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NATCHEZ-ADAMS SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2020



**SILAS SIMMONS** LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

# NATCHEZ-ADAMS SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams 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 6 through 15 and 57 through 61, 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 Natchez-Adams 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 July 7, 2021, on our consideration of the Natchez-Adams 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 Natchez-Adams 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 Natchez-Adams School District's internal control over financial reporting and compliance.

*Silas Simms, LLP*

Natchez, Mississippi  
July 7, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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

### FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$1,207,669, including a prior period adjustment of (\$169,739), which represents a 7% decrease from fiscal year 2019. Total net position for 2019 decreased \$3,235,841, including a prior period adjustment of \$1,923, which represents a 22% decrease from fiscal year 2018.
- General revenues amounted to \$29,654,433 and \$30,462,352, or 76% and 77% 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 \$9,489,461, or 24% of total revenues for 2020, and \$9,114,820, or 23% of total revenues for 2019.
- The District had \$40,181,824 and \$42,814,936 in expenses for fiscal years 2020 and 2019; only \$9,489,461 for 2020 and \$9,114,820 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$29,654,433 for 2020 and \$30,462,352 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$30,606,012 in revenues and \$30,343,288 in expenditures for 2020, and \$29,182,176 in revenues and \$30,240,014 in expenditures in 2019. The General Fund's fund balance increased by \$1,022,630 from 2019 to 2020, and decreased by \$1,088,419 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$358,480 for 2020 and increased by \$60,882 for 2019. The increase for 2020 was due to net additions of \$737,430 coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$36,092,540 for 2020 and did not change in 2019. This increase for 2020 was due primarily to the issuance of trust certificates and tax bonds. The liability for compensated absences increased by \$43,160 for 2020 and decreased by \$26,759 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 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.

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 additional major special revenue fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,867,249 as of June 30, 2020.

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

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

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

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 15,578,766	\$ 6,384,129	144.02 %
Restricted assets	46,379,626	19,281,202	140.54 %
Capital assets, net	14,808,284	14,449,804	2.48 %
<b>Total assets</b>	<b>76,766,676</b>	<b>40,115,135</b>	<b>91.37 %</b>
 <b>Deferred outflows of resources</b>	 <b>4,735,246</b>	 <b>6,223,097</b>	 <b>-23.91 %</b>
 Current liabilities	 2,246,200	 649,420	 245.88 %
Long-term debt outstanding	36,377,876	285,336	12649.14 %
Net OPEB liability	3,885,809	3,566,387	8.96
Net pension liability	57,036,167	53,748,282	6.12 %
<b>Total liabilities</b>	<b>99,546,052</b>	<b>58,249,425</b>	<b>70.90 %</b>
 <b>Deferred inflows of resources</b>	 <b>823,119</b>	 <b>5,748,387</b>	 <b>-85.68 %</b>
 <b>Net position:</b>			
Net investment in capital assets	13,739,412	14,449,804	-4.92 %
Restricted	57,814,618	20,227,810	185.82 %
Unrestricted	(90,421,279)	(52,337,194)	-72.77 %
<b>Total net position</b>	<b>\$ (18,867,249)</b>	<b>\$ (17,659,580)</b>	<b>-6.84 %</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)	\$ (90,421,279)
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	57,003,301
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ (33,417,978)</u>

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

- Increase in net capital assets in the amount of \$358,480.
- Increase in restricted assets of \$27,098,424, which includes an increase in cash with fiscal agents of \$25,799,064 in the capital projects fund and an increase in cash and cash equivalents and investments of \$1,299,360 in the 16<sup>th</sup> section funds.
- Increase in debt due to the issuance of trust certificates and tax bonds in the amount of \$36,092,540.

#### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$39,143,894 and \$39,577,172, respectively. The total cost of all programs and services was \$40,181,824 for 2020 and \$42,814,936 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**

	<b>Year Ended June 30, 2020</b>	<b>Year Ended June 30, 2019</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 388,340	\$ 591,215	(34.31) %
Operating grants and contributions	9,101,121	8,523,605	6.78 %
Capital Grants and Contributions	-	-	N/A %
General revenues:			
Property taxes	13,663,636	12,488,215	9.41 %
Grants and contributions not restricted	14,730,856	16,404,159	(10.20) %
Investment earnings	32,935	17,678	86.31 %
Sixteenth section sources	931,233	1,269,509	(26.65) %
Other	295,773	282,791	4.59 %
<b>Total revenues</b>	<b>39,143,894</b>	<b>39,577,172</b>	<b>(1.09) %</b>
<b>Expenses:</b>			
Instruction	19,155,406	18,746,712	2.18 %
Support services	13,748,677	14,833,002	(7.31) %
Non-instructional	2,734,423	2,890,153	(5.39) %
Sixteenth section	6,655	1,575	322.54 %
Pension expense	3,826,422	6,145,541	(37.74) %
OPEB expense	238,896	197,953	20.68 %
Interest on long-term liabilities	471,345	-	N/A %
<b>Total expenses</b>	<b>40,181,824</b>	<b>42,814,936</b>	<b>(6.15) %</b>
<b>Decrease in net position</b>	<b>(1,037,930)</b>	<b>(3,237,764)</b>	<b>67.94 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(17,659,580)</b>	<b>(14,423,739)</b>	<b>(22.43) %</b>
<b>Prior Period Adjustment</b>	<b>(169,739)</b>	<b>1,923</b>	<b>(8,926.78) %</b>
<b>Net Position, July 1, as restated</b>	<b>(17,829,319)</b>	<b>(14,421,816)</b>	<b>(23.63) %</b>
<b>Net Position, June 30</b>	<b>\$ (18,867,249)</b>	<b>\$ (17,659,580)</b>	<b>(6.84) %</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.

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

	<b>2020</b>	<b>2019</b>	<b>Change</b>
Instruction	\$ 19,155,406	\$ 18,746,712	2.18 %
Support services	13,748,677	14,833,002	(7.31) %
Non-instructional	2,734,423	2,890,153	(5.39) %
Sixteenth section	6,655	1,575	322.54 %
Pension Expense	3,826,422	6,145,541	(37.74) %
OPEB Expense	238,896	197,953	20.68
Interest on long-term liabilities	471,345	-	N/A %
<b>Total expenses</b>	<b>\$ 40,181,824</b>	<b>\$ 42,814,936</b>	<b>(6.15) %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ (14,597,454)	\$ (13,148,513)	11.02 %
Support services	(12,190,807)	(14,147,845)	(13.83) %
Non-instructional	639,216	(58,689)	(1,189.16) %
Sixteenth section	(6,655)	(1,575)	322.54 %
Pension Expense	(3,826,422)	(6,145,541)	(37.74) %
OPEB Expense	(238,896)	(197,953)	20.68
Interest on long-term liabilities	(471,345)	-	N/A %
<b>Total net (expense) revenue</b>	<b>\$ (30,692,363)</b>	<b>\$ (33,700,116)</b>	<b>(8.93) %</b>

