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VICKSBURG WARREN SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2020

VICKSBURG WARREN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Vicksburg Warren 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 Vicksburg Warren School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Vicksburg Warren 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 Vicksburg Warren 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 6-14, 53, 54, 55, 56, and 57, 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 Vicksburg Warren School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2022 on our consideration of the Vicksburg Warren 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 Vicksburg Warren 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 Vicksburg Warren School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

April 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

The following discussion and analysis of Vicksburg Warren School District's financial performance provides an overview of the Vicksburg Warren School District's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the Vicksburg Warren 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 Vicksburg Warren School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2020 increased \$6,066,241, including a prior period adjustment of \$2,880,229, which represents a 14% increase from fiscal year 2019. Total net position for 2019 decreased \$1,386,987, including a prior period adjustment of \$94,629, which represents a 3% decrease from fiscal year 2018.
- General revenues amounted to \$76,414,321 and \$71,218,765, or 83% and 83% 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 \$15,745,527, or 17% of total revenues for 2020, and \$14,784,661, or 17% of total revenues for 2019.
- The District had \$88,973,836 and \$87,485,042 in expenses for fiscal years 2020 and 2019; only \$15,745,527 for 2020 and \$14,784,661 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$76,414,321 for 2020 were adequate to provide for these program and \$71,218,765 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$68,202,048 in revenues and \$65,464,733 in expenditures for 2020, and \$68,307,580 in revenues and \$63,533,693 in expenditures in 2019. The General Fund's fund balance decreased by \$2,407,588, which includes a prior period adjustment of (\$102,063), from 2019 to 2020, and decreased by \$762,193, including a prior period adjustment of \$102,063 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$68,157,202 for 2020 and increased by \$18,291,352 for 2019. The increase for 2020 was due to construction in progress and other current year additions net of the increase in accumulated depreciation.
- Long-term debt increased by \$34,898,923 for 2020 and increased by \$107,786,857 for 2019. This increase for 2020 was due to issuing general obligation bonds and three mill notes payable net of the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$148,348 for 2020 and increased by \$191,293 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

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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 are considered 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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 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 \$37,510,050 as of June 30, 2020.

The District's financial position is a product of several financial transactions including the net result of

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 30,555,653	\$ 34,340,765	(11.02) %
Restricted assets	93,078,169	99,502,954	(6.46) %
Capital assets, net	131,297,576	63,140,374	107.95 %
Total assets	254,931,398	196,984,093	29.42 %
 Deferred outflows of resources	 9,963,761	 8,656,769	 15.10 %
 Current liabilities	 23,417,566	 8,087,208	 189.56 %
Long-term debt outstanding	155,290,367	120,243,096	29.15 %
Net OPEB liability	7,082,736	6,423,086	10.27 %
Net pension liability	112,789,176	109,777,595	2.74 %
Total liabilities	298,579,845	244,530,985	22.10 %
 Deferred inflows of resources	 3,825,364	 4,686,168	 (18.37) %
 Net position:			
Net investment in capital assets	40,999,048	34,601,391	18.49 %
Restricted	12,697,252	9,165,531	38.53 %
Unrestricted	(91,206,350)	(87,343,213)	(4.42) %
Total net position	\$ (37,510,050)	\$ (43,576,291)	13.92 %

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)	\$ (91,206,350)
Less unrestricted deficit in net position resulting from recognition of the net pension and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	 <u>113,733,515</u>
Unrestricted net position, exclusive of the net pension and net OPEB liability effect	 <u>\$ 22,527,165</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 \$68,157,202.
- The principal retirement of \$4,351,302 of long-term debt.
- Issuance of \$16,670,000 in three mill notes payable.
- Issuance of \$20,365,000 in general obligation bonds payable.

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$92,159,848 and \$86,003,426, respectively. The total cost of all programs and services was \$88,973,836 for 2020 and \$87,485,042 for 2019.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 596,365	\$ 1,023,999	(41.76) %
Operating grants and contributions	15,149,162	13,760,662	10.09 %
General revenues:			
Property and gaming taxes	37,763,369	34,100,374	10.74 %
Grants and contributions not restricted	35,928,368	35,915,531	0.04 %
Investment earnings	2,240,360	681,021	228.97 %
Sixteenth section	392,569	376,869	4.17 %
Other	89,655	144,970	(38.16) %
Total revenues	92,159,848	86,003,426	7.16 %
Expenses:			
Instruction	41,714,449	42,729,711	(2.38) %
Support services	26,967,791	27,237,729	(0.99) %
Non-instructional	5,213,125	3,149,577	65.52 %
Sixteenth section	69,184	22,508	207.38 %
Pension expense	9,780,912	9,856,284	(0.76) %
OPEB expense	387,867	288,181	34.59 %
Interest on long-term liabilities	4,840,508	4,201,052	15.22 %
Total expenses	88,973,836	87,485,042	1.70 %
Increase (Decrease) in net position	3,186,012	(1,481,616)	315.04 %
Net Position, July 1, as previously reported	(43,576,291)	(42,189,304)	(3.29) %
Prior Period Adjustment	2,880,229	94,629	2,943.71 %
Net Position, July 1, as restated	(40,696,062)	(42,094,675)	3.32 %
Net Position, June 30	\$ (37,510,050)	\$ (43,576,291)	13.92 %

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.

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2020	2019	
Instruction	\$ 41,714,449	\$ 42,729,711	(2.38) %
Support services	26,967,791	27,237,729	(0.99) %
Non-instructional	5,213,125	3,149,577	65.52 %
Sixteenth section	69,184	22,508	207.38 %
Pension Expense	9,780,912	9,856,284	(0.76) %
OPEB Expense	387,867	288,181	34.59 %
Interest on long-term liabilities	4,840,508	4,201,052	15.22 %
Total expenses	\$ 88,973,836	\$ 87,485,042	1.70 %

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (35,289,999)	\$ (35,560,712)	0.76 %
Support services	(23,812,424)	(23,107,790)	(3.05) %
Non-instructional	952,585	336,146	183.38 %
Sixteenth section	(69,184)	(22,508)	(207.38) %
Pension Expense	(9,780,912)	(9,856,284)	0.76 %
OPEB Expense	(387,867)	(288,181)	(34.59) %
Interest on long-term liabilities	(4,840,508)	(4,201,052)	(15.22) %
Total net (expense) revenue	\$ (73,228,309)	\$ (72,700,381)	(0.73) %

