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WEBSTER COUNTY SCHOOL DISTRICT

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

WEBSTER COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Webster County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Webster County School District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-14, 45, 46, 47, 48 and 49, 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 Webster County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Webster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Webster County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Webster County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
September 23, 2021

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$855,504, including a residual equity transfer in of \$79,027, which represents a 40% decrease from fiscal year 2019. Total net position for 2019 increased \$207,691, including a prior period adjustment of \$(95,762), which represents a 9% increase from fiscal year 2018.
- General revenues amounted to \$12,904,379 and \$12,970,415, or 76% and 78% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,163,744, or 24% of total revenues for 2020, and \$3,691,421, or 22% of total revenues for 2019.
- The District had \$18,002,654 and \$16,358,383 in expenses for fiscal years 2020 and 2019; only \$4,163,744 for 2020 and \$3,691,421 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,904,379 for 2020 were not adequate to provide for these programs. General revenues of \$12,970,415 for 2019 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,398,284 in revenues and \$12,886,852 in expenditures for 2020, and \$13,163,005 in revenues and \$12,473,353 in expenditures in 2019. The General Fund's fund balance increased by \$125,941, which includes a residual equity transfer of \$79,027, from 2019 to 2020, and increased by \$276,087 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$408,797 for 2020 and decreased by \$207,994 for 2019. The decrease for 2020 was due to the depreciation incurred on capital assets exceeding capital asset expenditures during the year.
- Long-term debt decreased by \$125,141 for 2020 and decreased by \$69,202 for 2019. This decrease for 2020 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$13,845 for 2020 and increased by \$5,719 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.

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

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

Governmental funds – All of the funds of the District can be classified as 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.

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and 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 a budgetary comparison schedule, 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,971,681 as of June 30, 2020.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 5,535,185	\$ 4,658,559	18.82%
Restricted assets	922,050	817,390	12.80%
Capital assets, net	17,042,780	17,451,577	-2.34%
Total Assets	23,500,015	22,927,526	2.50%
 Deferred outflows of resources	 3,623,737	 1,656,019	 118.82%
 Current liabilities	 1,025,682	 220,909	 364.30%
Long-term debt outstanding	2,115,040	2,240,181	-5.59%
Net OPEB liability	1,657,146	1,477,842	12.13%
Net pension liability	23,952,879	20,528,745	16.68%
Total Liability	28,750,747	24,467,677	17.51%
 Deferred inflows of resources	 1,344,686	 2,232,045	 -39.76%
 Net Position:			
Net investment in capital assets	15,089,780	15,365,577	-1.79%
Restricted	1,216,527	1,175,279	3.51%
Unrestricted	(19,277,988)	(18,657,033)	-3.33%
Total net position	\$ (2,971,681)	\$ (2,116,177)	-40.43%

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)	\$(19,277,988)
Less: unrestricted deficit in net position resulting for the recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows.	23,330,974
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 4,052,986</u>

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

- Decrease in net capital assets in the amount of \$408,797.
- The principal retirement of \$138,986 of long-term debt.

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

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$17,068,123 and \$16,661,836, respectively. The total cost of all programs and services was \$18,002,654 for 2020 and \$16,358,383 for 2019.

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 771,397	\$ 832,645	-7.36%
Operating grants and contributions	3,371,767	2,858,776	17.94%
Capital Grants and Contributions	20,580	-	N/A
General revenues:			
Property taxes	3,034,817	2,942,100	3.15%
Grants and contributions not restricted	9,516,897	9,573,317	-0.59%
Investment earnings	65,891	37,177	77.24%
Sixteenth section sources	153,480	239,677	-35.96%
Other	133,294	178,144	-25.18%
Total revenues	<u>17,068,123</u>	<u>16,661,836</u>	2.44%
Expenses:			
Instruction	9,556,383	8,865,173	7.80%
Support services	5,003,680	4,913,205	1.84%
Non-instructional	911,257	932,385	-2.27%
Sixteenth section	10,606	32,115	-66.97%
Pension expense	2,328,638	1,447,714	60.85%
OPEB expense	93,001	68,005	36.76%
Interest on long-term liabilities	99,089	99,786	-0.70%
Total expenses	<u>18,002,654</u>	<u>16,358,383</u>	10.05%
Increase (Decrease) in net position	<u>(934,531)</u>	<u>303,453</u>	-407.97%
Net Position, July 1, as previously reported	<u>(2,116,177)</u>	<u>(2,323,868)</u>	8.94%
Prior Period Adjustment / Residual Equity			
Transfers in	<u>79,027</u>	<u>(95,762)</u>	182.52%
Net Position, July 1, as restated	<u>(2,037,150)</u>	<u>(2,419,630)</u>	15.81%
Net Position, June 30	<u>\$ (2,971,681)</u>	<u>\$ (2,116,177)</u>	-40.43%