- Net cost of governmental activities (\$30,692,363 for 2020 and \$33,700,116 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$13,663,636 for 2020 and \$12,488,215 for 2019) and state and federal revenues (\$14,730,856 for 2020 and \$16,404,159 for 2019). In addition, there was \$931,233 and \$1,269,509 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$32,935 for 2020 and \$17,678 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 \$59,712,192, an increase of \$34,696,281, which includes a prior period adjustment of \$(169,739). \$721,301 or 1% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$58,990,891 or 99% 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 \$1,022,630, including a prior period adjustment of \$122,700. The fund balance of Other Governmental Funds showed a decrease in the amount of \$640,357, which includes a prior period adjustment of \$(292,439). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
16th Section Interest	\$	(669,896)
16th Section Principal	\$	423,194
Capital Project	\$	34,560,710

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$32,810,747, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$737,430 from 2019. Total accumulated depreciation as of June 30, 2020, was \$18,002,463, and total depreciation expense for the year was \$440,014, resulting in total net capital assets of \$14,808,284.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 2,096,402	\$ 2,096,402	0.00 %
Construction in Progress	1,068,872	956,430	11.76 %
Buildings	9,348,063	8,925,979	4.73 %
Building improvements	1,393,022	1,503,272	(7.33) %
Improvements other than buildings	206,647	218,868	(5.58) %
Mobile equipment	362,285	397,318	(8.82) %
Furniture and equipment	332,993	351,535	(5.27) %
Leased property under capital leases	-	-	N/A %
Intangible assets	-	-	N/A %
Total	<u>\$ 14,808,284</u>	<u>\$ 14,449,804</u>	2.48 %

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 \$36,377,876 in outstanding long-term debt, of which \$1,157,469 is due within one year. The liability for compensated absences increased \$43,160 from the prior year.

The District maintains an AA bond rating.

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

	June 30, 2020	June 30, 2019	Percentage Change
Trust certificates	\$ 25,000,000	\$ -	N/A %
Premiums/Discounts	2,037,136	-	N/A %
Tax Bonds	9,000,000	-	N/A %
Premiums/Discounts	12,244	-	N/A %
Compensated absences payable	328,496	285,336	15.13 %
Total	<u>\$ 36,377,876</u>	<u>\$ 285,336</u>	126.50 %

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

### **CURRENT ISSUES**

The Natchez-Adams School District continues its commitment to excellence, both in and out of the classroom. It strives to put its students first in all matters. To that end, the District is actively moving forward to modernize and improve its campuses, and make the District the leader in the education industry.

As a result, the District recently broke ground on the building of a new high school, and major renovations are being done to the middle school.

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi, 39120.

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## FINANCIAL STATEMENTS

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**NATCHEZ-ADAMS SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental
	Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 13,615,257
Due from other governments	1,651,321
Accrued interest receivable	56,093
Other receivables, net	132,324
Inventories	123,771
Restricted assets	46,379,626
Capital assets, non-depreciable:	
Land	2,096,402
Construction in progress	1,068,872
Capital assets, net of accumulated depreciation:	
Buildings	9,348,063
Building improvements	1,393,022
Improvements other than buildings	206,647
Mobile equipment	362,285
Furniture and equipment	332,993
Total Assets	<u>76,766,676</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	4,188,568
Deferred outflows - OPEB	546,678
Total deferred inflows of resources	<u>4,735,246</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,246,200
Long-term liabilities, due within one year:	
Capital related liabilities	1,035,000
Premium on bonds – capital related	102,469
Non-capital related liabilities	20,000
Net OPEB liability	154,985
Long-term liabilities, due beyond one year:	
Capital related liabilities	32,965,000
Premium on bonds – capital related	1,946,911
Non-capital related liabilities	308,496
Net pension liability	57,036,167
Net OPEB liability	3,730,824
Total Liabilities	<u>99,546,052</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	544,356
Deferred inflows - OPEB	278,763
Total deferred inflows of resources	<u>823,119</u>

**Net Position**

Net investment in capital assets	13,739,412
Restricted for:	
Expendable:	
School-based activities	2,881,654
Debt service	488
Capital improvements	34,560,710
Forestry improvements	63,567
Unemployment benefits	125,015
Non-expendable:	
Sixteenth section	20,059,413
Other	123,771
Unrestricted	(90,421,279)
Total Net Position	<u>\$ (18,867,249)</u>

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

**NATCHEZ-ADAMS 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
Governmental Activities:					
Instruction	\$ 19,155,406	\$ 90,106	\$ 4,467,846	\$ -	\$ (14,597,454)
Support services	13,748,677	-	1,557,870	-	(12,190,807)
Non-instructional	2,734,423	298,234	3,075,405	-	639,216
Sixteenth section	6,655	-	-	-	(6,655)
Pension expense	3,826,422	-	-	-	(3,826,422)
OPEB expense	238,896	-	-	-	(238,896)
Interest on long-term liabilities	471,345	-	-	-	(471,345)
Total Governmental Activities	<u>\$ 40,181,824</u>	<u>\$ 388,340</u>	<u>\$ 9,101,121</u>	<u>\$ -</u>	<u>\$ (30,692,363)</u>

**General Revenues:**

**Taxes:**

General purpose levies

\$ 13,663,636

**Unrestricted grants and contributions:**

State

14,730,856

Unrestricted investment earnings

32,935

Sixteenth section sources

931,233

Other

295,773

Total General Revenues

29,654,433

Change in Net Position

(1,037,930)

Net Position - Beginning, as previously reported

(17,659,580)

Prior Period Adjustments

(169,739)

Net Position - Beginning, as restated

(17,829,319)

Net Position - Ending

\$ (18,867,249)

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



**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2020**

**Exhibit C**

	Major Funds				Other	Total
	General	16th	16th Section	Capital	Governmental	Governmental
	Fund	Section	Principal	Project Fund	Funds	Funds
		Interest	Fund			
		Fund				
<b>Assets</b>						
Cash and cash equivalents	\$ 4,090,338	\$ 807,974	\$ 1,142,849	\$ 8,912,758	\$ 612,161	\$ 15,566,080
Cash with fiscal agents	0	0	0	25,799,064	0	25,799,064
Investments	0	0	18,629,739	0	0	18,629,739
Due from other governments	838,894	0	0	0	812,427	1,651,321
Accrued interest receivable	0	0	56,093	0	0	56,093
Other receivables, net	24,855	26,187	6,186	0	0	57,228
Due from other funds	1,979,107	2,030,223	84,354	0	577,001	4,670,685
Advance to other funds	0	0	140,192	0	0	140,192
Inventories	98,733	0	0	0	25,038	123,771
Total assets	7,031,927	2,864,384	20,059,413	34,711,822	2,026,627	66,694,173
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and						
accrued liabilities	\$ 1,493,217	\$ 0	\$ 0	\$ 151,112	\$ 601,871	\$ 2,246,200
Due to other funds	3,037,737	0	0	0	1,557,852	4,595,589
Advances from other funds	140,192	0	0	0	0	140,192
Total Liabilities	4,671,146	0	0	151,112	2,159,723	6,981,981

**Fund Balances:****Nonspendable:**

Inventory	98,733	0	0	0	25,038	123,771
Permanent fund principal	0	0	19,919,221	0	0	19,919,221
Advances	0	0	140,192	0	0	140,192

**Restricted:**

Debt service	0	0	0	0	488	488
Capital improvement purposes	0	0	0	34,560,710	0	34,560,710
Forestry improvement purposes	0	0	0	0	63,567	63,567
Grant activities	0	0	0	0	1,176,273	1,176,273
Unemployment benefits	0	0	0	0	125,015	125,015

**Assigned:**

School based activities	17,270	2,864,384	0	0	0	2,881,654
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**Unassigned**

	2,244,778	0	0	0	(1,523,477)	721,301
--	-----------	---	---	---	-------------	---------

Total Fund Balances	2,360,781	2,864,384	20,059,413	34,560,710	(133,096)	59,712,192
---------------------	-----------	-----------	------------	------------	-----------	------------

Total liabilities, deferred inflows of resources and fund balances	\$ 7,031,927	\$ 2,864,384	\$ 20,059,413	\$ 34,711,822	\$ 2,026,627	\$ 66,694,173
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The notes to the financial statements are an integral part of this statement.

## Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds	\$	59,712,192
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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	2,096,402	
Construction in progress	1,068,872	
Buildings	20,624,947	
Building improvements	5,201,241	
Improvements other than buildings	350,619	
Mobile equipment	686,031	
Furniture and equipment	2,782,635	
Accumulated depreciation	<u>(18,002,463)</u>	14,808,284

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

Net pension liability	(57,036,167)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,188,568	
Deferred inflows of resources related to pensions	<u>(544,356)</u>	(53,391,955)

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

Net OPEB liability	(3,885,809)	
--------------------	-------------	--

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	546,678	
Deferred inflows of resources related to OPEB	<u>(278,763)</u>	(3,617,894)

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:

Trust certificates	(25,000,000)	
Tax bond payable	(9,000,000)	
Compensated absences	(328,496)	
Unamortized premiums	<u>(2,049,380)</u>	(36,377,876)

Net Position of governmental activities	\$	<u>(18,867,249)</u>
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The notes to the financial statements are an integral part of this statement.

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund**

**Balances**

**Exhibit D**

**For the Year Ended June 30, 2020**

	Major Funds				Other	Total
	General	16th	16th	Capital	Governmental	Governmental
	Fund	Section	Section	Projects	Funds	Funds
		Interest	Principal	Fund		
		Fund	Fund			
<b>Revenues:</b>						
Local sources	\$ 14,696,622	\$ 0	\$ 0	49,165	\$ 198,279	\$ 14,944,066
State sources	15,902,322	0	0	0	749,191	16,651,513
Federal sources	7,068	0	0	0	6,616,562	6,623,630
Sixteenth section sources	0	57,104	874,002	0	127	931,233
Total Revenues	30,606,012	57,104	874,002	49,165	7,564,159	39,150,442
<b>Expenditures:</b>						
Instruction	16,538,570	0	0	0	4,374,594	20,913,164
Support services	13,164,352	0	0	0	2,194,481	15,358,833
Noninstructional services	2,016	0	0	0	2,573,856	2,575,872
Sixteenth section	0	0	0	0	6,655	6,655
Facilities acquisition and construction	618,508	0	0	181,112	0	799,620
Debt service:						
Interest	19,842	0	0	0	0	19,842
Other	0	0	0	451,503	0	451,503
Total Expenditures	30,343,288	0	0	632,615	9,149,586	40,125,489
Excess (Deficiency) of Revenues over (under) Expenditures	262,724	57,104	874,002	(583,450)	(1,585,427)	(975,047)

**Other Financing Sources (Uses):**

Bonds and notes issued	0	0	0	34,000,000	0	34,000,000
Premiums on bonds and refunding bonds issued	0	0	0	2,049,380	0	2,049,380
Operating transfers in	4,815,568	700,000	800,000	0	1,266,502	7,582,070
Operating transfers out	(3,970,049)	(1,427,000)	(1,250,808)	(905,220)	(28,993)	(7,582,070)
Other financing uses	(208,313)	0	0	0	0	(208,313)
<b>Total Other Financing Sources (Uses)</b>	<b>637,206</b>	<b>(727,000)</b>	<b>(450,808)</b>	<b>35,144,160</b>	<b>1,237,509</b>	<b>35,841,067</b>
<b>Net Change in Fund Balances</b>	<b>899,930</b>	<b>(669,896)</b>	<b>423,194</b>	<b>34,560,710</b>	<b>(347,918)</b>	<b>34,866,020</b>
<b>Fund Balances:</b>						
July 1, 2019, as previously reported	1,338,151	3,534,280	19,636,219	0	507,261	25,015,911
Prior period adjustments	122,700	0	0	0	(292,439)	(169,739)
July 1, 2019, as restated	1,460,851	3,534,280	19,636,219	0	214,822	24,846,172
<b>June 30, 2020</b>	<b>\$ 2,360,781</b>	<b>\$ 2,864,384</b>	<b>\$ 20,059,413</b>	<b>\$ 34,560,710</b>	<b>\$ (133,096)</b>	<b>\$ 59,712,192</b>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 34,866,020**

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	\$ 799,620	
Depreciation expense	<u>(440,014)</u>	359,606

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

Bonds and notes issued	(34,000,000)	
Premiums on bonds and refunding bonds issued	<u>(2,049,380)</u>	(36,049,380)

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

Pension expense	(3,826,422)	
Contributions subsequent to the measurement date	<u>3,752,499</u>	(73,923)

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

OPEB expense	(238,896)	
Contributions subsequent to the measurement date	<u>141,803</u>	(97,093)

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	<u>(43,160)</u>	<u>(43,160)</u>
--------------------------------	-----------------	-----------------

**Change in Net Position of governmental activities** **\$ (1,037,930)**

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2020**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 269,099
Due from other funds	104,129
Total Assets	<u>\$ 373,228</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 168,238
Due to other funds	179,225
Due to student clubs	31,765
Total Liabilities	<u>\$ 373,228</u>

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

##### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

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

##### **Blended component unit**

The Natchez-Adams Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

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



## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### **B. Government-wide and Fund Financial Statements (continued)**

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary 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.

Sixteenth Section Interest Fund – This fund contains earnings on the Sixteenth Section investments not accounted for in the principal fund.

Sixteenth Section Principal Fund – This fund contains nonexpendable Sixteenth Section funds. Sources include revenues from the easements and rights-of-way, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school buildings purpose, forest stand improvements, and purchase of school buses.

Capital Projects Fund – This fund is used to account for repairs, renovation, and construction of School District facilities and buildings financed through proceeds of tax bonds and trust certificates.

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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:

Agency funds – these funds are composed of club funds and clearing funds.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

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

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

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

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

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

#### **D. Encumbrances**

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

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

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.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### 5. Restricted Assets

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. Also included in restricted assets is cash held with fiscal agents for the purpose of capital projects.

### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ -	Indefinite
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, as applicable.

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows related to pension benefits were \$4,188,568 and to other post-employment benefits were \$546,678.

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. Deferred inflows related to pension benefits were \$544,356 and other post-employment benefits were \$278,763.

See Notes 8 and 9 for further details.

#### 8. Compensated Absences

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

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

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 10. Pensions

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### 11. Postemployment Benefits Other than Pensions (OPEB)

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

#### 12. Fund Balances

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

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

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

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

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

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

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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 and then unassigned amounts. It is the policy of the District, adopted May 12, 2011, to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District maintenance fund revenues. If the unassigned fund balance at year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance. The minimum fund balance was above this minimum threshold as of June 30, 2020.

#### 15. Accounting Standards Update

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

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

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

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

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



# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### 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 \$ 15,556,080 and \$269,099, 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.

