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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT

Unaudited Financial Statements  
For the Year Ended June 30, 2020

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



## McKENZIE CPA, PLLC

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### INDEPENDENT AUDITOR'S REPORT

Interim Superintendent  
Holmes County Consolidated School District

#### **Report on the Financial Statements**

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

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

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

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

Our responsibility is to express our opinions on these financial statements based on conducting the 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. Because of the matters described in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### ***Summary of Opinions***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Disclaimer
General Fund	Disclaimer
Title I Fund	Disclaimer
Title I School Improvement Fund	Disclaimer
2017 Storm Damage Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

#### **Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds**

##### ***Basis for Disclaimer - Unaudited Entity and Funds***

The Holmes County Consolidated School District does not maintain adequate and complete accounting records to provide sufficient information for the fair presentation of the basic financial statements. Since the school district does not have adequate and complete records, we were not able to apply other auditing procedures to satisfy ourselves as to the fair presentation of the financial statements.

## **Disclaimer of Opinions**

Because of the significance of the matters described in the “Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information – Basis for Disclaimer - Unaudited Entity and Funds” paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, each Major Fund, and aggregate Remaining Fund Information. Accordingly, we do not express an opinion on these financial statements.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and 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 36 - 43 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 were unable to apply certain limited procedures to the budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) in accordance with auditing standards generally accepted in the United States of America. Due to the matters described in the “Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds” paragraphs we were not able to audit the information and we do not express an opinion or provide any assurance on the information.

### **Omission of Required Supplementary Information**

Holmes County Consolidated School District's, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

### **Other Information**

We were engaged to conduct our audit for the purpose of forming opinions on the financial statements that collectively comprise the Holmes County Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures that would have 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. Because of the significance of the matters described above in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds" paragraphs, we were not able to audit the basic financial statements. Therefore, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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 that would have been 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 February 4, 2022, on our consideration of the Holmes County Consolidated 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 Holmes County Consolidated 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 Holmes County Consolidated School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Madison, Mississippi  
February 4, 2022

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.

UNAUDITED  
FINANCIAL STATEMENTS

Note: The following financial statements presented are unaudited and are not complete.



**UNAUDITED****Holmes County Consolidated School District****Statement of Net Position****June 30, 2020****Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 17,687,745
Investments	9,998
Due from other governments	2,459,435
Other receivables, net	2,493
Inventories	70,106
Prepaid items	36,058
Restricted assets	2,873,307
Capital assets, non-depreciable:	
Land	295,058
Capital assets, net of accumulated depreciation:	
Buildings	15,956,975
Building improvements	446,186
Improvements other than buildings	1,255,597
Mobile equipment	1,222,215
Furniture and equipment	150,596
Total Assets	<u>42,465,769</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	4,763,900
Deferred outflows - OPEB	655,865
Total Deferred Outflows of Resources	<u>5,419,765</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	(35,374)
Long-term liabilities, due within one year:	
Capital related liabilities	-
Non-capital related liabilities	-
Net OPEB liability	114,189
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,145,000
Non-capital related liabilities	42,926
Net pension liability	39,649,492
Net OPEB liability	2,958,994
Total Liabilities	<u>48,875,227</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	1,016,453
Deferred inflows - OPEB	287,326
Total Deferred Inflows of Resources	<u>1,303,779</u>
<b>Net Position</b>	
Net investment in capital assets	13,358,079
Restricted for:	
Expendable:	
School-based activities	2,346,549
Debt service	3,140,689
Capital improvements	7,549,320
Forestry improvements	75,332
Unemployment benefits	113,604
Non-expendable:	
Sixteenth section	39,208
Other	78,676
Unrestricted	(28,590,315)
Total Net Position (deficit)	<u>\$ (1,888,858)</u>

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

**UNAUDITED****Holmes County Consolidated School District****Statement of Activities  
For Year Ended June 30, 2020****Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ -	\$ 148,908	\$ 4,658,828	\$ -	\$ 4,807,736
Support services	-	-	2,252,648	-	2,252,648
Non-instructional	-	28,467	1,279,323	-	1,307,790
Sixteenth section	-	-	-	-	-
Pension expense	(185,696)	-	-	-	185,696
OPEB expense	125,978	-	-	-	(125,978)
Interest on long-term liabilities	-	-	-	-	-
Total Governmental Activities	\$ (59,718)	\$ 177,375	\$ 8,190,799	\$ -	\$ 8,427,892