- Net cost of governmental activities (\$73,228,309 for 2020 and \$72,700,381 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$37,763,369 for 2020 and \$34,100,374 for 2019) and state and federal revenues (\$35,928,368 for 2020 and \$35,915,531 for 2019). In addition, there was \$392,569 and \$376,869 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$2,240,360 for 2020 and \$681,021 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 \$102,000,678, a decrease of \$25,036,924, which includes a prior period adjustment of \$2,139,546 and an increase in inventory of \$140,632. \$22,775,014 or 22% 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 \$79,225,664 or 78% 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

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,407,588, including a prior period adjustment of (\$102,063). The fund balance of Other Governmental Funds showed an increase in the amount of \$4,324,197, which includes an increase in reserve for inventory of \$140,632, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Capital Project Bond 18 Fund	\$ (21,343,172)
Capital Project Bond 19 Fund	\$ (14,461,089)
Capital Project Note 19 Fund	\$ 14,561,868
Capital Project Bond 19A Fund	\$ 7,216,082
Capital Project COP 19 Fund	\$ (12,927,222)

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 Vicksburg Warren 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 \$174,156,527, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$70,263,110 from 2019. Total accumulated depreciation as of June 30, 2020, was \$42,858,951, and total depreciation expense for the year was \$2,311,737, resulting in total net capital assets of \$131,297,576.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 1,056,845	\$ 1,056,845	0.00 %
Construction in progress	88,518,073	18,510,669	378.20 %
Buildings	27,531,861	28,661,715	(3.94) %
Building improvements	10,862,646	11,485,718	(5.42) %
Improvements other than buildings	572,664	597,326	(4.13) %
Mobile equipment	2,397,713	2,516,847	(4.73) %
Furniture and equipment	357,774	311,254	14.95 %
Total	\$ 131,297,576	\$ 63,140,374	107.95 %

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

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Debt Administration. At June 30, 2020, the District had \$155,290,367 in outstanding long-term debt, of which \$4,769,286 is due within one year. The liability for compensated absences increased \$148,348 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 80,332,000	\$ 61,974,000	29.62 %
Premiums on bonds	11,495,892	12,130,866	(5.23) %
Three mill notes payable	16,130,000	-	N/A %
Premium on notes	2,850,199	-	N/A %
Certificates of participation payable	33,710,000	34,950,000	(3.55) %
Qualified zone academy bonds payable	6,771,624	7,335,926	(7.69) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	1,000,652	852,304	17.41 %
Total	<u>\$ 155,290,367</u>	<u>\$ 120,243,096</u>	29.15 %

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

CURRENT ISSUES

The Vicksburg Warren School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

FINANCIAL STATEMENTS

VICKSBURG WARREN SCHOOL DISTRICT

Statement of Net Position
June 30, 2020

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 26,807,459
Due from other governments	3,254,752
Other receivables, net	128,905
Prepaid items	166,007
Inventories	198,530
Restricted assets	93,078,169
Capital assets, non-depreciable:	
Land	1,056,845
Construction in progress	88,518,073
Capital assets, net of accumulated depreciation:	
Buildings	27,531,861
Building improvements	10,862,646
Improvements other than buildings	572,664
Mobile equipment	2,397,713
Furniture and equipment	357,774
Total Assets	<u>254,931,398</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	9,133,768
Deferred outflows - OPEB	829,993
Total deferred outflows of resources	<u>9,963,761</u>
Liabilities	
Accounts payable and accrued liabilities	21,482,274
Unearned revenue	150,870
Interest payable on long-term liabilities	1,784,422
Long-term liabilities, due within one year:	
Capital related liabilities	4,769,286
Net OPEB liability	258,990
Long-term liabilities, due beyond one year:	
Capital related liabilities	149,520,429
Non-capital related liabilities	1,000,652
Net pension liability	112,789,176
Net OPEB liability	6,823,746
Total Liabilities	<u>298,579,845</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	3,316,503
Deferred inflows - OPEB	508,861
Total deferred inflows of resources	<u>3,825,364</u>
Net Position	
Net investment in capital assets	40,999,048
Restricted for:	
Expendable:	
School-based activities	2,455,765
Debt service	5,658,008
Forestry improvements	286,469
Unemployment benefits	226,880
Non-expendable:	
Sixteenth section principal	4,070,130
Unrestricted	(91,206,350)
Total Net Position	<u>\$ (37,510,050)</u>

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

VICKSBURG WARREN 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:					
Instruction	\$ 41,714,449	\$ 418,504	\$ 6,005,946	\$ -	\$ (35,289,999)
Support services	26,967,791	-	3,155,367	-	(23,812,424)
Non-instructional	5,213,125	177,861	5,987,849	-	952,585
Sixteenth section	69,184	-	-	-	(69,184)
Pension expense	9,780,912	-	-	-	(9,780,912)
OPEB expense	387,867	-	-	-	(387,867)
Interest on long-term liabilities	4,840,508	-	-	-	(4,840,508)
Total Governmental Activities	<u>\$ 88,973,836</u>	<u>\$ 596,365</u>	<u>\$ 15,149,162</u>	<u>\$ -</u>	<u>\$ (73,228,309)</u>

General Revenues:

Taxes:

General purpose levies

30,598,293

Debt purpose levies

7,165,076

Unrestricted grants and contributions:

State

35,633,427

Federal

294,941

Unrestricted investment earnings

2,240,360

Sixteenth section

392,569

Other

89,655

Total General Revenues

76,414,321

Change in Net Position

3,186,012

Net Position - Beginning, as previously reported

(43,576,291)

Prior Period Adjustments

2,880,229

Net Position - Beginning, as restated

(40,696,062)

Net Position - Ending

\$ (37,510,050)