Cash and cash equivalents are reported on the Statement of Net Position are \$13,615,257. This difference when compared to the governmental funds is due to \$1,950,823 of cash balances included with the restricted assets on the Statement of Net Position.

**Cash with Fiscal Agents** - The carrying amount of cash with fiscal agents held by financial institutions was \$25,799,064.

### Investments

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

#### Schedule of Investments - Current Year

<b>Investment Type</b>	<b>Rating</b>	<b>Maturities (in years)</b>	<b>Fair Value</b>
<b>U.S. Government Securities</b>			
Fidelity Government Cash Reserves	No Rating	Less than 1 year	1,553,774
Federal Home Loan Banks	Aaa	Less than 1 year	512,400
Federal Home Loan Mortgage Corporation	Aaa	Less than 1 year	307,665
Small Business Admin Service	No Rating	1 to 5 years	504,670
Small Business Admin Service	No Rating	6 to 10 years	847,240
Small Business Admin Pool	No Rating	6 to 10 years	1,046,601
Small Business Admin Pool	No Rating	11 to 15 years	475,906
Small Business Admin GTD DEV PTC Bond	No Rating	6 to 10 years	64,785
Small Business Admin GTD DEV PTC Bond	No Rating	11 to 15 years	175,272
<b>Municipal Bonds</b>			
Mississippi Development Bank Special Obligation Bonds	Aaa	1 to 5 years	389,992
Mississippi Development Bank Special Obligation Bonds	Aaa	6 to 10 years	826,515
Mississippi State Go Bonds Series 2017C	Aaa	1 to 5 years	199,336

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

Starkville Mississippi Development Bonds	A1	1 to 5 years	158,432
Mississippi State Taxable Go Bonds	Aa2	1 to 5 years	195,095
Pearl Mississippi Urban Renewal Revenue Bonds	No Rating	1 to 5 years	250,033
Adams County Mississippi Taxable Go Bonds	No Rating	6 to 10 years	144,804
Mississippi State Taxable Go Bonds	Aa2	11 to 15 years	416,696
Mississippi Home Corp Single Family	Aaa	11 to 15 years	73,498

### Corporate Bonds

JP Morgan Chase & Company	A2	Less than 1 year	100,510
PNC Funding Corporation Note	A3	1 to 5 years	312,945
Tagua Leasing LLC Note	No Rating	1 to 5 years	345,054
Small Business Admin Service 2017-10B	No Rating	5 to 10 years	275,755

### Asset Backed Securities

Federal National Mortgage Association	No Rating	1 to 5 years	3,532,811
Federal National Mortgage Association	No Rating	6 to 10 years	1,333,666
Uniform Mortgage Back Securities	No Rating	1 to 5 years	168,743
Uniform Mortgage Back Securities	No Rating	6 to 10 years	551,170
Uniform Mortgage Back Securities	No Rating	11 to 15 years	672,785
Federal Home Loan Mortgage Corporation	No Rating	1 to 5 years	400,758
Federal Home Loan Mortgage Corporation	No Rating	6 to 10 years	1,713,590
Federal Home Loan Mortgage Corporation	No Rating	11 to 15 years	661,939
Federal Home Loan Mortgage Corporation	No Rating	2040	41,041
Government National Mortgage Association	No Rating	6 to 10 years	357,620
Government National Mortgage Association	No Rating	2042	18,638
			<u>\$ 18,629,739</u>

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

- Level 1 type of investments of \$18,629,739 are valued using quoted market prices.

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

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

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

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2020, the district had no investments to be reported.

### Note 3 – Inter-fund Receivables, Payables and Transfers

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

#### A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 1,420,521
	General Fund	379,361
	Fiduciary Funds	179,225
16th Section Interest Fund	General Fund	2,030,223
16th Section Principal Fund	General Fund	84,354
Other governmental funds	General Fund	439,670
	Other governmental funds	137,331
Fiduciary funds	General Fund	104,129
Total		<u>\$ 4,774,814</u>

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$140,192
Total		<u>\$140,192</u>

The advance from the Sixteenth Section Principal Fund to the General Fund is a loan for capital expenditures and repairs.

#### Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 41,813	\$ 9,795	\$ 51,608
2022	6,547	3,935	10,482
2023	6,809	3,673	10,482
2024	7,082	3,401	10,483
2025	7,364	3,118	10,482
2026 - 2030	41,487	10,927	52,414
2031 - 2035	29,090	2,358	31,448
Total	<u>\$ 140,192</u>	<u>\$ 37,207</u>	<u>\$ 177,399</u>

### C. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	General Fund	\$ 1,232,540
	Capital Project Fund	905,220
	16th Section Principal Fund	1,250,808
	16th Section Interest Fund	1,427,000
16th Section Interest Fund	General Fund	700,000
16th Section Principal Fund	General Fund	800,000
Other governmental funds	General Fund	1,237,509
	Other governmental funds	28,993
Total		<u>\$ 7,582,070</u>

The transfer represents operating transfers for school operation and transfers of indirect costs, as well as unrestricted Sixteenth Section interest earnings.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$1,950,823 and \$18,629,739, respectively, 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 included in restricted assets is cash and cash held with fiscal agents for the purpose of capital projects in the amount of \$25,799,064.

### 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	\$ 2,096,402	\$ -	\$ -	2,096,402
Construction-in-progress	956,430	151,112	38,670	1,068,872
Total non-depreciable capital assets	<u>3,052,832</u>	<u>151,112</u>	<u>38,670</u>	<u>3,165,274</u>
<u>Depreciable capital assets:</u>				
Buildings	19,955,477	669,470	-	20,624,947
Building improvements	5,201,241	-	-	5,201,241
Improvements other than buildings	350,619	-	-	350,619
Mobile equipment	691,631	-	5,600	686,031
Furniture and equipment	2,821,517	17,708	56,590	2,782,635
Leased property under capital leases	-	-	-	-
Intangible assets	-	-	-	-
Total depreciable capital assets	<u>29,020,485</u>	<u>687,178</u>	<u>62,190</u>	<u>29,645,473</u>
<u>Less accumulated depreciation for:</u>				
Buildings	11,029,498	247,386	-	11,276,884
Building improvements	3,697,969	110,250	-	3,808,219
Improvements other than buildings	131,751	12,221	-	143,972
Mobile equipment	294,313	34,473	5,040	323,746
Furniture and equipment	2,469,982	35,684	56,024	2,449,642
Leased property under capital leases	-	-	-	-
Intangible assets	-	-	-	-
Total accumulated depreciation	<u>17,623,513</u>	<u>440,014</u>	<u>61,064</u>	<u>18,002,463</u>
Total depreciable capital assets, net	<u>11,396,972</u>	<u>247,164</u>	<u>1,126</u>	<u>11,643,010</u>
Governmental activities capital assets, net	<u>\$ 14,449,804</u>	<u>\$ 398,276</u>	<u>\$ 39,796</u>	<u>\$ 14,808,284</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 52,945
Support services	24,382
Non-instructional	362,687
Total depreciation expense – Governmental activities	<u>\$ 440,014</u>

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

	Spent to June 30, 2020	Remaining Commitment
<b>Governmental Activities:</b>		
School-wide renovation project	\$1,068,872	32,931,128