## General Revenues:

## Taxes:

General purpose levies 6,049,518

Debt purpose levies 217,928

## Unrestricted grants and contributions:

State 16,081,548

Federal 406

Unrestricted investment earnings 226,122

Sixteenth section sources 209,078

Other 247,873

Total General Revenues 23,032,473

Change in Net Position 31,460,365

Net Position - Beginning, as previously reported -

Prior Period Adjustments -

Net Position - Beginning, as restated -

Net Position (deficit) - Ending \$ 31,460,365

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

**UNAUDITED****Holmes County Consolidated School District  
Governmental Funds****Balance Sheet  
June 30, 2020****Exhibit C**

	Major Funds						
	General Fund	Title I Fund	Title I School Improvement Fund	2017 Storm Damage Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 9,267,595	\$ (304,887)	\$ 458,617	\$ 7,549,320	\$ 1,271,714	\$ 18,242,359	
Cash with fiscal agents		-	-	-	27,146	27,146	
Investments		-	-	-	2,301,545	2,301,545	
Due from other governments	455,513	740,684	353,077	-	910,161	2,459,435	
Other receivables, net		-	-	-	2,493	2,493	
Due from other funds	1,377,026	67,925	-	-	1,021,172	2,466,123	
Advances to other funds	316,648	-	-	-	1,051,500	1,368,148	
Inventories		-	-	-	70,106	70,106	
Prepaid items	36,058	-	-	-	-	36,058	
Total assets	\$ 11,452,840	\$ 503,722	\$ 811,694	\$ 7,549,320	\$ 6,655,837	\$ 26,973,413	
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ (40,717)	\$ (9,499)	\$ 4,214	\$ -	\$ 10,628	\$ (35,374)	
Due to other funds	557,256	449,899	536,648	-	1,218,202	2,762,005	
Advances from other funds	844,104	-	-	-	-	844,104	
Total Liabilities	1,360,643	440,400	540,862	-	1,228,830	3,570,735	
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory		-	-	-	78,676	78,676	
Permanent fund principal		-	-	-	39,208	39,208	
Advances	-	-	-	-	-	-	
Debt service		-	-	-	3,140,689	3,140,689	
Capital projects		-	-	-	-	-	
Forestry improvement purposes		-	-	-	75,332	75,332	
Grant activities		-	-	-	736,038	736,038	
Unemployment benefits		-	-	-	113,604	113,604	
<b>Assigned:</b>							
Activity Funds	32,897	-	-	-	-	32,897	
<b>Unassigned</b>	10,059,300	63,322	270,832	7,549,320	1,243,460	19,186,234	
Total Fund Balances	10,092,197	63,322	270,832	7,549,320	5,427,007	23,402,678	
Total Liabilities and Fund Balances	\$ 11,452,840	\$ 503,722	\$ 811,694	\$ 7,549,320	\$ 6,655,837	\$ 26,973,413	

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

**UNAUDITED****Holmes County Consolidated School District  
Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2020****Exhibit C-1****Total fund balances for governmental funds** \$ 23,402,678

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

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

Land	\$ 295,058	
Buildings	24,869,085	
Building improvements	1,257,449	
Improvements other than buildings	2,787,616	
Mobile equipment	4,417,315	
Furniture and equipment	2,236,703	
Accumulated depreciation	<u>(16,536,599)</u>	19,326,627

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

Net pension liability (39,649,492)

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

Deferred outflows of resources related to pensions	4,763,900	
Deferred inflows of resources related to pensions	<u>(1,016,453)</u>	(35,902,045)

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

Net OPEB liability (3,073,183)

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

Deferred outflows of resources related to OPEB	655,865	
Deferred inflows of resources related to OPEB	<u>(287,326)</u>	(2,704,644)

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

General obligation bonds	(445,000)	
Other bonds payable	(5,700,000)	
Compensated absences	(42,926)	
Accrued interest payable	<u>-</u>	(6,187,926)

**Net Position of governmental activities** \$ (2,065,310)

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

**UNAUDITED****Holmes County Consolidated School District  
Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances  
June 30, 2020****Exhibit D**