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2020

Exhibit C

	Major Funds						Other	Total
	General	Capital Project	Capital Project	Capital Project	Capital Project	Capital Project	Governmental	Governmental
	Fund	Bond 18	Bond 19	Note 19	Bond 19A	COP 19	Funds	Funds
	Fund	Fund	Fund	Fund	Fund	Fund		
Assets:								
Cash and cash equivalents	\$ 24,452,070	\$ 787,437	\$ 255,316	\$ 6,725	\$ -	\$ -	\$ 13,808,832	\$ 39,310,380
Cash with fiscal agents	-	907,273	1,630,943	9,140,349	13,107,241	18,316,022	444	43,102,272
Investments	-	15,525,248	13,925,842	8,021,886	-	-	-	37,472,976
Due from other governments	1,157,746	-	-	-	-	-	1,446,252	2,603,998
Other receivables, net	-	43,236	33,807	14,287	1,224	-	36,351	128,905
Due from other funds	1,252,074	499,438	-	-	-	-	-	1,751,512
Inventories	-	-	-	-	-	-	198,530	198,530
Prepaid items	166,007	-	-	-	-	-	-	166,007
Total assets	27,027,897	17,762,632	15,845,908	17,183,247	13,108,465	18,316,022	15,490,409	124,734,580
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 3,349,210	\$ 3,872,235	\$ 4,489,499	\$ 2,621,379	\$ 5,882,895	\$ 976,110	\$ 290,946	\$ 21,482,274
Due to other funds	-	-	-	-	9,488	489,950	601,320	1,100,758
Unearned revenue	150,870	-	-	-	-	-	-	150,870
Total Liabilities	3,500,080	3,872,235	4,489,499	2,621,379	5,892,383	1,466,060	892,266	22,733,902
Fund Balances:								
Nonspendable:								
Permanent fund principal	-	-	-	-	-	-	4,070,130	4,070,130
Inventory	-	-	-	-	-	-	198,530	198,530
Prepaid items	166,007	-	-	-	-	-	-	166,007
Restricted:								
Debt service	-	-	-	-	-	-	7,442,430	7,442,430
Forestry improvements	-	-	-	-	-	-	286,469	286,469
Grant activities	-	-	-	-	-	-	2,257,235	2,257,235
Capital improvements	-	13,890,397	11,356,409	14,561,868	7,216,082	16,849,962	116,469	63,991,187
Unemployment benefits	-	-	-	-	-	-	226,880	226,880
Assigned:								
Student activities	586,796	-	-	-	-	-	-	586,796
Unassigned	22,775,014	-	-	-	-	-	-	22,775,014
Total Fund Balances	23,527,817	13,890,397	11,356,409	14,561,868	7,216,082	16,849,962	14,598,143	102,000,678
Total Liabilities and Fund Balances	\$ 27,027,897	\$ 17,762,632	\$ 15,845,908	\$ 17,183,247	\$ 13,108,465	\$ 18,316,022	\$ 15,490,409	\$ 124,734,580

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 102,000,678

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	1,056,845	
Construction in progress	88,518,073	
Buildings	58,286,644	
Building improvements	13,329,401	
Improvements other than buildings	1,375,666	
Mobile equipment	9,456,738	
Furniture and equipment	2,133,160	
Accumulated depreciation	<u>(42,858,951)</u>	131,297,576

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

Net pension liability	(112,789,176)	
Deferred outflow s and inflow s of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to pensions	9,133,768	
Deferred inflow s of resources related to pensions	<u>(3,316,503)</u>	(106,971,911)

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

Net OPEB liability	(7,082,736)	
Deferred outflow s and inflow s of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to OPEB	829,993	
Deferred inflow s of resources related to OPEB	<u>(508,861)</u>	(6,761,604)

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

General obligation bonds payable	(80,332,000)	
Premium on bonds	(11,495,892)	
Certificates of participation payable	(33,710,000)	
Qualified zone academy bonds payable	(6,771,624)	
Three mill notes payable	(16,130,000)	
Premium on note issuance	(2,850,199)	
Qualified school construction bonds payable	(3,000,000)	
Compensated absences	(1,000,652)	
Accrued interest payable	<u>(1,784,422)</u>	(157,074,789)

Net position of governmental activities \$ (37,510,050)

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2020

	Major Funds							
	General Fund	Capital Project Bond 18 Fund	Capital Project Bond 19 Fund	Capital Project Note 19 Fund	Capital Project Bond 19A Fund	Capital Project COP 19 Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Local sources	\$ 31,349,424	\$ 545,267	\$ 518,803	\$ 236,771	\$ 128,918	\$ 377,556	\$ 7,471,018	\$ 40,627,757
State sources	36,120,752	-	-	-	-	-	2,425,762	38,546,514
Federal sources	310,584	-	-	-	-	-	12,220,434	12,531,018
Sixteenth section	421,288	-	-	-	-	-	82,191	503,479
Total Revenues	68,202,048	545,267	518,803	236,771	128,918	377,556	22,199,405	92,208,768
Expenditures:								
Instruction	39,986,568	-	-	-	-	-	5,947,810	45,934,378
Support services	25,353,023	3,000	-	-	-	-	3,380,736	28,736,759
Noninstructional services	83,397	-	-	-	-	-	5,207,574	5,290,971
Sixteenth section	41,745	-	-	-	-	-	27,439	69,184
Facilities acquisition and construction	-	24,127,048	14,979,892	4,878,412	12,717,274	13,304,778	-	70,007,404
Debt service:								
Principal	-	-	-	-	-	-	4,351,302	4,351,302
Interest	-	-	-	-	-	-	4,094,899	4,094,899
Other	-	-	-	466,700	560,562	-	-	1,027,262
Total Expenditures	65,464,733	24,130,048	14,979,892	5,345,112	13,277,836	13,304,778	23,009,760	159,512,159
Excess (Deficiency) of Revenues over (under) Expenditures	2,737,315	(23,584,781)	(14,461,089)	(5,108,341)	(13,148,918)	(12,927,222)	(810,355)	(67,303,391)
Other Financing Sources (Uses):								
Bonds and notes issued	-	-	-	16,670,000	20,365,000	-	-	37,035,000
Premium on bonds	-	-	-	3,000,209	-	-	-	3,000,209
Operating transfers in	111,034	-	-	-	-	-	5,105,874	5,216,908
Other financing sources	-	-	-	-	-	-	-	-
Operating transfers out	(5,105,874)	-	-	-	-	-	(111,034)	(5,216,908)
Other financing uses	(48,000)	-	-	-	-	-	(920)	(48,920)
Total Other Financing Sources (Uses)	(5,042,840)	-	-	19,670,209	20,365,000	-	4,993,920	39,986,289
Net Change in Fund Balances	(2,305,525)	(23,584,781)	(14,461,089)	14,561,868	7,216,082	(12,927,222)	4,183,565	(27,317,102)
Fund Balances:								
July 1, 2019, as previously reported	25,935,405	35,233,569	25,817,498	-	-	29,777,184	10,273,946	127,037,602
Prior period adjustments	(102,063)	2,241,609	-	-	-	-	-	2,139,546
July 1, 2019, as restated	25,833,342	37,475,178	25,817,498	-	-	29,777,184	10,273,946	129,177,148
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	140,632	140,632
June 30, 2020	\$ 23,527,817	\$ 13,890,397	\$ 11,356,409	\$ 14,561,868	\$ 7,216,082	\$ 16,849,962	\$ 14,598,143	\$ 102,000,678