Construction projects included in governmental activities are funded with local sources and bonds.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Trust Certificates	\$ -	\$ 25,000,000	\$ -	\$ 25,000,000	\$ 840,000
Premiums	-	2,037,136	-	2,037,136	101,857
B. Tax bonds payable	-	9,000,000	-	9,000,000	195,000
Premiums	-	12,244	-	12,244	612
C. Compensated absences payable	285,336	43,160	-	328,496	20,000
Total	\$ 285,336	\$ 36,092,540	\$ -	\$ 36,377,876	\$ 1,157,469

#### A. Trust Certificates

As more fully explained in Note 16, trust certificates have been issued by the School District. Trust certificates currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Trust Certificates	2.5 - 5.0%	2/19/20	2/19/40	\$ 25,000,000	\$ 25,000,000
Total				\$ 25,000,000	\$ 25,000,000

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

1. General obligation bond issue of Trust Certificates, Series 2020:

Year Ending June 30	Principal	Interest	Total
2021	\$ 840,000	\$ 853,241	\$ 1,693,241
2022	860,000	856,144	1,716,144
2023	890,000	813,144	1,703,144
2024	925,000	768,644	1,693,644
2025	970,000	722,396	1,692,396
2026 – 2030	5,645,000	2,833,219	8,478,219
2031 – 2035	6,955,000	1,553,219	8,508,219
2036 – 2040	7,915,000	597,243	8,512,243
Total	\$ 25,000,000	\$ 8,997,250	\$ 33,997,250

This debt will be retired from the Debt Service Fund.

B. Tax Bonds Payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	1.50 -				
1. Tax bonds payable	2.25%	3/19/20	3/19/40	\$ 9,000,000	\$ 9,000,000
Total				<u>\$ 9,000,000</u>	<u>\$ 9,000,000</u>

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

1. General obligation bond issue of Limited-Tax Notes, Series 2020:

Year Ending June 30	Principal	Interest	Total
2021	\$ 195,000	\$ 165,537	\$ 360,537
2022	355,000	169,862	524,862
2023	370,000	161,875	531,875
2024	390,000	153,550	543,550
2025	410,000	144,775	554,775
2026 – 2030	2,200,000	589,500	2,789,500
2031 – 2035	2,430,000	370,137	2,800,137
2036 – 2040	2,650,000	155,139	2,805,139
Total	\$ 9,000,000	\$ 1,910,375	\$ 10,910,375

This debt will be retired from the Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2020, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2019.

#### C. 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

The District uses routine leasing arrangements for certain office equipment. Specifically, the District reports the following operating leases:

1. Xerox Pool Plan that includes 29 office machines. The current balance on that lease is \$269,580.
2. Pitney Owes for two postage meters. The current combined balance on those leases is \$3,155.

Lease expenditures for the year ended June 30, 2020, amounted to \$147,161.

Future lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 131,875
2022	129,048
2023	9,026
2024	2,786
Total	<u>\$ 272,735</u>

### Note 8 – Defined Benefit Pension Plan

#### General Information about the Pension Plan

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



# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019, and 2018 were \$3,752,499, \$3,325,674, and \$3,250,128, 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 \$57,036,167 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 .324217 percent, which was based on a measurement date of June 30, 2019. This was an increase of .001074 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 \$3,826,422. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,815	\$ 45,153
Net difference between projected and actual earnings on pension plan investments		499,203
Changes of assumptions	411,254	-
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date	3,752,499	-
<b>Total</b>	<b>\$ 4,188,568</b>	<b>\$ 544,356</b>

\$3,752,499 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:

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### Year Ending June 30:

2021	\$ 15,817
2022	15,817
2023	(15,119)
2024	(124,802)

*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:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
Total	100	%		

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

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 74,976,018	\$ 57,036,167	\$ 42,228,431

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

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

#### General Information about the OPEB Plan.

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

#### *Benefits provided.*

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

#### *Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$141,803 for the year ended June 30, 2020.

NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

At June 30, 2020, the District reported a liability of \$3,885,809 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was .45794010 percent. This was a decrease of .00310148 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 \$238,896. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,875	\$ 55,621
Changes of assumptions	289,697	201,498
Net difference between projected and actual earnings on OPEB plan investments	76	-
Changes in proportion and differences between District contributions and proportionate share of contributions	109,227	21,644
District contributions subsequent to the measurement date	141,803	-
Total	\$ <u>546,678</u>	\$ <u>278,763</u>

\$141,803 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	\$ 17,246
2022	17,246
2023	17,246
2024	21,917
2025	36,719
Thereafter	15,738

*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:

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

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

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

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

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

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

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

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 4,316,456	\$ 3,885,809	\$ 3,517,351

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,600,801	\$ 3,885,809	\$ 4,208,676

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

### Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 209,888
2022	209,470
2023	208,942
2024	208,666
2025	204,538
Total	<u>\$ 1,041,504</u>

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### Note 11 – Deficit Fund Balance of Individual Funds

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

Fund	Fund Balance
Extended School Year	\$ 270,844
School Food Service	267,099
Summer Food	17,599
Title 1 Admin	26,532
Title V B2 Rural and Low Income	31,292
Title II A Improving Teacher	235,689
Vocational Basic Local/State	22,239
Title IV A Safe & Drug Free	122,186
Title XC Homeless Children	15,380
Carpenter Library	859
Carpenter School	54,830
Detention Center	86,404

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

### Note 12 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Revenue/Expense corrections from a prior period	\$ (169,739)
Total	<u>\$ (169,739)</u>

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

Fund	Explanation	Amount
General Fund	Over-accrued payroll related liabilities	\$ 122,700
Other governmental funds	Accounts Receivable Accrual Correction	(24,250)
Other governmental funds	Accounts Receivable Accrual Correction	(268,189)
		<u>\$ (169,739)</u>

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### **Note 13 – Contingencies**

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

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

#### **Note 14 – Risk Management**

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

#### **Note 15 – Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Although all of the school districts which share townships with the Natchez-Adams School District, as well as the School District itself, filed lists of children as required, the revenues to be allocated have not been completely determined and agreed upon by the impacted Districts therefore no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships with which the Natchez-Adams School District is shared by other school districts, the Natchez-Adams School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) to which the School District received on these sections may be due other school districts. In addition, for the other townships where another school district controls the sixteenth section property, the School District may be entitled to a portion of the sixteenth section revenues that the other school district received. As noted above, all of the school districts compiled and filed lists of educable children as state law requires in both the current and in preceding years, however, the allocable revenues are not determined by any District and therefore the amounts of any liabilities owed to other school districts nor the amounts of any receivables due from other school districts can be determined.

#### **Note 16 – Trust Certificates**

A trust agreement dated February 19, 2020, was executed by and between the school district and U.S. Bank National Association Global Trust, as trustees. The trust agreement authorized the issuance of trust Certificates in the principal amount of \$25,000,000. The school district received proceeds from the sale of the Certificates in the aggregate of \$27,037,136, (representing \$25,000,000 principal, plus a premium of \$2,037,136). The Certificates are to provide financing for the construction and renovation of school buildings and related facilities and equipment (the project).

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon



## NATCHEZ-ADAMS SCHOOL DISTRICT

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

complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

#### **Note 17 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$90,421,279) 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 \$3,752,499 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 \$436,069 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 (\$90,421,279) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$544,356 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 4 years.