	Major Funds					
	General Fund	Title I Fund	School Improvement Fund	2017 Storm Damage Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
State sources	16,159,435	-	-	-	1,000,446	17,159,881
Federal sources	49,662	3,027,120	628,542	-	3,417,308	7,122,632
Sixteenth section sources	241,218	-	-	-	43,406	284,624
Total Revenues	22,957,624	3,027,120	628,542	62,697	4,724,664	31,400,647
<b>Expenditures:</b>						
Instruction	10,302,267	1,612,364	348,494	-	1,773,887	14,037,012
Support services	9,521,253	1,235,688	9,216	-	1,103,545	11,869,702
Noninstructional services	7,384	88,459	-	-	2,042,412	2,138,255
Sixteenth section	7,604	-	-	-	14,168	21,772
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	132,728	132,728
Other	-	-	-	-	2,722	2,722
Total Expenditures	19,838,508	2,936,511	357,710	-	5,069,462	28,202,191
Excess (Deficiency) of Revenues over (under) Expenditures	3,119,116	90,609	270,832	62,697	(344,798)	3,198,456
<b>Other Financing Sources (Uses):</b>						
Payments held by escrow agent	-	-	-	-	10,082	10,082
Payment to Qualified Zone Academy debt escrow agent	-	-	-	-	(397,910)	(397,910)
Operating transfers in	7,055	-	-	1,097,631	1,304,295	2,408,981
Operating transfers out	(2,108,216)	(30,736)	-	-	(378,368)	(2,517,320)
Total Other Financing Sources (Uses)	(2,101,161)	(30,736)	-	1,097,631	538,099	(496,167)
Net Change in Fund Balances	1,017,955	59,873	270,832	1,160,328	193,301	2,702,289
<b>Fund Balances:</b>						
July 1, 2019, as previously reported	8,866,261	-	-	6,388,992	5,300,999	20,556,252
Prior period adjustments	207,981	3,449	-	-	(67,293)	144,137
July 1, 2019, as restated	9,074,242	3,449	-	6,388,992	5,233,706	20,700,389
Increase (Decrease) in inventory	-	-	-	-	-	-
June 30, 2020	\$ 10,092,197	\$ 63,322	\$ 270,832	\$ 7,549,320	\$ 5,427,007	\$ 23,402,678

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

**UNAUDITED****Holmes County Consolidated School District  
Governmental Funds****Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
June 30, 2020****Exhibit D-1**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>2,702,289</b>
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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	\$ 177,050		
Depreciation expense	-		177,050

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.

(598)

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

Payments of debt principal	-		
Payments on refunded bonds			
Accrued interest payable	6,750		
Deferred issuance costs and charges on refunding	-		6,750

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

Pension expense	(216,136)		
Contributions subsequent to the measurement date	2,601,350		2,385,214

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

OPEB expense	(208,484)		
Contributions subsequent to the measurement date	105,194		(103,290)

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

Change in compensated absences	-		
Change in inventory	-		
Amortization of deferred charges, premiums and discounts	-		-

<b>Change in Net Position of governmental activities</b>	<b>\$</b>	<b>5,167,415</b>
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The notes to the financial statements are an integral part of this statement.

**UNAUDITED**

**Holmes County Consolidated School District**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**

**Exhibit E**

**June 30, 2020**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 3,084,669
Due from other funds	(1,034,795)
Total Assets	<u>\$ 2,049,874</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 2,330,723
Due to other funds	(286,051)
Due to student clubs	1,097
Total Liabilities	<u>\$ 2,045,769</u>

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

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

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

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the 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. Due to a state of emergency declared by the governor of Mississippi the boards control was removed and the State Board of Education became the governing body in August of 2021.

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a



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

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Fund – This is a special revenue fund that accounts for the revenues and expenditures from the federal grant Title I grants to local educational agencies.

Title I School Improvement Fund – This is a special revenue fund that accounts for the revenues and expenditures from the federal grant Title I grants to local educational agencies.

2017 Storm Damage Fund – This is a capital project fund that accounts for the acquisition, construction, or renovation of major capital facilities from the insurance proceeds from 2017 tornado damage.

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

The school district also reports fiduciary funds (private purpose trust funds and agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

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.

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FIDUCIARY FUNDS

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

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

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

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

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

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.

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

**D. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

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

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
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inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

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7. Deferred outflows/inflows of resources

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

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

See Note 13 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.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
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11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

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

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

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

13. Accounting Standards Update

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

**Note 2 – Cash and Cash Equivalents and Investments**

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$18,242,359 and \$3,084,669, respectively. Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2020-001.

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
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Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$27,146. Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2020-001.

Investments

As of June 30, 2020, the district reported \$2,359,791 in investments. Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2020-001.

**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**

Due from/to other funds are out of balance. See disclaimer of opinion on financial statements and Finding 2020-001.