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

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2020	2019	Change
Instruction	\$ 9,556,383	\$ 8,865,173	7.80%
Support services	5,003,680	4,913,205	1.84%
Non-instructional	911,257	932,385	-2.27%
Sixteenth section	10,606	32,115	-66.97%
Pension Expense	2,328,638	1,447,714	60.85%
OPEB Expense	93,001	68,005	36.76%
Interest on long-term liabilities	99,089	99,786	-0.70%
Total expenses	\$ 18,002,654	\$ 16,358,383	10.05%

	Net (Expense) Revenue		Percentage
	2020	2019	Change
Instruction	\$ (7,305,130)	\$ (7,224,804)	-1.11%
Support services	(4,188,264)	(4,040,682)	-3.65%
Non-instructional	98,528	156,969	-37.23%
Sixteenth section	(5,042)	(24,405)	79.34%
Pension Expense	(2,328,638)	(1,447,714)	-60.85%
OPEB Expense	(93,001)	(68,005)	-36.76%
Interest on long-term liabilities	(17,363)	(18,321)	5.23%
Total net (expense) revenue	\$ (13,838,910)	\$ (12,666,962)	-9.25%

- Net cost of governmental activities (\$13,838,910 for 2020 and \$12,666,962 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$3,034,817 for 2020 and \$2,942,100 for 2019) and state and federal revenues (\$9,516,897 for 2020 and \$9,573,317 for 2019). In addition, there was \$153,480 and \$239,677 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$65,891 for 2020 and \$37,177 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.

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,452,780, an increase of \$144,535, which includes residual equity transfers in of \$79,027 and an increase in inventory of \$30,990. \$3,963,088 or 73% 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 \$1,489,692 or 27% is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$125,941, which includes a residual equity transfer in of \$79,027. The fund balance of Other Governmental Funds showed a decrease in the amount of \$86,222, which includes an increase in reserve for inventory of \$30,990. The increase in the fund balance for the other major fund is as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
QSCB Bond Retirement Fund	\$	104,816

BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$27,042,573, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$197,986 from 2019. Total accumulated depreciation as of June 30, 2020, was \$9,999,793, and total depreciation expense for the year was \$671,060, resulting in total net capital assets of \$17,042,780

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2020	June 30, 2019	Percentage Change
Land	\$ 225,028	\$ 225,028	0.00%
Buildings	13,804,488	14,172,690	-2.60%
Building improvements	1,200,713	1,224,748	-1.96%
Improvements other than buildings	819,725	869,955	-5.77%
Mobile equipment	800,669	898,601	-10.90%
Furniture and equipment	192,157	60,555	217.33%
Total	\$ 17,042,780	\$ 17,451,577	-2.34%

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

Debt Administration. At June 30, 2020, the District had \$2,115,040 in outstanding long-term debt, of which \$70,000 is due within one year. The liability for compensated absences increased \$13,845 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2020	June 30, 2019	Percentage Change
Shortfall notes payable	\$ -	\$ 5,986	-100.00%
Three mill notes payable	453,000	586,000	-22.70%
Qualified school construction bonds payable	1,500,000	1,500,000	0.00%
Compensated absences payable	162,040	148,195	9.34%
Total	\$ 2,115,040	\$ 2,240,181	-5.59%

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

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Webster County School District, 95 Clark Avenue, Eupora, MS 39744.