The unrestricted net position amount of (\$90,421,279) 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 \$141,803 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 \$404,875 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 (\$90,421,279) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$278,763 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 18 - 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 Natchez-Adams School District evaluated the activity of the district through July 7, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

In December 2020, the Board of Trustees voted to approve a construction contract for a new High School Building for approximately \$20,700,000. In April 2021, the Board of Trustees voted to approve a construction contract for the renovation of the old High School, to be used as the new Middle School, for approximately \$7,700,000.

## REQUIRED SUPPLEMENTARY INFORMATION

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**NATCHEZ-ADAMS 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	\$ 14,883,148	\$ 14,348,995	\$ 14,696,622	\$ (534,153)	\$ 347,627
State sources	17,059,603	16,454,233	15,902,322	(605,370)	(551,911)
Federal sources	298,250	105,001	7,068	(193,249)	(97,933)
Sixteenth section sources	-	49,346	-	49,346	(49,346)
Total Revenues	32,241,001	30,957,575	30,606,012	(1,283,426)	(351,563)
<b>Expenditures:</b>					
Instruction	17,916,890	16,736,910	16,538,570	1,179,980	198,340
Support services	12,689,982	13,058,767	13,164,352	(368,785)	(105,585)
Noninstructional services	2,093	2,016	2,016	77	-
Facilities acquisition and construction	-	630,800	618,508	(630,800)	12,292
Debt service:					
Principal	-	-	-	-	-
Interest	-	24,890	19,842	(24,890)	5,048
Total Expenditures	30,608,965	30,453,383	30,343,288	155,582	110,095
Excess (Deficiency) of Revenues over (under) Expenditures	1,632,036	504,192	262,724	(1,127,844)	(241,468)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,482,514	4,909,183	4,815,568	2,426,669	(93,615)
Other financing sources	73,149	-	-	(73,149)	-
Operating transfers out	(4,395,601)	(4,642,039)	(3,970,049)	(246,438)	671,990
Other financing uses	-	(727,000)	(208,313)	(727,000)	518,687
Total Other Financing Sources (Uses)	(1,839,938)	(459,856)	637,206	1,380,082	1,097,062
Net Change in Fund Balances	(207,902)	44,336	899,930	252,238	855,594
<b>Fund Balances:</b>					
July 1, 2019, as previously reported	1,338,151	1,338,151	1,338,151	-	-
Prior period adjustments	122,700	122,700	122,700	-	-
July 1, 2019, as restated	1,460,851	1,460,851	1,460,851	-	-
Increase (Decrease) in reserve for inventory	-	-	-	-	-
June 30, 2020	\$ 1,252,949	\$ 1,505,187	\$ 2,360,781	\$ 252,238	\$ 855,594

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS**

**Last 10 Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.3242	.3231	.3252	.3050	.2960	.2970
District's proportionate share of the net pension liability	57,036,167	53,748,282	54,054,288	54,485,438	45,755,763	36,050,362
District's covered payroll	21,115,384	20,635,740	19,624,244	19,513,325	18,506,822	18,148,317
District's proportionate share of the net pension liability as a percentage of its covered payroll	270%	260%	275%	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	62%	62%	61%	62%	62%	67%

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

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

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

**NATCHEZ-ADAMS 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	\$ 3,752,499	3,325,674	3,250,128	3,285,458	3,073,349	2,914,824
Contributions in relation of the contractually required contribution	<u>3,752,499</u>	<u>3,325,674</u>	<u>3,250,128</u>	<u>3,285,458</u>	<u>3,073,349</u>	<u>2,914,824</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$21,566,084	21,115,384	20,635,733	20,860,051	19,513,325	18,506,822
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**NATCHEZ-ADAMS 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	%	0.4579	0.4610	.4525
District's proportionate share of the net OPEB liability	\$	3,885,809	3,566,387	3,550,873
District's covered-employee payroll		19,780,533	20,850,717	20,329,581
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		19.64%	17.10%	17.47%
Plan fiduciary net position as a percentage of the total OPEB liability		0.12%	0.13%	0.00%

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

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 141,803	155,755	151,379
Contributions in relation to the actuarially determined contribution	\$ 141,803	155,755	151,379
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 19,780,533	20,850,717	20,329,581
Contributions as a percentage of covered-employee payroll	0.72%	0.75%	0.74%

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

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



## Notes to Required Supplementary Information

### Budgetary Comparison Schedule

#### (1) Basis of Presentation

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

#### (2) Budget Amendments and Revisions

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

### Pension Schedules

#### (1) *Changes of assumptions*

##### 2015:

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

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

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

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

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

##### 2016:

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

##### 2017:

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

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

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

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

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

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

## SUPPLEMENTARY INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2020**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass- through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	\$	31,209
National school lunch program	10.555		2,350,959
Summer food service program for children	10.559		45,133
Total child nutrition cluster			2,427,301
Schools and road	10.665		54,507
Total passed-through Mississippi Department of Education			2,481,808
<b>Total U.S. Department of Agriculture</b>			2,481,808
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx		48,787
<b>Total U.S. Department of Defense</b>			48,787
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010		2,480,296
Title I for neglected and delinquent children	84.013		223,784
Career and technical education - basic grants to states	84.048		54,258
Safe and drug-free schools and communities- state grants	84.186		122,423
Rural education	84.358		30,562
Supporting Effective Instruction State Grants	84.367		252,136
Subtotal			3,163,459
Special education cluster:			
Special education - grants to states	84.027		941,399
Special Education - Positive Behavior	84.027A		7,068
Special education - preschool grants	84.173		60,679
Total special education cluster			1,009,146
Total passed-through Mississippi Department of Education			4,172,605
<b>Total U.S. Department of Education</b>			4,172,605
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Department of Human Services:			
Medicaid cluster:			
Medical assistance program	93.778		5,062
Total Medicaid cluster			5,062
Total passed-through Department of Human Services			5,062
<b>Total U.S. Department of Health and Human Services</b>			5,062
<b>Total for All Federal Awards</b>		\$	6,708,262

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

## 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 Natchez-Adams 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 Natchez-Adams School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Natchez-Adams School District.

### (2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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) Indirect Cost Rate

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplementary Information**

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 28,511,468	17,148,542	5,037,767	3,126,648	3,198,511
Other	11,614,021	4,175,109	1,692,417	165,366	5,581,129
Total	<u>\$ 40,125,489</u>	<u>21,323,651</u>	<u>6,730,184</u>	<u>3,292,014</u>	<u>8,779,640</u>
Total number of students *	<u>3,038</u>				
Cost per student	<u>\$ 13,208</u>	<u>7,019</u>	<u>2,215</u>	<u>1,084</u>	<u>2,890</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