**B. Advances To/From Other Funds**

Advances to/from other funds are out of balance. See disclaimer of opinion on financial statements and Finding 2020-001.

**C. Inter-fund Transfers**

Transfers in and out are out of balance. See disclaimer of opinion on financial statements and Finding 2020-001.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$554,614, 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 represent the cash with fiscal agents balance, totaling \$178 of the MAEP Limited Obligation Bond Fund.

In addition, the restricted assets represent the cash, cash with fiscal agents and investment balances, totaling \$22,112 and \$1,856,788, respectively, of the QZAB Debt Retirement Fund.

In addition, the restricted assets represent the cash with fiscal agents and investment balances, totaling \$1,124 and \$101,759, respectively, of the QSCB 2010 Debt Retirement Fund.

In addition, the restricted assets represent the cash with fiscal agents and investment balances totaling \$3,733 and \$333,000, respectively, of the QSCB 2012 Debt Retirement Fund.

Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2020-001.



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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
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**Note 5 – Capital Assets**

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

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 295,058	\$	\$	295,058
Construction in progress				-
Total non-depreciable capital assets	295,058	-	-	295,058
<u>Depreciable capital assets:</u>				
Buildings	24,869,085			24,869,085
Building improvements	1,257,449	-		1,257,449
Improvements other than buildings	2,787,616			2,787,616
Mobile equipment	4,417,315	-	-	4,417,315
Furniture and equipment	2,236,703	-	-	2,236,703
Total depreciable capital assets	35,568,168	-	-	35,568,168
<u>Less accumulated depreciation for:</u>				
Buildings	8,912,110	-		8,912,110
Building improvements	811,263	-		811,263
Improvements other than buildings	1,532,019			1,532,019
Mobile equipment	3,195,100	-	-	3,195,100
Furniture and equipment	2,086,107	-	-	2,086,107
Total accumulated depreciation	16,536,599	-	-	16,536,599
Total depreciable capital assets, net	19,031,569	-	-	19,031,569
Governmental activities capital assets, net	\$ 19,326,627	\$ -	\$ -	19,326,627

See disclaimer of opinion on financial statements and Finding 2020-001.

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**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. General obligation bonds payable	\$ 445,000	\$ -	\$ -	\$ 445,000	\$ 445,000
B. Qualified Zone Academy bonds payable	2,500,000		-	2,500,000	-
C. Qualified School Construction Bonds payable	3,200,000		-	3,200,000	-
D. Compensated absences payable	105,259		62,333	42,926	2,146
Total	\$ 6,250,259	\$ -	\$ 62,333	\$ 6,187,926	\$ 447,146

See disclaimer of opinion on financial statements and Finding 2020-001.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
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**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](http://www.pers.ms.gov).

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest 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 \$2,601,350, \$2,311,888 and \$2,144,973, 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 \$39,649,492 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was 0.225384 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.022091 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.

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For the year ended June 30, 2020, the District recognized pension expense of \$216,136. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 25,753	\$ 42,741
Net difference between projected and actual earnings on pension plan investments		430,874
Changes of assumptions	388,737	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,748,060	542,838
District contributions subsequent to the measurement date	2,601,350	
Total	\$ <u>4,763,900</u>	\$ <u>1,016,453</u>

\$2,601,350 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	\$ 641,687
2022	234,170
2023	89,224
2024	181,016

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

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

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

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

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<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	\$ 52,120,631	\$ 39,649,492	\$ 29,355,687

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**Note 8 – Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan.**

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

*Benefits provided.*

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

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$105,194 for the year ended June 30, 2020.

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

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

At June 30, 2020, the District reported a liability of \$2,958,994 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 .36217258 percent. This was a decrease of 0.00892062 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of (\$185,696). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,647	\$ 43,989
Changes of assumptions	229,114	159,360
Net difference between projected and actual earnings on OPEB plan investments	58	
Changes in proportion and differences between District contributions and proportionate share of contributions	316,852	83,977
District contributions subsequent to the measurement date	105,194	
Total	\$ <u>655,865</u>	\$ <u>287,326</u>

\$105,194 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	\$ 33,185
2022	33,185
2023	33,185
2024	47,613
2025	82,707
Thereafter	33,470

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
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For the Year Ended June 30, 2020

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

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

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

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

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

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

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

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



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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
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*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	\$ 3,413,770	\$ 3,073,183	\$ 2,781,779

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,847,778	\$ 3,073,183	\$ 3,328,529

*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/>.

See disclaimer of opinion on financial statements and Finding 2020-001.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
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**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. A schedule could not be prepared.