BASIC FINANCIAL STATEMENTS

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,804,047
Cash with fiscal agents	8,492
Due from other governments	651,024
Accrued interest receivable	2,236
Other receivables, net	6,779
Inventories	62,607
Restricted assets	922,050
Capital assets, non-depreciable:	
Land	225,028
Capital assets, net of accumulated depreciation:	
Buildings	13,804,488
Building improvements	1,200,713
Improvements other than buildings	819,725
Mobile equipment	800,669
Furniture and equipment	192,157
Total Assets	<u>23,500,015</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	3,397,798
Deferred outflows - OPEB	225,939
Total Deferred Outflows of Resources	<u>3,623,737</u>
Liabilities	
Accounts payable and accrued liabilities	982,995
Unearned revenue	6,281
Interest payable on long-term liabilities	36,406
Long-term liabilities, due within one year:	
Capital related liabilities	70,000
Net OPEB liability - current portion	61,784
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,883,000
Non-capital related liabilities	162,040
Net pension liability	23,952,879
Net OPEB liability - non-current portion	1,595,362
Total Liabilities	<u>28,750,747</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,205,778
Deferred inflows - OPEB	138,908
Total Deferred Inflows of Resources	<u>1,344,686</u>
Net Position	
Net investment in capital assets	15,089,780
Restricted for:	
Expendable:	
School-based activities	146,339
Debt service	936,830
Forestry improvements	79,387
Unemployment benefits	42,357
Non-expendable:	
Sixteenth section	11,614
Unrestricted (deficit)	(19,277,988)
Total Net Position	<u>\$ (2,971,681)</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 9,556,383	\$ 488,112	\$ 1,763,141	\$ -	\$ (7,305,130)
Support services	5,003,680	-	794,836	20,580	(4,188,264)
Non-instructional	911,257	277,721	732,064	-	98,528
Sixteenth section	10,606	5,564	-	-	(5,042)
Pension expense	2,328,638	-	-	-	(2,328,638)
OPEB expense	93,001	-	-	-	(93,001)
Interest on long-term liabilities	99,089	-	81,726	-	(17,363)
Total Governmental Activities	<u>\$ 18,002,654</u>	<u>\$ 771,397</u>	<u>\$ 3,371,767</u>	<u>\$ 20,580</u>	<u>\$ (13,838,910)</u>
General Revenues:					
Taxes:					
General purpose levies					2,937,568
Debt purpose levies					97,249
Unrestricted grants and contributions:					
State					9,422,106
Federal					94,791
Unrestricted investment earnings					65,891
Sixteenth section sources					153,480
Other					133,294
Total General Revenues					<u>12,904,379</u>
Change in Net Position					<u>(934,531)</u>
Net Position - Beginning, as previously reported					(2,116,177)
Residual Equity Transfers In					<u>79,027</u>
Net Position - Beginning, as restated					<u>(2,037,150)</u>
Net Position - Ending					<u>\$ (2,971,681)</u>

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

WEBSTER COUNTY SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2020

Exhibit C

	Major Funds				
	General	QSCB Bond	Other	Total	
	Fund	Retirement	Governmental	Governmental	
	Fund	Fund	Funds	Funds	
Assets					
Cash and cash equivalents	\$ 4,487,773	\$ 1,098	\$ 326,758	\$ 4,815,629	
Cash with fiscal agents	8,492	11,968	-	20,460	
Investments	-	898,500	-	898,500	
Due from other governments	264,968	-	370,877	635,845	
Accrued interest receivable	-	2,236	-	2,236	
Other receivables, net	6,779	-	-	6,779	
Due from other funds	200,849	-	-	200,849	
Inventories	-	-	62,607	62,607	
Total Assets	\$ 4,968,861	\$ 913,802	\$ 760,242	\$ 6,642,905	
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 769,014	-	\$ 213,981	\$ 982,995	
Due to other funds	-	-	200,849	200,849	
Unavailable revenue	-	-	6,281	6,281	
Total Liabilities	\$ 769,014	\$ -	\$ 421,111	\$ 1,190,125	
Fund Balances:					
Nonspendable:					
Inventory	-	-	62,607	62,607	
Permanent fund principal	-	-	11,614	11,614	
Restricted:					
Debt service	-	913,802	59,434	973,236	
Forestry improvement purposes	-	-	79,387	79,387	
Grant activities	-	-	83,732	83,732	
Unemployment benefits	-	-	42,357	42,357	
Assigned:					
Activity funds	236,759	-	-	236,759	
Unassigned					
	3,963,088	-	-	3,963,088	
Total Fund Balances	4,199,847	913,802	339,131	5,452,780	
Total Liabilities and Fund Balances	\$ 4,968,861	\$ 913,802	\$ 760,242	\$ 6,642,905	

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

WEBSTER COUNTY SCHOOL DISTRICT**Exhibit C-1****Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position****June 30, 2020**

Total fund balances for governmental funds	\$ 5,452,780
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$ 225,028	
Buildings	20,320,151	
Building improvements	1,655,105	
Improvements other than buildings	1,283,605	
Mobile equipment	2,704,887	
Furniture and equipment	853,797	
Accumulated depreciation	<u>(9,999,793)</u>	17,042,780

2. Some of the district's revenues will be collected after year-end but represents a shortfall for financial obligations for the current year. These amounts are recorded as a receivable in the statement of net position.