**NATCHEZ-ADAMS 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	\$ 14,696,622	\$ 13,312,057	\$ 13,950,987	\$ 13,613,973
Intermediate sources				
State sources	15,902,322	15,612,361	15,627,319	15,814,764
Federal sources	7,068	257,758	134,797	248,949
Sixteenth section sources	0	0	0	0
<b>Total Revenues</b>	<b>30,606,012</b>	<b>29,182,176</b>	<b>29,713,103</b>	<b>29,677,686</b>
<b>Expenditures:</b>				
Instruction	16,538,570	16,080,834	15,539,944	15,457,298
Support services	13,164,352	13,747,539	13,734,211	14,559,293
Noninstructional services	2,016	1,781	2,082	1,680
Sixteenth section	0	0	0	0
Facilities acquisition and construction	618,508	409,860	641,274	0
Debt service:				
Principal	0	0	0	6,294
Interest	19,842	0	0	26,177
Advance refunding escrow	0	0	0	0
Other	0	0	0	0
<b>Total Expenditures</b>	<b>30,343,288</b>	<b>30,240,014</b>	<b>29,917,511</b>	<b>30,050,742</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>262,724</b>	<b>(1,057,838)</b>	<b>(204,408)</b>	<b>(373,056)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	0	0	0	0
Capital leases issued	0	0	0	0
Insurance recovery	0	0	0	0
Refunding bonds issued	0	0	0	0
Payment to escrow agent	0	0	0	0
Premiums on bonds and refunding bonds issued	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Payment to Qualified Zone Academy debt escrow agent	0	0	0	0
Sale of transportation equipment	0	0	0	0
Sale of other property	0	0	0	0
Operating transfers in	4,815,568	3,986,864	2,674,592	2,161,395
Other financing sources	0	0	0	48,219
Operating transfers out	(3,970,049)	(3,873,018)	(2,742,743)	(2,519,272)
Other financing uses	(208,313)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>637,206</b>	<b>113,846</b>	<b>(68,151)</b>	<b>(309,658)</b>
<b>Net Change in Fund Balances</b>	<b>899,930</b>	<b>(943,992)</b>	<b>(272,559)</b>	<b>(682,714)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,338,151	2,426,570	2,978,730	3,659,234
Prior period adjustments	122,700	(144,427)	(285,749)	0
<b>Beginning of period, as restated</b>	<b>1,460,851</b>	<b>2,282,143</b>	<b>2,692,981</b>	<b>3,659,234</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>0</b>	<b>0</b>	<b>6,148</b>	<b>2,210</b>
<b>End of Period</b>	<b>\$ 2,360,781</b>	<b>\$ 1,338,151</b>	<b>\$ 2,426,570</b>	<b>\$ 2,978,730</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NATCHEZ-ADAMS 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	\$ 14,944,066	\$ 13,772,500	\$ 14,356,563	\$ 13,946,066
State sources	16,651,513	16,843,550	16,907,541	17,610,145
Federal sources	6,623,630	7,716,513	7,082,404	7,374,839
Sixteenth section sources	931,233	1,269,617	621,443	702,835
<b>Total Revenues</b>	<b>39,150,442</b>	<b>39,602,180</b>	<b>38,967,951</b>	<b>39,633,885</b>
<b>Expenditures:</b>				
Instruction	20,913,164	20,855,426	19,533,919	19,370,179
Support services	15,358,833	16,044,998	16,220,214	17,098,427
Noninstructional services	2,575,872	2,695,910	2,751,558	2,661,395
Sixteenth section	6,655	1,575	380	13,222
Facilities acquisition and construction	799,620	499,916	666,007	0
Debt service:				
Principal	0	0	1,480,000	1,066,294
Interest	19,842	0	19,546	82,047
Advance refunding escrow	0	0	0	0
Other	451,503	0	1,126	1,350
<b>Total Expenditures</b>	<b>40,125,489</b>	<b>40,097,825</b>	<b>40,672,750</b>	<b>40,292,914</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(975,047)</b>	<b>(495,645)</b>	<b>(1,704,799)</b>	<b>(659,029)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	34,000,000	0	0	0
Capital leases issued	0	0	0	0
Insurance recovery	0	0	0	0
Refunding bonds issued	0	0	0	0
Payment to escrow agent	0	0	0	0
Premiums on bonds and refunding bonds issued	2,049,380	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Payment to Qualified Zone Academy debt escrow agent	0	0	0	0
Sale of transportation equipment	0	0	0	0
Sale of other property	0	0	0	0
Operating transfers in	7,582,070	5,940,162	4,341,455	3,919,483
Other financing sources	0	0	0	48,219
Operating transfers out	(7,582,070)	(5,940,162)	(4,341,455)	(3,919,483)
Other financing uses	(208,313)	0	(396,216)	0
<b>Total Other Financing Sources (Uses)</b>	<b>35,841,067</b>	<b>0</b>	<b>(396,216)</b>	<b>48,219</b>
<b>Net Change in Fund Balances</b>	<b>34,866,020</b>	<b>(495,645)</b>	<b>(2,101,015)</b>	<b>(610,810)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	25,015,911	25,532,699	27,891,024	28,480,510
Prior period adjustments	(169,739)	(21,143)	(263,458)	648
<b>Beginning of period, as restated</b>	<b>24,846,172</b>	<b>25,511,556</b>	<b>27,627,566</b>	<b>28,481,158</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>0</b>	<b>0</b>	<b>6,148</b>	<b>20,676</b>
<b>End of Period</b>	<b>\$ 59,712,192</b>	<b>\$ 25,015,911</b>	<b>\$ 25,532,699</b>	<b>\$ 27,891,024</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

To the Superintendent and School Board  
Natchez-Adams 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 Natchez-Adams School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 7, 2021.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Natchez-Adams School District's Response to Findings**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Silas Simmons, LLP". The signature is written in a cursive, flowing style.

Natchez, Mississippi  
July 7, 2021

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

To the Superintendent and School Board  
Natchez-Adams School District

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

We have audited Natchez-Adams School District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The 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 the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the 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 the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Silas Simmons, LLP". The signature is written in a cursive, flowing style.

Natchez, Mississippi  
July 7, 2021



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

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

Superintendent and School Board  
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2020, which collectively comprise Natchez-Adams School District's basic financial statements and have issued our report thereon dated July 7, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

#### **2020-003 Repayment of Sixteen Section Principal Loan Funds (repeat 2019-004)**

**Criteria:**

The District has the ability to make certain loans from the Sixteenth Section Principal Fund. While they are reported as advances on the financial statements, they are to be treated as any loan from an outside party would be. Section 29-3-113, Miss. Code Ann. (1972), states that no land trust funds may be expended after the annual payment date until the payment is made on such loans.

**Condition:**

The District has two loans with the Sixteenth Section Principal fund, dated 2013 and 2015. The District did not make the annual payments on either note in the current year.

**Cause of Condition:**

The District does not have a process currently in place to generate those annual payments. This is a transaction outside the normal disbursement of funds for routine payables and an internal invoicing mechanism has not yet been established to ensure the payments are made. In the current year, payments were made for the prior two years, however payments due during the current year were not made.

**Effect of Condition:**

Immaterial non-compliance with state statutes.

**Recommendation:**

The Business Manager should consider generating an internal invoice to get the loans current, and then establish a recurring invoice, or a similar reminder, for the remaining years on the note. The entire principal balance on the 2015 note is currently due.

**Response:**

The 2015 loan was repaid in full on March 31, 2021. The 2013 loan was brought current on March 31, 2021. The remaining payments will be paid annually according to the repayment schedule.

#### **2020-004 Sixteenth Section Funds Allocation (repeat 2019-005)**

**Criteria:**

Sixteenth section revenues generated on shared lieu lands should be allocated to the respective school districts according to the enrollments of educable children in that area.

**Condition:**

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children.

