u>	<u>16,738,697</u>	<u>17,233,269</u>
<b>Expenditures:</b>				
Instruction	10,901,992	10,454,130	10,451,531	10,830,166
Support services	5,287,201	5,731,250	5,590,024	5,124,809
Noninstructional services	105	111	32	-
Sixteenth section	4,514	80,852	40,321	5,285
Facilities acquisition and construction	-	4,300	-	153,537
Debt service:				
Principal	65,650	60,767	56,167	51,833
Interest	15,166	18,537	21,654	24,532
Total Expenditures	<u>16,274,628</u>	<u>16,349,947</u>	<u>16,159,729</u>	<u>16,190,162</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,768,485</u>	<u>1,019,690</u>	<u>578,968</u>	<u>1,043,107</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	55,781	2,346	5,124	-
Sale of other property	-	8,965	3,187	814
Operating transfers in	47,226	114,585	122,614	904,912
Operating transfers out	(947,567)	(941,701)	(776,492)	(1,065,791)
Total Other Financing Sources (Uses)	<u>(844,560)</u>	<u>(815,805)</u>	<u>(645,567)</u>	<u>(160,065)</u>
Net Change in Fund Balances	<u>923,925</u>	<u>203,885</u>	<u>(66,599)</u>	<u>883,042</u>
Fund Balances:				
Beginning of period	<u>7,988,839</u>	<u>7,784,954</u>	<u>7,851,553</u>	<u>6,968,511</u>
End of Period	<u>\$ 8,912,764</u>	<u>7,988,839</u>	<u>7,784,954</u>	<u>7,851,553</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**Monroe County School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2020	2019*	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 5,700,031	5,730,918	5,584,446	5,939,403
State sources	12,967,379	12,369,898	12,208,096	12,422,200
Federal sources	2,001,250	2,104,056	2,141,808	2,594,114
Sixteenth section sources	227,470	296,979	312,786	119,738
Total Revenues	20,896,130	20,501,851	20,247,136	21,075,455
<b>Expenditures:</b>				
Instruction	12,654,861	12,102,064	12,017,170	12,361,686
Support services	6,128,915	6,548,253	6,348,828	5,997,066
Noninstructional services	1,081,651	1,171,407	1,252,496	1,200,105
Sixteenth section	29,756	111,239	91,826	40,585
Facilities acquisition and construction	-	4,300	-	559,565
Debt service:				
Principal	160,650	155,767	816,167	461,833
Interest	85,017	91,441	115,859	133,076
Other	1,250	1,250	5,655	2,635
Total Expenditures	20,142,100	20,185,721	20,648,001	20,756,551
Excess (Deficiency) of Revenues over (under) Expenditures	754,030	316,130	(400,865)	318,904
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	55,781	2,346	5,124	-
Unrealized gain on investments	16,228	28,255	-	-
Payment held by QSCB debt escrow agent	62,311	62,311	62,311	62,311
Payment to QSCB debt escrow agent	(62,311)	(62,311)	(62,311)	(62,311)
Sale of transportation equipment	-	-	-	814
Sale of other property	-	9,365	3,187	-
Operating transfers in	1,186,032	1,185,456	1,122,788	3,019,985
Operating transfers out	(1,186,032)	(1,185,706)	(1,122,788)	(3,019,985)
Total Other Financing Sources (Uses)	72,009	39,716	8,311	814
Net Change in Fund Balances	826,039	355,846	(392,554)	319,718
<b>Fund Balances:</b>				
Beginning of period, as previously reported	11,488,266	11,126,535	11,721,130	11,397,961
Prior period adjustments	-	-	(210,699)	-
Beginning of period, as restated	11,488,266	11,126,535	11,510,431	11,397,961
Increase (Decrease) in reserve for inventory	1,531	5,885	8,658	3,451
End of Period	\$ 12,315,836	11,488,266	11,126,535	11,721,130

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
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Thomas J. Browder, CPA	

INDEPENDENT AUDITORS' 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  
Monroe County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County School District as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Monroe County School District's basic financial statements, and have issued our report thereon dated April 5, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

Okolona, Mississippi  
April 5, 2021

Watkins Ward and Stafford, P.C.



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

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

Superintendent and School Board  
Monroe County School District

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

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

internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monroe County School District's internal control over compliance.

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

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

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

Okolona, Mississippi  
April 5, 2021

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Monroe County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County School District as of and for the year ended June 30, 2020, which collectively comprise Monroe County School District's basic financial statements and have issued our report thereon dated April 5, 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

Okolona, Mississippi  
April 5, 2021

*Watkins Ward and Stafford, P.C.*

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- |                        |   |                     |   |                        |                         |  |
|------------------------|---|---------------------|---|------------------------|-------------------------|--|
| 4.                     | Internal control over major programs:   |                     |   |                        |                         |  |
|                        | a. Material weakness (es) identified?   | No                  |   |                        |                         |  |
|                        | b. Significant deficiency (ies) identified?   | None reported       |   |                        |                         |  |
| 5.                     | Type of auditors' report issued on compliance for major federal programs:   | Unmodified          |   |                        |                         |  |
| 6.                     | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  | No                  |   |                        |                         |  |
| 7.                     | Identification of major programs:   |                     |   |                        |                         |  |
|                        | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>CFDA Numbers</u></td> <td style="text-align: left;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td style="vertical-align: top;">10.553, 10.555, 10.559</td> <td style="vertical-align: top;">Child Nutrition Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553, 10.555, 10.559 | Child Nutrition Cluster |  |
| <u>CFDA Numbers</u>    | <u>Name of Federal Program or Cluster</u>   |                     |   |                        |                         |  |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster   |                     |   |                        |                         |  |
| 8.                     | Dollar threshold used to distinguish between type A and type B programs:  | \$750,000           |   |                        |                         |  |
| 9.                     | Auditee qualified as a low-risk auditee?  | Yes                 |   |                        |                         |  |
| 10.                    | Prior fiscal year audit findings 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)   | No                  |   |                        |                         |  |

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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