15,179

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

Net pension liability	(23,952,879)	
Net OPEB liability	<u>(1,657,146)</u>	(25,610,025)

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

Deferred outflows of resources related to pension and OPEB	3,623,737	
Deferred inflows of resources related to pension and OPEB	<u>(1,344,686)</u>	2,279,051

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

Three mill notes payable	\$ (453,000)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(162,040)	
Accrued interest payable	<u>(36,406)</u>	<u>(2,151,446)</u>

Net position of governmental activities	\$ <u>(2,971,681)</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

WEBSTER COUNTY SCHOOL DISTRICT

Exhibit D

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended June 30, 2020

	Major Funds			
	General	QSCB Bond	Other	Total
	Fund	Retirement	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 3,605,271	\$ 20,255	\$ 367,992	\$ 3,993,518
State sources	9,528,604	-	1,048,153	10,576,757
Federal sources	94,791	81,726	2,135,389	2,311,906
Sixteenth section sources	169,618	-	6,463	176,081
Total Revenues	13,398,284	101,981	3,557,997	17,058,262
Expenditures:				
Instruction	8,441,436	-	1,911,553	10,352,989
Support services	4,444,536	-	981,781	5,426,317
Noninstructional services	-	-	973,639	973,639
Sixteenth section	880	-	9,726	10,606
Debt service:				
Principal	-	-	138,986	138,986
Interest	-	86,850	32,878	119,728
Other	-	2,015	-	2,015
Total Expenditures	12,886,852	88,865	4,048,563	17,024,280
Excess (Deficiency) of Revenues over (under) Expenditures	511,432	13,116	(490,566)	33,982
Other Financing Sources (Uses):				
Other financing sources	-	-	536	536
Payment from QSCB escrow agent	-	106,000	-	106,000
Operating transfers in	-	91,700	372,818	464,518
Payment to QSCB bond escrow agent	-	(106,000)	-	(106,000)
Operating transfers out	(464,518)	-	-	(464,518)
Total Other Financing Sources (Uses)	(464,518)	91,700	373,354	536
Net Change in Fund Balances	46,914	104,816	(117,212)	34,518
Fund Balances:				
July 1, 2019, as originally stated	4,073,906	808,986	425,353	5,308,245
Residual equity transfers in	79,027	-	-	79,027
July 1, 2019, as restated	4,152,933	808,986	425,353	5,387,272
Increase in reserve for inventory	-	-	30,990	30,990
June 30, 2020	\$ 4,199,847	\$ 913,802	\$ 339,131	\$ 5,452,780

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

WEBSTER COUNTY SCHOOL DISTRICT

Exhibit D-1

Governmental Funds

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

Net change in fund balances - total governmental funds **\$ 34,518**

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	\$ 306,588	
Depreciation expense	<u>(671,060)</u>	(364,472)

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. (44,325)

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

Payments of debt principal	\$ 138,986	
Accrued interest payable	<u>22,654</u>	161,640

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

Recording of pension contributions made subsequent to the measurement date	1,611,494	
Recording of pension expense for the current period	(2,328,638)	
Recording of OPEB contributions made subsequent to the measurement date	61,784	
Recording of OPEB expense for the current period	<u>(93,001)</u>	(748,361)

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

Change in due from other governments	9,324	
Change in compensated absences	(13,845)	
Change in inventory reserve	<u>30,990</u>	<u>26,469</u>

Change in net position of governmental activities **\$ (934,531)**

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

QSCB Bond Retirement Fund – This is a debt service fund that the district uses to report compliance with sinking fund requirement of the QSCB bonds issued in the fiscal year ended June 30, 2011.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

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

See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

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.

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

12. Fund Balances

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

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

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

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

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

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

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

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

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

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.

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

Webster County School District chose to early implement GASB 84 in the current fiscal year. Therefore, the club funds of the District previously shown as fiduciary funds are now reported in the General Fund.

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 was \$4,815,629.

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.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$20,460.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	10-15	\$ 898,500
Total			<u>\$ 898,500</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 \$898,500 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. As of June 30, 2020, the district did not have any investments to which this would apply.

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	\$ 200,849
Total		<u>\$ 200,849</u>

All interfund loans from the General Fund were made to offset deficit cash balances.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
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B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	QSCB bond retirement fund	\$ 91,700
	Other governmental funds	372,818
Total		<u>\$ 464,518</u>

Transfers in and out were for operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$10,484 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represents the cash, cash with fiscal agents, and investment balance totaling \$1,098, \$11,968 and \$898,500, respectively, of the QSCB Bond Retirement Fund.