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

VICKSBURG WARREN 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 \$ (27,317,102)

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	\$ 70,488,147	
Depreciation expense	<u>(2,311,737)</u>	68,176,410

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(19,208)

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

Bonds and notes issued	(37,035,000)	
Premiums on debt issuance	(3,000,209)	
Payments of debt principal	4,351,302	
Accrued interest payable	<u>(503,331)</u>	(36,187,238)

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

Pension expense	(9,780,912)	
Contributions subsequent to the measurement date	<u>7,665,671</u>	(2,115,241)

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

OPEB expense	(387,867)	
Contributions subsequent to the measurement date	<u>258,990</u>	(128,877)

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

Change in compensated absences	(148,348)	
Amortization of premiums	784,984	
Change in inventory reserve	<u>140,632</u>	<u>777,268</u>

Change in net position of governmental activities \$ 3,186,012

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

VICKSBURG WARREN SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2020

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 753,662
Total Assets	<u>\$ 753,662</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 3,708
Due to other funds	650,754
Due to student clubs	99,200
Total Liabilities	<u>\$ 753,662</u>

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

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, The Vicksburg Warren 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 units:

The Vicksburg Warren School District Leasing Authority, Incorporated, ("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 five-member board which is appointed by the District's governing board. Although it is legally separate from the 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 District. (See Note 15).

The VHS Public Benefit Corporation, (QUALICB) 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 QUALICB is fiscally dependent upon the District and is in a relationship of financial benefit or burden with the QUALICB. Therefore, all of the QUALICB's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the District. (See Note 16)

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.

VICKSBURG WARREN SCHOOL DISTRICT

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

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 funds 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.

Capital Projects Bond 18 – This fund accounts for the financial resources of bond proceeds used for capital outlay.

Capital Projects Bond 19 – This fund accounts for the financial resources of bond proceeds used for capital outlay.

Capital Projects Note 19 – This fund accounts for the financial resources of note proceeds used for capital outlay.

Capital Projects Bond 19A – This fund accounts for the financial resources of bond proceeds used for capital outlay.

Capital Projects COP 19 – This fund accounts for the financial resources of certificates of participation proceeds used for capital outlay.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources

VICKSBURG WARREN SCHOOL DISTRICT

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

held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

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

VICKSBURG WARREN SCHOOL DISTRICT

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

recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

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

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

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

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

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

D. Encumbrances

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

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

VICKSBURG WARREN SCHOOL DISTRICT

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

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

VICKSBURG WARREN SCHOOL DISTRICT

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

by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$9,133,768 of deferred outflows related to its pension plan and \$829,993 related to its OPEB plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district reports \$3,316,503 of deferred inflows related to its pension plan and \$508,861 related to its OPEB plan.

See Note 14 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on

VICKSBURG WARREN SCHOOL DISTRICT

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

historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

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 vote by the board to commit funds.

VICKSBURG WARREN SCHOOL DISTRICT

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

Currently there is no committed fund balance for this school district.

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

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

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

13. Accounting Standards Update

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

In addition, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets and (2) the beneficiaries with whom the relationship exists. This means school district clearing and club funds, which were previously reported as agency funds in the statement of fiduciary net position, will no longer meet the requirements to be considered fiduciary. As a fiduciary fund, these activities have not been required to report revenue and expenses and have not been included in the government-wide financial statements. Beginning July 1, 2020, school clearing and student club funds will be reported in the general fund. As part of the general fund, they will be included in the governmental fund statements as well as in governmental activities in the government-wide financial statements.

VICKSBURG WARREN SCHOOL DISTRICT

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

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.

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 \$39,310,380 and \$753,662, 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 with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$43,102,272.

VICKSBURG WARREN SCHOOL DISTRICT

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

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government securities	AA+	1-5 years	\$ 37,472,976
Total			<u>\$ 37,472,976</u>

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

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

- U.S. government securities type of investments of \$37,472,976 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U.S. Government Securities	\$ 37,472,976	100%

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 601,320
	Fiduciary Funds	650,754
Capital Project Bond 18 Fund	Capital Project Bond 2019A Fund	9,488
	Capital Project COP 19 Fund	489,950
Total		<u>\$ 1,751,512</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 5,105,874
Other governmental funds	General Fund	111,034
Total		<u>\$ 5,216,908</u>

The primary reason for the interfund transfers was for debt service requirements, federal grant allocations and the funding of various programs within the district.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$4,069,030 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the School District's programs.

In addition, the restricted assets represent the cash, cash with fiscal agents, and investment balance, totaling \$1,165,947, \$43,101,828, and \$37,472,976, respectively, of the unspent bond and note proceeds.

Also, the restricted assets represent the cash and cash with fiscal agents balance, totaling \$7,267,944 and \$444, respectively, of the debt service funds that is restricted for future debt service requirements.

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,056,845	\$ -	\$ -	\$ 1,056,845
Construction in progress	18,510,669	70,007,404	-	88,518,073
Total non-depreciable capital assets	19,567,514	70,007,404	-	89,574,918
<u>Depreciable capital assets:</u>				
Buildings	58,286,644	-	-	58,286,644
Building improvements	13,329,401	-	-	13,329,401
Improvements other than buildings	1,375,666	-	-	1,375,666
Mobile equipment	9,281,918	357,612	(182,792)	9,456,738
Furniture and equipment	2,052,274	123,131	(42,245)	2,133,160
Total depreciable capital assets	84,325,903	480,743	(225,037)	84,581,609
<u>Less accumulated depreciation for:</u>				
Buildings	29,624,929	1,129,854	-	30,754,783
Building improvements	1,843,683	623,072	-	2,466,755
Improvements other than buildings	778,340	24,662	-	803,002
Mobile equipment	6,765,071	458,466	(164,512)	7,059,025
Furniture and equipment	1,741,020	75,683	(41,317)	1,775,386
Total accumulated depreciation	40,753,043	2,311,737	(205,829)	42,858,951
Total depreciable capital assets, net	43,572,860	(1,830,994)	(19,208)	41,722,658
Governmental activities capital assets, net	\$ 63,140,374	\$ 68,176,410	\$ (19,208)	\$ 131,297,576

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,178,986
Support services	832,225
Non-instructional	300,526
Total depreciation expense - Governmental activities	<u>\$ 2,311,737</u>

VICKSBURG WARREN SCHOOL DISTRICT

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

Construction in progress is composed of:

	Spent to June 30, 2020	Remaining Commitment
Beechwood Elementary	\$ 3,400,844	\$ 81,188
Bovina Elementary	1,244,430	930,453
Bowmar Elementary	1,346,170	4,131,922
Dana Road Elementary	613,728	24,968
Redwood Elementary	641,020	1,106,016
Sherman Avenue Elementary	303,000	26,432
South Park Elementary	515,451	683,659
Warrenton Elementary	11,529	1,274,000
Vicksburg Intermediate	101,752	24,968
Warren Central Intermediate	327,292	26,432
Grove street	41,131	-
Vicksburg Junior High	4,064,071	3,984,934
Warren Central Junior High	1,968,749	3,984,934
New Academy Innovation	10,445,569	7,397,769
Vicksburg High	29,101,332	11,232,352
Vicksburg High Athletics	6,601,013	4,975,933
Warren Central High	18,705,228	14,501,820
Warren Central High Athletics	9,085,764	875,984
Total construction in progress	<u>\$ 88,518,073</u>	<u>\$ 55,263,764</u>

Construction projects included in governmental activities are funded by the Capital Project Bond 18 fund, Capital Project Bond 19 fund, Capital Project Note 19 fund, Capital Project Bond 19A fund, and Capital Project COP 19 fund.

VICKSBURG WARREN 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. General obligation bonds	\$ 61,974,000	\$ 20,365,000	\$ (2,007,000)	\$ 80,332,000	\$ 1,720,000
Premium on bond issues	12,130,866	-	(634,974)	11,495,892	634,974
B. Three mill notes payable	-	16,670,000	(540,000)	16,130,000	420,000
Premium on note issuance	-	3,000,209	(150,010)	2,850,199	150,010
C. Certificates of participation payable	34,950,000	-	(1,240,000)	33,710,000	1,280,000
D. Qualified zone academy bonds payable	7,335,926	-	(564,302)	6,771,624	564,302
E. Limited tax notes payable QSCB	3,000,000	-	-	3,000,000	-
E. Compensated absences payable	852,304	148,348	-	1,000,652	-
Total	\$ 120,243,096	\$ 40,183,557	\$ (5,136,286)	\$ 155,290,367	\$ 4,769,286

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds Series 2018A	4.48%	10/22/2018	3/1/2033	\$ 12,310,000	\$ 11,037,000
General Obligation Bonds Series 2018	4.125-5.25%	10/23/2018	3/1/2047	22,580,000	22,580,000
General Obligation Bonds Series 2019	3.125-5.50%	6/3/2019	3/1/2049	27,745,000	27,450,000
General Obligation Bonds Series 2019A	2.38%	10/11/2019	3/1/2035	20,365,000	19,265,000
Total				<u>\$ 83,000,000</u>	<u>\$ 80,332,000</u>

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

General Obligation Bonds Series 2018A

Year Ending June 30	Principal	Interest	Total
2021	\$ 640,000	\$ 494,457	\$ 1,134,457
2022	669,000	465,785	1,134,785
2023	700,000	435,814	1,135,814
2024	732,000	404,454	1,136,454
2025	765,000	371,661	1,136,661
2026-2030	4,387,000	1,311,565	5,698,565
2031-2033	3,144,000	285,868	3,429,868
Total	<u>\$ 11,037,000</u>	<u>\$ 3,769,604</u>	<u>\$ 14,806,604</u>

This debt will be retired from the GO Bond 2018A debt service fund.

VICKSBURG WARREN SCHOOL DISTRICT

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

General Obligation Bonds Series 2018

Year Ending June 30	Principal	Interest	Total
2021	\$ -	\$ 1,147,650	\$ 1,147,650
2022	-	1,147,650	1,147,650
2023	-	1,147,650	1,147,650
2024	-	1,147,650	1,147,650
2025	-	1,147,650	1,147,650
2026-2030	-	5,738,250	5,738,250
2031-2035	2,425,000	5,676,300	8,101,300
2036-2040	7,300,000	4,375,877	11,675,877
2041-2045	9,495,000	2,240,964	11,735,964
2046-2047	3,360,000	186,244	3,546,244
Total	<u>\$ 22,580,000</u>	<u>\$ 23,955,885</u>	<u>\$ 46,535,885</u>

This debt will be retired from the GO Bond 2018 debt service fund.

General Obligation Bonds Series 2019

Year Ending June 30	Principal	Interest	Total
2021	\$ -	\$ 1,336,056	\$ 1,336,056
2022	-	1,336,056	1,336,056
2023	-	1,336,056	1,336,056
2024	-	1,336,056	1,336,056
2025	-	1,336,056	1,336,056
2026-2030	-	6,680,280	6,680,280
2031-2035	-	6,680,280	6,680,280
2036-2040	6,660,000	6,163,305	12,823,305
2041-2045	10,420,000	3,945,155	14,365,155
2046-2049	10,370,000	1,119,124	11,489,124
Total	<u>\$ 27,450,000</u>	<u>\$ 31,268,424</u>	<u>\$ 58,718,424</u>

This debt will be retired from the GO Bond 2019 debt service fund.

VICKSBURG WARREN SCHOOL DISTRICT

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

General Obligation Bonds Series 2019A

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,080,000	\$ 458,508	\$ 1,538,508
2022	1,105,000	432,804	1,537,804
2023	1,135,000	406,504	1,541,504
2024	1,160,000	379,492	1,539,492
2025	1,190,000	351,884	1,541,884
2026-2030	6,395,000	1,320,664	7,715,664
2031-2035	7,200,000	522,404	7,722,404
Total	<u>\$ 19,265,000</u>	<u>\$ 3,872,260</u>	<u>\$ 23,137,260</u>

This debt will be retired from the GO Bond 2019A debt service fund.

Total all General Obligation Bonds Payable:

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,720,000	\$ 3,436,671	\$ 5,156,671
2022	1,774,000	3,382,295	5,156,295
2023	1,835,000	3,326,024	5,161,024
2024	1,892,000	3,267,652	5,159,652
2025	1,955,000	3,207,251	5,162,251
2026-2030	10,782,000	15,050,759	25,832,759
2031-2035	12,769,000	13,164,852	25,933,852
2036-2040	13,960,000	10,539,182	24,499,182
2041-2045	19,915,000	6,186,119	26,101,119
2046-2049	13,730,000	1,305,368	15,035,368
Total	<u>\$ 80,332,000</u>	<u>\$ 62,866,173</u>	<u>\$ 143,198,173</u>

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 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 14% of property assessments as of October 1, 2019.