**Cause of Condition:**

Although the affected school districts prepared and filed the lists of educable children with the Superintendent, the districts have not been able to calculate and settle on the amount of revenue derived from the shared townships because they have been unable to determine the location of the lieu lands. Even though the District regularly sends and receives the educable child lists from/to Jefferson and Wilkinson Counties, the exact details are unknown and being investigated further by the District's legal counsel.

**Effect of Condition:**

Immaterial non-compliance with state statutes.

**Recommendation:**

The District should consult legal counsel to determine the best way to proceed with the determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from these townships. Revenue can then be divided according to the applicable percentage of educable children in all the impacted districts.

**Response:**

The District has determined which townships are shared by other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying lieu lands.

**2020-005 Deficit fund balances (repeat 2019-006)**

**Criteria:**

As noted in Note 11, there are twelve funds with deficit fund balances. These fund balances are in violation of Section 37-61-19, Miss. Code Ann. (1972), which prohibits a school board from authorizing expenditures in excess of available resources.

**Condition:**

Twelve funds have negative balances as a result of approved expenditures for which resources were not ultimately secured.

**Cause of Condition:**

Anticipated revenues did not materialize to cover certain approved expenditures. At the time it was known that the revenues would not be forthcoming, a transfer from the District Maintenance Fund should have been made to prevent the funds from becoming negative.

**Effect of Condition:**

Immaterial non-compliance with state statutes.

**Recommendation:**

These deficits should be eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

**Response:**

The appropriate transfer will be made to eliminate the deficit fund balances.

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

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

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



Natchez, Mississippi  
July 7, 2021

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NATCHEZ-ADAMS SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? Yes
  - 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 auditor's report issued on compliance for major programs:  
Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title 1 Grants to Local Agencies
84.013	Title 1 Program for Neglected and Delinquent Children
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). Yes



NATCHEZ-ADAMS SCHOOL DISTRICT

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

Section II: Financial Statement Findings

**2020-001 Overall Record Keeping (Internal Control Deficiency – Material Weakness) (Repeat 2019-001)**

**Condition**

The general ledger and the related trial balance should be the full and complete record of all financial transactions occurring during the year. It is the foundation of management's assertions that the financial statements and information is accurate and materially correct.

**Criteria**

During the course of our audit fieldwork, we received multiple trial balances due to adjustments that needed to be made to the June 30, 2020 accounting records. Material adjustments were necessary to correct the balances as of June 30, 2020.

**Cause of Condition**

Some of the account adjustments, like accrued payroll related liabilities, stem from the software conversion in the prior year. The balances were carried over from the old system, but no further reconciliation of the accounts were being performed in the new system. A review of the general ledger histories for various claims payable accounts, showed the entire balance carried over from the prior year. You would expect transactions listed in the claims payable to clear out within 30-45 days, however reconciliations were not being performed or reviewed timely. Some of the account receivable accounts also showed balances carried over from the prior year. Account reconciliations were not being performed or reviewed timely. Once it was determined the amounts were not accurate or collectable, additional adjustments were necessary to correct these balances.

**Effect of Condition**

Material weakness in internal controls; financial data that is derived from the District's general ledger and relied upon by the Superintendent, School Board Members, and District management for decision making is not accurate or current. The original trial balance received was materially misstated and the condition of the records was such that numerous additional hours were needed on both the parts of the auditors and the District personnel to uncover the errors and determine the appropriate adjustment to ensure the balances were corrected as of June 30, 2020.

**Recommendation**

We recommend that all balance sheet accounts be reconciled to the general ledger on a monthly basis. Within 30 days after month-end, a reconciliation of each account should be performed by an adequately trained staff member whose day-to-day duties are independent of the account being reconciled. The reconciliation should be initialed and dated by the responsible staff member. The Business Manager should review, initial, and date each reconciliation promptly after completion. Furthermore, we recommend that a member of the School Board be designated to periodically review reconciliations to ensure that this internal control procedure is being performed accurately and timely.

**Response**

The Business Manager will ensure that all transactions are recorded timely and reconciliations are prepared on a monthly basis and reviewed by management.

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**2020-002 Bank Reconciliations (Internal Control Deficiency – Material Weakness)**

**Condition**

Bank accounts are not being properly reconciled to the general ledger accurately or in a timely manner. This internal control deficiency is causing the District's general ledger balances to be incorrect throughout the year. When accounts are not reconciled, it increases the likelihood that a misstatement will occur and not be prevented, or detected and corrected, on a timely basis.

**Criteria**

Timely reconciliation of bank accounts to the general ledger is a key component of any adequate system of internal control. Reconciliations should be prepared to ensure that (1) all cash receipts, disbursements, and transfers are recorded; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance.

**Cause of Condition**

Part of the condition stems from the software conversion performed in the prior year. Outstanding and uncleared transactions from the prior system are still causing issues with the payroll clearing and accounts payable clearing bank reconciliations. There were also other bank reconciliations that needed to be adjusted during our fieldwork that were not corrected in a timely manner.

**Effect of Condition**

Material weakness in internal controls; financial statements and financial data relied upon by the Superintendent, School Board Members and District management for decision making is not accurate or current.

**Recommendation**

We recommend that all bank accounts, including payroll clearing and accounts payable clearing accounts, be reconciled to the general ledger on a monthly basis. The Business Manager should receive monthly bank statements unopened from the bank and review them for unusual deposits or disbursement activity. Within 30 days of the date of the statement, a reconciliation of each account should be performed by an adequately trained staff member that has no authorization to sign checks, receive or deposit cash, or authorize disbursements. The reconciliation should be initialed and dated by the responsible staff member. The Business Manager should review, initial, and date each reconciliation promptly after completion. Furthermore, we recommend that a member of the School Board be designated to periodically review reconciliations to ensure that this internal control procedure is being performed accurately and timely.

**Response**

The Business Manager will ensure that all bank reconciliations are prepared on a monthly basis and reviewed by management.

**Section III: Federal Award Findings and Questioned Costs**

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

AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

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**NATCHEZ-ADAMS SCHOOL DISTRICT  
AUDITEE'S CORRECTIVE ACTION PLAN  
JUNE 30, 2020**

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

**Finding 2020-001**

A. Name of Contact Person: Tim Byrd, Business Manager      Phone Number: 601-445-2942

B. Corrective Action Plan: The Business Manager plans to reconcile all balance sheet accounts as of June 30, 2021, prior to the beginning of audit fieldwork. This will ensure all balances are accurately reflected in the trial balance and in the accounting system. The Business Manager will implement new controls on reconciling accounts in a timely manner to ensure the general ledger and thus financial reports are presenting accurate and timely information to the Board.

C. Anticipated Completion Date: June 30, 2021

**Finding 2020-002**

A. Name of Contact Person: Tim Byrd, Business Manager      Phone Number: 601-445-2942

B. Corrective Action Plan: All Bank accounts will be reconciled on a monthly basis and reviewed and approved by management. Any discrepancies or variances will be investigated immediately.

C. Anticipated Completion Date: June 30, 2021

**SUMMARY OF PRIOR AUDIT FINDINGS**

As required by 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Natchez-Adams School District has prepared and hereby submits the following summary of prior audit findings for the year ended June 30, 2020:

<u>Finding</u>	<u>Status</u>
2019-001	Not Corrected (See Finding 2020-001)
2019-002	Corrected
2019-003	Corrected