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	\$ 225,028	\$ -	\$ -	\$ 225,028
Total non-depreciable capital assets	<u>225,028</u>	<u>-</u>	<u>-</u>	<u>225,028</u>
<u>Depreciable capital assets:</u>				
Buildings	20,320,151	-	-	20,320,151
Building improvements	1,618,900	85,905	49,700	1,655,105
Improvements other than buildings	1,283,605	-	-	1,283,605
Mobile equipment	2,704,887	-	-	2,704,887
Furniture and equipment	692,016	220,683	58,902	853,797
Total depreciable capital assets	<u>26,619,559</u>	<u>306,588</u>	<u>108,602</u>	<u>26,817,545</u>
<u>Less accumulated depreciation for:</u>				
Buildings	6,147,461	368,202	-	6,515,663
Building improvements	394,152	66,204	5,964	454,392
Improvements other than buildings	413,650	50,230	-	463,880
Mobile equipment	1,806,286	97,932	-	1,904,218
Furniture and equipment	631,461	88,492	58,313	661,640
Total accumulated depreciation	<u>9,393,010</u>	<u>671,060</u>	<u>64,277</u>	<u>9,999,793</u>
Total depreciable capital assets, net	<u>17,226,549</u>	<u>(364,472)</u>	<u>44,325</u>	<u>16,817,752</u>
Governmental activities capital assets, net	<u>\$ 17,451,577</u>	<u>\$ (364,472)</u>	<u>\$ 44,325</u>	<u>\$ 17,042,780</u>

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

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 411,166
Support services	223,796
Non-instructional	36,098
Total depreciation expense - Governmental activities	<u>\$ 671,060</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Three mill notes payable	\$ 586,000	\$ -	\$ 133,000	\$ 453,000	\$ 70,000
B. Shortfall notes payable	5,986	-	5,986	-	-
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	148,195	15,381	1,536	162,040	-
Total	<u>\$ 2,240,181</u>	<u>\$ 15,381</u>	<u>\$ 140,522</u>	<u>\$ 2,115,040</u>	<u>\$ 70,000</u>

A. 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 2016	1.87%	7/15/2016	7/15/2026	\$ 700,000	\$ 453,000
Total				<u>\$ 700,000</u>	<u>\$ 453,000</u>

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

Three mill notes payable issue of 7/15/2016:

Year Ending June 30	Principal	Interest	Total
2021	\$ 70,000	\$ 8,471	\$ 78,471
2022	72,000	7,162	79,162
2023	74,000	5,816	79,816
2024	76,000	4,432	80,432
2025	78,000	3,011	81,011
2026 - 2027	83,000	1,552	84,552
Total	<u>\$ 453,000</u>	<u>\$ 30,444</u>	<u>\$ 483,444</u>

This debt will be retired from the District Maintenance Fund.

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

B. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
The Commercial					
1. Bank	5.79%	1/20/2011	12/1/2025	\$ 750,000	\$ 750,000
2. Bank of Kilmichael	5.79%	1/20/2011	12/1/2025	750,000	750,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Qualified school construction bonds payable issue of 1/20/2011:

Year Ending June 30	Principal	Interest	Total
2021	\$ -	\$ 86,850	\$ 86,850
2022	-	86,850	86,850
2023	-	86,850	86,850
2024	-	86,850	86,850
2025	-	86,850	86,850
2026	1,500,000	86,850	1,586,850
Total	<u>\$ 1,500,000</u>	<u>\$ 521,100</u>	<u>\$ 2,021,100</u>

C. Compensated absences payable

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

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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 \$1,611,494, \$1,396,650 and \$1,241,367, 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 \$23,952,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was .136158 percent, which was based on a measurement date of June 30, 2019. This was an increase of .012736 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.

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

For the year ended June 30, 2020, the District recognized pension expense of \$2,328,638. 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	\$ 12,841	\$ (25,465)
Net difference between projected and actual earnings on pension plan investments	-	(218,575)
Changes of assumptions	234,793	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,538,670	(961,738)
District contributions subsequent to the measurement date	1,611,494	-
Total	\$ <u>3,397,798</u>	\$ <u>(1,205,778)</u>

\$1,611,494 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	\$ 162,886
2022	(196,125)
2023	504,408
2024	109,357

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

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

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

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

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

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	\$ 31,486,889	\$ 23,952,879	\$ 17,734,230