VICKSBURG WARREN SCHOOL DISTRICT

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, series 2019	4-5%	11/7/2019	3/1/2039	<u>\$ 16,670,000</u>	<u>\$ 16,130,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 420,000	776,350	\$ 1,196,350
2022	440,000	755,350	1,195,350
2023	465,000	733,350	1,198,350
2024	485,000	710,100	1,195,100
2025	510,000	685,850	1,195,850
2026-2030	3,800,000	2,960,250	6,760,250
2031-2035	5,035,000	1,928,750	6,963,750
2036-2039	4,975,000	637,750	5,612,750
Total	<u>\$ 16,130,000</u>	<u>\$ 9,187,750</u>	<u>\$ 25,317,750</u>

This debt will be retired from the three mill debt service fund.

C. Certificates of participation payable

As more fully explained in Note 15, certificates of participation have been issued by the school district. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificate of participation, Series 2019	3.47%	3/1/2019	3/1/2039	<u>\$ 34,950,000</u>	<u>\$ 33,710,000</u>

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

VICKSBURG WARREN SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,280,000	\$ 1,169,737	\$ 2,449,737
2022	1,325,000	1,125,321	2,450,321
2023	1,375,000	1,079,344	2,454,344
2024	1,420,000	1,031,631	2,451,631
2025	1,470,000	982,358	2,452,358
2026-2030	8,155,000	4,110,216	12,265,216
2031-2035	9,670,000	2,593,826	12,263,826
2036-2039	9,015,000	795,324	9,810,324
Total	<u>\$ 33,710,000</u>	<u>\$ 12,887,757</u>	<u>\$ 46,597,757</u>

This debt will be retired from the COP series 2019 debt service fund.

D. Qualified zone academy bonds payable

As more fully explained in Note 17, debt has been issued by the school district that qualifies as Qualified zone academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB, Series 2015A	0.00%	9/25/2015	9/25/2031	\$8,572,169	\$6,771,624
Total				<u>\$8,572,169</u>	<u>\$6,771,624</u>

E. Qualified school construction bonds payable

As more fully explained in Note 18, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, series 2009 QSCB	0.00%	10/2/2009	10/6/2026	\$3,000,000	\$3,000,000
Total				<u>\$3,000,000</u>	<u>\$3,000,000</u>

F. 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.

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 7– Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$7,665,671, \$6,576,542 and \$6,591,304, 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 \$112,789,176 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

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

pension liability was .64114 percent, which was based on a measurement date of June 30, 2019. This was a decrease of .0142 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 \$9,780,912. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,198	\$ 123,410
Net difference between projected and actual earnings on pension plan investments	-	1,283,343
Changes of assumptions	1,106,082	-
Changes in proportion and differences between District contributions and proportionate share of contributions	293,817	1,909,750
District contributions subsequent to the measurement date	7,665,671	-
Total	<u>\$ 9,133,768</u>	<u>\$ 3,316,503</u>

\$7,665,671 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ (24,872)
2022	(2,169,732)
2023	(168,741)
2024	514,939
Total	<u>\$ (1,848,406)</u>

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

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 148,265,279	\$ 112,789,176	\$ 83,506,837

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

VICKSBURG WARREN SCHOOL DISTRICT

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

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 \$258,990 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$7,082,736 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

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

of June 30, 2019, the District's proportion was .8346958 percent. This was an increase of .0044 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 \$387,867. 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	\$ 10,709	\$ 101,382
Net difference between projected and actual earnings on OPEB plan investments	134	-
Changes of assumptions	528,037	367,275
Changes in proportion and differences between District contributions and proportionate share of contributions	32,123	40,204
District contributions subsequent to the measurement date	258,990	-
Total	<u>\$ 829,993</u>	<u>\$ 508,861</u>

\$258,990 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	\$ (16,146)
2022	(16,146)
2023	(16,146)
2024	4,670
2025	72,060
Thereafter	33,850
Total	<u>\$ 62,142</u>

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

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

VICKSBURG WARREN SCHOOL DISTRICT

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

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	\$ 7,867,684	\$ 7,082,736	\$ 6,411,140

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	\$ 6,563,246	\$ 7,082,736	\$ 7,671,230

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/>.

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To adjust beginning asset balances	\$ 2,139,546
2. To adjust beginning Net Pension Liability and related deferred inflows and outflows	740,683
Total	<u>\$ 2,880,229</u>

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

Fund	Explanation	Amount
General Fund	To adjust beginning asset balances	\$ (102,063)
Capital Project Bond 18 Fund	To adjust beginning asset balances	<u>2,241,609</u>
Total		<u>\$ 2,139,546</u>

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 13 – 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	\$ 39,038
2022	90,114
2023	54,546
2024	44,773
2025	63,978
2026-2030	47,183
Total	<u>\$ 339,632</u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$91,206,350) 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 \$7,665,671 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$1,468,097 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 (\$91,206,350) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,316,503 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$91,206,350) 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 \$258,990 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 \$571,003 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 (\$91,206,350) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$508,861 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.

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 15 – Trust Certificates

A trust agreement dated March 1, 2019, was executed by and between the school district and Vicksburg Warren School District Leasing Authority, Incorporated, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$34,950,000.

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 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 16 – New Market Tax Credit Financing

On September 12, 2018, the Board of Trustees approved and authorized a series of transactions utilizing federal New Market Tax Credits and Mississippi Equity Investment Tax Credits. The district formed the VHS Public Benefit Corporation, a Mississippi nonprofit corporation and instrumentality of the District which constitutes a "qualified active low-income community business" (QUALICB) in order to qualify for federal New Market Tax Credits pursuant to Section 45D of the Internal Revenue Code of 1986, as amended and Mississippi Equity Investment Tax Credits, pursuant to Section 57-105-1 of the Mississippi Code of 1972, Ann.

Note 17 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Vicksburg-Warren School District Leasing Authority, Incorporated, has entered into such an arrangement dated September 25, 2015.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The following schedule reports the annual deposits to be made to the sinking fund by the school district:

VICKSBURG WARREN SCHOOL DISTRICT

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

Year Ending June 30		Amount
2021	\$	564,302
2022		564,302
2023		564,302
2024		564,302
2025		564,302
2026-2030		2,821,510
2031-2032		1,128,604
Total	\$	<u>6,771,624</u>

Note 18 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit in the sinking fund at June 30, 2020 was \$1,875,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2021	\$	187,500
2022		187,500
2023		187,500
2024		187,500
2025		187,500
2026		187,500
Total	\$	<u>1,125,000</u>

Note 19 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the Vicksburg Warren School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

VICKSBURG WARREN SCHOOL DISTRICT

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

Note 20 - 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 Vicksburg Warren School District evaluated the activity of the district through April 29, 2022, (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:

- On December 22, 2021, the district issued \$9,549,000 in general obligation refunding bonds payable.
- On June 4, 2021, Standard & Poor pulled the District's A+ bond rating due to insufficient financial information. There have been no further updates from Standard & Poor.