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

WEBSTER COUNTY SCHOOL DISTRICT
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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 \$61,784 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 \$1,657,146 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was .19529356 percent. This was an increase of .00424679 percent from the proportionate share as of the measurement date of June 30, 2018.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$93,001. 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	\$ 2,506	\$ (23,720)
Changes of assumptions	123,545	(85,931)
Net difference between projected and actual earnings on OPEB plan investments	31	-
Changes in proportion and differences between District contributions and proportionate share of contributions	38,073	(29,257)
District contributions subsequent to the measurement date	61,784	-
Total	\$ <u>225,939</u>	\$ <u>(138,908)</u>

\$61,784 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	\$ (1,525)
2022	(1,525)
2023	(1,525)
2024	1,898
2025	18,333
Thereafter	9,591

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

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

WEBSTER COUNTY SCHOOL DISTRICT
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Health Care Cost Trends

Medicare Supplement Claims
Pre-Medicare

7.00 percent for 2019 decreasing to an
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	\$ 1,840,800	\$ 1,657,146	\$ 1,500,013

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	\$ 1,535,601	\$ 1,657,146	\$ 1,794,836

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/>.

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

Note 9 – 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	\$ 107,528
2022	98,397
2023	98,337
2024	90,478
2025	90,026
2026 – 2030	12,598
2031 – 2035	175
2036 – 2040	175
2041 – 2045	175
Total	<u>\$ 497,889</u>

Note 10 – Fund Reclassifications

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

Exhibit B - Statement of Activities

Explanation	Amount
To reclass club funds from agency funds to the General Fund	<u>\$ 79,027</u>
Total	<u>\$ 79,027</u>

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

Fund	Explanation	Amount
General Fund	To reclass club funds from agency funds to the General Fund	<u>\$ 79,027</u>
Total		<u>\$ 79,027</u>

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

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.

COVID-19 – On March 11, 2020 the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the District's operations. As of September 23, 2021, Management has noted an adverse effect on workforce availability and operational costs. The long term effects of these items on the net position of the District cannot be determined as of the date of this report.

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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

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

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

Note 13 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2020, the subsidy payments amounted to \$81,726.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2020 was \$911,566. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2021	\$	106,000
2022		106,000
2023		106,000
2024		106,000
2025		106,000
2026		106,000
Total	\$	<u>636,000</u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$ (19,277,988) 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 \$1,611,494 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 \$1,786,304 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 \$ (19,277,988) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,205,778 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.

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

The unrestricted net position amount of \$ (19,277,988) 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 \$61,784 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 \$164,155 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 \$ (19,277,988) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$138,908 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. 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 Webster County School District evaluated the activity of the district through September 23, 2021, (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,533,128	\$ 3,599,827	\$ 3,605,271	\$ 66,699	\$ 5,444
State sources	9,378,753	9,528,604	9,528,604	149,851	-
Federal sources	238,000	94,791	94,791	(143,209)	-
Sixteenth section sources	85,500	169,618	169,618	84,118	-
Total Revenues	13,235,381	13,392,840	13,398,284	157,459	5,444
Expenditures:					
Instruction	8,421,599	8,439,307	8,441,436	(17,708)	(2,129)
Support services	4,315,493	4,358,823	4,444,536	(43,330)	(85,713)
Sixteenth section	7,350	880	880	6,470	-
Facilities acquisition and construction	-	85,713	-	(85,713)	85,713
Total Expenditures	12,744,442	12,884,723	12,886,852	(140,281)	(2,129)
Excess (Deficiency) of Revenues over (under) Expenditures	490,939	508,117	511,432	17,178	3,315
Other Financing Sources (Uses):					
Indirect Costs	59,000	-	-	(59,000)	-
Operating transfers in	1,518,083	1,697,328	-	179,245	(1,697,328)
Operating transfers out	(2,048,662)	(2,161,527)	(464,518)	(112,865)	1,697,009
Total Other Financing Sources (Uses)	(471,579)	(464,199)	(464,518)	7,380	(319)
Net Change in Fund Balances	19,360	43,918	46,914	24,558	2,996
Fund Balances:					
July 1, 2019, as previously reported	-	4,073,906	4,073,906	4,073,906	-
Residual equity transfers in	-	79,027	79,027	79,027	-
July 1, 2019, as restated	-	4,152,933	4,152,933	4,152,933	-
June 30, 2020	\$ 19,360	\$ 4,196,851	\$ 4,199,847	\$ 4,177,491	\$ 2,996

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

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net Pension Liability
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.136158%	0.123422%	0.134480%	0.137327%	0.133872%	0.136665%
District's proportionate share of the net pension liability	\$ 23,952,879	20,528,745	22,355,140	24,530,031	20,713,758	16,629,292
District's covered payroll	\$ 8,867,619	7,881,695	8,626,965	8,785,129	8,363,586	8,350,954
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.67%	199.13%
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 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 June 30th of the year prior to the fiscal year presented.

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

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions (PERS)
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,611,494	1,396,650	1,241,367	1,358,747	1,383,657	1,317,264
Contribution in relation to the contractually required contribution	1,611,494	1,396,650	1,241,367	1,358,747	1,383,657	1,317,264
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	9,261,460	8,867,619	7,881,695	8,626,965	8,785,129	8,363,586
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net OPEB Liability
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.19529356%	0.19104677%	0.19620763%
District's proportionate share of the net OPEB liability	\$ 1,657,146	1,447,842	1,539,463
District's covered-employee payroll	\$ 9,046,457	8,668,812	8,760,260
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.32%	16.70%	17.57%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

The notes to 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.

The 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.

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions (OPEB)
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 61,784	66,424	65,630
Contribution in relation to the actuarially determined contribution	61,784	66,424	65,630
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	9,261,460	9,046,457	8,668,812
Contributions as a percentage of covered-employee payroll	0.67%	0.73%	0.76%

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

*The 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).

WEBSTER COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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%.

WEBSTER COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2020

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2020

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

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 193,754
National school lunch program	10.555	205MS326N1099	468,965
Subtotal			662,719
COVID 19-Summer food service program for children	10.559	205MS326N1099	118,089
Total child nutrition cluster			780,808
Total passed-through Mississippi Department of Education			780,808
Total U.S. Department of Agriculture			780,808
Federal Communications Commission			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	43,899
Total Federal Communications Commission			43,899
U.S. Department of Education			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A190024	674,005
Career and technical education - basic grants to states	84.048	V048A190024	29,061
Rural education	84.358	ES358B190024	34,467
Student support and academic enrichment grants	84.424	ES424A190025	31,774
Subtotal			769,307
Special education cluster:			
Special education - grants to states	84.027	H027A190108	468,397
Special education - preschool grants	84.173	H173A190113	17,873
Total special education cluster			486,270
Total passed-through Mississippi Department of Education			1,255,577
Passed-through Mississippi Department of Rehabilitative Services			
Vocational rehabilitation grants to states	84.126	N/A	588
Total passed-through Mississippi Department of Rehabilitative Services			588
Total U.S. Department of Education			1,256,165
U.S. Department of Health and Human Services			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	22,268
Total passed-through Mississippi Department of Education			22,268
Total U.S. Department of Health and Human Services			22,268
Total for All Federal Awards			\$ 2,103,140

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, 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*, includes the federal award activity of Webster County School District under programs of the federal and state governments for the year ended June 30, 2020. The schedule presents only a selected portion of the operations of Webster County School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Webster County School District.

Note 2 – Basis of Accounting

Expenditures reported on the Schedule are reported on the current financial resource measurement focus and 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 the previous year.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principals contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

Note 4 – Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the district and reported under the National School Lunch Program CFDA # 10.555. The value of the commodities received during the fiscal year was \$87,955.

Note 5 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

WEBSTER COUNTY SCHOOL DISTRICT**Supplementary Information****Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds****For the Year Ended June 30, 2020**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 12,822,880	10,126,634	664,013	850,244	1,181,989
Other	4,201,400	1,563,480	199,526	17,922	2,420,472
Total	<u>\$ 17,024,280</u>	<u>11,690,114</u>	<u>863,539</u>	<u>868,166</u>	<u>3,602,461</u>
Total number of students *	<u>1,754</u>				
Cost per student	<u>\$ 9,706</u>	<u>6,665</u>	<u>492</u>	<u>495</u>	<u>2,054</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