REQUIRED SUPPLEMENTARY INFORMATION

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 32,770,611	\$ 33,118,932	\$ 31,349,424	\$ 348,321	\$ (1,769,508)
State sources	36,327,543	36,716,921	36,120,752	389,378	(596,169)
Federal sources	1,309,616	413,057	310,584	(896,559)	(102,473)
Sixteenth section	-	421,290	421,288	421,290	(2)
Total Revenues	70,407,770	70,670,200	68,202,048	262,430	(2,468,152)
Expenditures:					
Instruction	45,683,511	45,269,958	39,986,568	413,553	5,283,390
Support services	25,694,571	29,381,953	25,353,023	(3,687,382)	4,028,930
Noninstructional services	30,408	77,373	83,397	(46,965)	(6,024)
Sixteenth section	16,992	41,744	41,745	(24,752)	(1)
Total Expenditures	71,425,482	74,771,028	65,464,733	(3,345,546)	9,306,295
Excess (Deficiency) of Revenues over (under) Expenditures	(1,017,712)	(4,100,828)	2,737,315	(3,083,116)	6,838,143
Other Financing Sources (Uses):					
Operating transfers in	2,097,543	2,392,599	111,034	295,056	(2,281,565)
Operating transfers out	(1,430,906)	-	(5,105,874)	1,430,906	(5,105,874)
Other financing uses	-	-	(48,000)	-	(48,000)
Total Other Financing Sources (Uses)	666,637	2,392,599	(5,042,840)	1,725,962	(7,435,439)
Net Change in Fund Balances	(351,075)	(1,708,229)	(2,305,525)	(1,357,154)	(597,296)
Fund Balances:					
July 1, 2019, as previously reported	29,935,405	29,935,405	29,935,405	-	-
Prior period adjustments	-	-	(102,063)	-	(102,063)
July 1, 2019, as restated	29,935,405	29,935,405	29,833,342	-	(102,063)
June 30, 2020	\$ 29,584,330	\$ 28,227,176	\$ 27,527,817	\$ (1,357,154)	\$ (699,359)

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

VICKSBURG WARREN 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	% .64114	.66000	.65000	.66000	.68000	.68000
District's proportionate share of the net pension liability	\$ 112,789,176	109,777,595	108,052,061	117,892,480	105,114,590	82,539,548
District's covered payroll	41,755,804	41,849,529	41,805,780	41,928,959	42,286,152	41,526,051
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	262.32%	258.46%	281.17%	248.58%	198.77%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,665,671	6,576,542	6,591,304	6,584,681	6,603,658	6,660,069
Contributions in relation to the contractually required contribution	\$ 7,665,671	6,576,542	6,591,304	6,584,681	6,603,658	6,660,069
Contribution deficiency (excess)	\$ -	-	-	-	-	-
District's covered payroll	\$ 44,055,580	41,755,804	41,849,529	41,805,780	41,927,987	42,286,152
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.

VICKSBURG WARREN 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	%	.8346958	.8300000	.8300000
District's proportionate share of the net OPEB liability	\$	7,082,736	6,423,086	6,512,534
District's covered-employee payroll		41,755,804	41,849,529	41,805,780
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		16.96%	15.348%	15.578%
Plan fiduciary net position as a percentage of the total OPEB liability		0.1198%	0.12911%	0.0000%

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.

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2020	2019	2018
Actuarially determined contribution	\$ 258,990	283,898	277,639
Contributions in relation to the actuarially determined contribution	\$ 258,990	283,898	277,639
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 44,055,580	41,849,529	41,805,780
Contributions as a percentage of covered-employee payroll	0.5879%	0.6784%	0.6641%

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 1,231,482
National school lunch program	10.555	205MS326N1099	3,054,192
Summer food service program for children	10.559	205MS326N1099	1,651,329
Total child nutrition cluster			<u>5,937,003</u>
Fresh fruit and vegetables program	10.582	205MS326L1603	164,141
Total passed-through Mississippi Department of Education			<u>6,101,144</u>
Total U.S. Department of Agriculture			<u>6,101,144</u>
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.357	N/A	129,187
Total U.S. Department of Defense			<u>129,187</u>
<u>Federal Communications Commission</u>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	110,597
Total Federal Communications Commission			<u>110,597</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A190024	3,619,879
Career and technical education - basic grants to states	84.048	VO048A190024	125,932
Education for homeless children and youth	84.196	ES196A190025	20,256
Rural education	84.365	ES358B190024	50,966
Supporting Effective Instruction State Grants	84.367	ES367A190023	393,564
Student Support and Academic Enrichment	84.424	ES424A190025	152,834
Subtotal			<u>4,363,431</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108-19A	1,730,954
Special education - preschool grants	84.173	H173A190113	40,547
Total special education cluster			<u>1,771,501</u>
Total passed-through Mississippi Department of Education			<u>6,134,932</u>
Total U.S. Department of Education			<u>6,134,932</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	55,157
Total passed-through Mississippi Department of Education			<u>55,157</u>
Total U.S. Department of Health and Human Services			<u>55,157</u>
Total for All Federal Awards			<u>\$ 12,531,017</u>

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

VICKSBURG WARREN SCHOOL DISTRICT

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

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Vicksburg Warren 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 Vicksburg Warren School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Vicksburg Warren School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$340,081 are included in the National School Lunch Program.