WEBSTER COUNTY 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	\$ 3,605,271	\$ 3,521,703	\$ 3,293,867	\$ 3,293,275
State sources	9,528,604	9,267,709	8,827,940	8,948,264
Federal sources	94,791	127,258	127,287	201,723
Sixteenth section sources	169,618	246,335	357,613	187,639
Total Revenues	13,398,284	13,163,005	12,606,707	12,630,901
Expenditures:				
Instruction	8,441,436	7,960,273	7,491,215	7,662,516
Support services	4,444,536	4,512,062	3,828,003	4,191,761
Noninstructional services	-	-	-	6,003
Sixteenth section	880	1,018	808	1,050
Facilities acquisition and construction	-	-	10,980	-
Total Expenditures	12,886,852	12,473,353	11,331,006	11,861,330
Excess (Deficiency) of Revenues over (under) Expenditures	511,432	689,652	1,275,701	769,571
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	717,565
Insurance recovery	-	67,784	-	-
Operating transfers in	-	408,826	255,947	114,860
Operating transfers out	(464,518)	(890,175)	(710,212)	(876,502)
Total Other Financing Sources (Uses)	(464,518)	(413,565)	(454,265)	(44,077)
Net Change in Fund Balances	46,914	276,087	821,436	725,494
Fund Balances:				
Beginning of period, as previously reported	4,073,906	3,797,819	2,976,383	2,237,969
Prior period adjustments	-	-	-	12,920
Residual equity transfers in	79,027	-	-	-
Beginning of period, as restated	4,152,933	3,797,819	2,976,383	2,250,889
End of Period	\$ 4,199,847	\$ 4,073,906	\$ 3,797,819	\$ 2,976,383

*SOURCE - PRIOR YEAR AUDIT REPORTS

WEBSTER COUNTY SCHOOL DISTRICT**Other Information****Statement of Revenues, Expenditures and Changes in Fund Balances****All Governmental Funds****Last Four Years****UNAUDITED**

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 3,993,518	\$ 3,973,244	\$ 3,623,781	\$ 3,607,829
State sources	10,576,757	10,242,430	10,005,082	10,154,807
Federal sources	2,311,906	2,121,879	2,073,774	2,095,891
Sixteenth section sources	176,081	254,589	383,258	194,031
Total Revenues	17,058,262	16,592,142	16,085,895	16,052,558
Expenditures:				
Instruction	10,352,989	9,491,606	8,972,132	9,179,689
Support services	5,426,317	5,525,285	4,823,699	5,367,204
Noninstructional services	973,639	947,071	940,009	962,522
Sixteenth section	10,606	32,115	7,711	16,341
Facilities acquisition and construction	-	-	10,980	-
Debt service:				
Principal	138,986	74,921	568,315	369,431
Interest	119,728	87,338	105,755	98,241
Other	2,015	1,706	2,780	2,211
Total Expenditures	17,024,280	16,160,042	15,431,381	15,995,639
Excess (Deficiency) of Revenues over (under) Expenditures	33,982	432,100	654,514	56,919
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	717,565
Insurance recovery	-	67,784	-	-
Other financing sources	536	-	-	-
Payment to QSCB bond escrow agent	(106,000)	(106,000)	(106,000)	(106,000)
Operating transfers in	464,518	1,299,001	966,159	991,362
Payment from QSCB escrow agent	106,000	106,000	106,000	106,000
Operating transfers out	(464,518)	(1,299,001)	(966,159)	(991,362)
Total Other Financing Sources (Uses)	536	67,784	-	717,565
Net Change in Fund Balances	34,518	499,884	654,514	774,484
Fund Balances:				
Beginning of period, as previously reported	5,308,245	4,810,789	4,167,985	3,384,357
Prior period adjustments	-	(6,267)	(5,493)	12,920
Residual equity transfers in	79,027	-	-	-
Beginning of period, as restated	5,387,272	4,804,522	4,162,492	3,397,277
Increase (Decrease) in reserve for inventory	30,990	3,839	(6,217)	(3,776)
End of Period	\$ 5,452,780	\$ 5,308,245	\$ 4,810,789	\$ 4,167,985

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA	Stephen D. Flake, CPA
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Thomas J. Browder, CPA	

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

To the Superintendent and School Board
Webster County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Webster County School District's basic financial statements and have issued our report thereon dated September 23, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
September 23, 2021

Watkins Ward and Stafford, PLLC



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

To the Superintendent and School Board
Webster County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Webster County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Webster County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

Purpose Of This Report

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
September 23, 2021

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

To the Superintendent and School Board
Webster County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2020, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated September 23, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
September 23, 2021

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None Reported

3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None Reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? No

10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). Yes

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS

Webster County Schools

PHONE 662-258-5921, EXT. 23 - FAX 662-258-3134
95 CLARK AVENUE – EUPORA, MS 39744
BRIAN JONES, SUPERINTENDENT

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section 2 CFR 200.516(a) of the Uniform Guidance, the Webster County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2020:

<u>FINDING</u>	<u>STATUS</u>
2019-001	Corrected
2019-002	Corrected

Sincerely,

Brian Jones, Superintendent