VICKSBURG WARREN SCHOOL DISTRICT

Supplementary Information

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 60,849,378	47,718,107	2,271,735	4,020,623	6,838,913
Other	98,662,781	6,840,566	779,889	107,224	90,935,102
Total	<u>\$ 159,512,159</u>	<u>54,558,673</u>	<u>3,051,624</u>	<u>4,127,847</u>	<u>97,774,015</u>
Total number of students *	<u>7,108</u>				
Cost per student	<u>\$ 22,441</u>	<u>7,676</u>	<u>429</u>	<u>581</u>	<u>13,755</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

VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 31,349,424	\$ 32,851,467	\$ 32,982,636	\$ 32,576,140
State sources	36,120,752	34,752,619	35,277,252	34,246,587
Federal sources	310,584	299,717	1,333,396	346,666
Sixteenth section	421,288	403,777	392,565	458,870
Total Revenues	68,202,048	68,307,580	69,985,849	67,628,263
Expenditures:				
Instruction	39,986,568	39,043,476	37,967,046	38,447,458
Support services	25,353,023	24,383,005	24,065,648	24,464,886
Noninstructional services	83,397	89,403	74,858	124,197
Sixteenth section	41,745	17,808	8,360	13,475
Total Expenditures	65,464,733	63,533,692	62,115,912	63,050,016
Excess (Deficiency) of Revenues over (under) Expenditures	2,737,315	4,773,888	7,869,937	4,578,247
Other Financing Sources (Uses):				
Insurance recovery	-	2,400	68,457	1,472
Operating transfers in	111,034	130,450	610,482	139,841
Sales of other property	-	-	-	4,515
Sales of transportation equipment	-	12,808	-	-
Other financing uses	(48,000)	-	-	-
Operating transfers out	(5,105,874)	(5,783,802)	(3,147,890)	(2,444,636)
Total Other Financing Sources (Uses)	(5,042,840)	(5,638,144)	(2,468,951)	(2,298,808)
Net Change in Fund Balances	(2,305,525)	(864,256)	5,400,986	2,279,439
Fund Balances:				
Beginning of period, as previously reported	25,935,405	26,697,598	21,272,779	18,909,356
Prior period adjustment	(102,063)	102,063	23,833	83,984
Beginning of period, as restated	25,833,342	26,799,661	21,296,612	18,993,340
End of Period	\$ 23,527,817	\$ 25,935,405	\$ 26,697,598	\$ 21,272,779

*SOURCE - PRIOR YEAR AUDIT REPORTS

VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 40,627,757	\$ 35,842,995	\$ 33,534,676	\$ 32,999,315
State sources	38,546,514	37,525,430	38,463,174	37,676,698
Federal sources	12,531,018	12,150,763	12,719,994	11,494,243
Sixteenth section	503,479	481,838	449,565	487,223
Total Revenues	92,208,768	86,001,026	85,167,409	82,657,479
Expenditures:				
Instruction	45,934,378	45,371,397	44,496,427	44,143,053
Support services	28,736,759	32,346,633	29,121,845	29,661,538
Noninstructional services	5,290,971	3,806,156	3,753,680	3,776,614
Sixteenth section	69,184	22,508	24,570	27,168
Facilities acquisition and construction	70,007,404	16,512,831	1,104,036	1,380,108
Debt service:				
Principal	4,351,302	2,120,302	2,697,000	2,644,941
Interest	4,094,899	636,995	88,518	143,293
Other	1,027,262	2,930,645	-	-
Total Expenditures	159,512,159	103,747,467	81,286,076	81,776,715
Excess (Deficiency) of Revenues over (under) Expenditures	(67,303,391)	(17,746,441)	3,881,333	880,764
Other Financing Sources (Uses):				
Bonds and notes issued	37,035,000	97,585,000	-	-
Insurance recovery	-	2,400	68,457	1,472
Premiums on debt issuance	3,000,209	12,770,714	-	-
Sale of other property	-	-	-	4,515
Sale of transportation equipment	-	12,808	-	-
Operating transfers in	5,216,908	5,914,252	4,462,218	2,865,078
Operating transfers out	(5,216,908)	(5,914,252)	(4,462,218)	(2,865,078)
Other financing uses	(48,920)	-	-	-
Total Other Financing Sources (Uses)	39,986,289	110,370,922	68,457	5,987
Net Change in Fund Balances	(27,317,102)	92,624,481	3,949,790	886,751
Fund Balances:				
Beginning of period, as previously reported	127,037,602	34,371,799	30,319,221	29,185,122
Prior period adjustment	2,139,546	102,063	107,792	199,710
Beginning of period, as restated	129,177,148	34,473,862	30,427,013	29,384,832
Increase (Decrease) in reserve for inventory	140,632	(60,741)	(5,004)	47,638
End of Period	\$ 102,000,678	\$ 127,037,602	\$ 34,371,799	\$ 30,319,221

*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 FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Vicksburg Warren 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 the Vicksburg Warren School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Vicksburg Warren School District's basic financial statements, and have issued our report thereon dated April 29, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Vicksburg Warren School District's Response to Finding

The Vicksburg Warren School District's response to the finding identified in our audit is described in the accompanying Auditee Corrective Action Plan. We did not audit the Vicksburg Warren School District's response and, accordingly, we express no opinion on it.

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 dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

April 29, 2022

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

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

Superintendent and School Board
Vicksburg Warren School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

April 29, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VICKSBURG WARREN 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:

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I – grants to local educational agencies

84.027

Special Education – Grants to states

84.173

Special Education – Preschool grants

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
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

VICKSBURG WARREN SCHOOL DISTRICT

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

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

Material Weakness:

Finding 2020-001:

CRITERIA: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

CONDITION:

- (1) We noted bank reconciliations were not being performed timely or accurately throughout the year, resulting in material adjustments by management after the close of the fiscal year. Failure to prepare accurate and timely bank reconciliations could lead to misappropriation of assets that go undetected by management.
- (2) During our testing of the cash with fiscal agents and the investments balance of unspent bond proceeds, we noted material variances with amounts reported in the financial statements. The investment statements had not been reconciled, resulting in transactions not being recorded in the financial statements. This was corrected by audit adjustment that resulted in an approximate decrease in ending fund balance of \$9,000,000.
- (3) During our search for unrecorded liabilities, we noted multiple application for payments and retainage on construction contracts that had not been accrued. This was corrected by audit adjustment that resulted in an approximate decrease in ending fund balance of \$10,300,000.
- (4) During our testing of capital assets, we noted the district is not effectively tracking and accounting for ongoing construction projects, as evidenced by the audit adjustments referenced above.

CAUSE OF CONDITION: The cause is a result of not properly implementing a designed system of accounting and internal controls.

EFFECT OF CONDITION: The effect of this condition could result in the financial statements being materially misstated.

RECOMMENDATION: It is recommended that the district implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

VIEWS OF RESPONSIBLE OFFICIALS: Management will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

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.

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SCHOOL BOARD
James Stirus, Jr., President
Sally Bullard, Vice President
Bryan Pratt, Secretary
Kimble Slaton, Member
Alonzo Stevens, Member

AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511 the Vicksburg Warren School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2020-001	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Cassandra Lewis – Director of Financial Services</p> <p>b. Corrective Action Planned:</p> <p>Management will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately.</p>

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Vicksburg Warren 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	Corrected
2019-002	Repeated as 2020-001
2019-003	Corrected
2019-004	Repeated as 2020-001
2019-005	Corrected
2019-006	Corrected