**Note 10 – Contingencies**

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

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

**Note 11 – Risk Management**

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

**Note 12 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark Bank, has entered into such an arrangement dated July 23, 2008.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 22nd of each year. See disclaimer of opinion on financial statements and Finding 2020-001.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the 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 credits 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.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credits 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. See disclaimer of opinion on financial statements and Finding 2020-001.

**Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$28,590,315) 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 pensions in the amount of \$2,601,350 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$2,162,550 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 (\$28,590,315) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,016,453 balance of deferred inflow of resources related to pensions at June 30, 2020, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$28,590,315) 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 \$105,194 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$550,671 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 (\$28,590,315) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$287,326 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.

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED**

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

**Note 15 – Prior Period Adjustments**

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

**Exhibit B - Statement of Activities**

Explanation	Amount
1. Increase or a decrease of a revenue or expenditure	\$ 144,137
Total	<u>\$ 144,137</u>

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

Fund	Explanation	Amount
General Fund	Increase or decrease of a revenue or expenditure	\$ 207,981
Title I Fund	Increase or decrease of a revenue or expenditure	3,449
Other governmental funds	Increase or decrease of a revenue or expenditure	<u>(67,293)</u>
Total		<u>\$ 144,137</u>

See disclaimer of opinion on financial statements and Finding 2020-001.

**Note 16 – State Compliance Testing**

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

**Note 17 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Holmes County Consolidated School District evaluated the activity of the district through February 4, 2022, (the date the financial statements were available to be issued), and determined that there was the following subsequent event that has occurred requiring disclosure in the notes to the financial statements.

On August 5, 2021 the governor of Mississippi declared a state of emergency within the Holmes County Consolidated School District. This approved the State Board of Education to take over the school district and remove the school board.

REQUIRED SUPPLEMENTARY INFORMATION

**UNAUDITED****Holmes County Consolidated School District  
Required Supplementary Information****Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 6,142,342	\$ 6,342,701	\$ 6,507,309	\$ 200,359	\$ 164,608
State sources	17,542,371	16,009,862	16,159,435	(1,532,509)	149,573
Federal sources	121,000	49,256	49,662	(71,744)	406
Sixteenth section sources	814,114	241,218	241,218	(572,896)	-
Total Revenues	24,619,827	22,643,037	22,957,624	(1,976,790)	314,587
<b>Expenditures:</b>					
Instruction	11,865,778	10,301,480	10,302,267	1,564,298	(787)
Support services	10,017,353	9,581,275	9,521,253	436,078	60,022
Noninstructional services	21,000	7,384	7,384	13,616	-
Sixteenth section	45,000	7,604	7,604	37,396	-
Total Expenditures	21,949,131	19,897,743	19,838,508	2,051,388	59,235
Excess (Deficiency) of Revenues over (under) Expenditures	2,670,696	2,745,294	3,119,116	74,598	373,822
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	37,176	7,055	7,055	(30,121)	-
Operating transfers out	(2,181,296)	(2,108,216)	(2,108,216)	73,080	-
Other financing uses	(2,144,120)	(2,101,161)		42,959	2,101,161
Total Other Financing Sources (Uses)	(4,288,240)	(4,202,322)	(2,101,161)	85,918	2,101,161
Net Change in Fund Balances	(1,617,544)	(1,457,028)	1,017,955	160,516	2,474,983
<b>Fund Balances:</b>					
July 1, 2019, as previously reported	9,359,176	9,359,176	8,866,261	-	(492,915)
Prior period adjustments	(739,640)	(284,934)	207,981	454,706	492,915
July 1, 2019, as restated	8,619,536	9,074,242	9,074,242	454,706	-
June 30, 2020	\$ 7,001,992	\$ 7,617,214	\$ 10,092,197	\$ 615,222	\$ 2,474,983

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED****Holmes County Consolidated School District  
Required Supplementary Information****Budgetary Comparison Schedule  
Title I Fund  
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 83,209	\$ 3,353,712	\$ 3,027,120	\$ 3,270,503	\$ (326,592)
Total Revenues	83,209	3,353,712	3,027,120	3,270,503	(326,592)
<b>Expenditures:</b>					
Instruction	935,371	1,880,167	1,612,364	(944,796)	267,803
Support services	1,182,525	1,312,500	1,235,688	(129,975)	76,812
Noninstructional services	129,903	125,892	88,459	4,011	37,433
Total Expenditures	2,247,799	3,318,559	2,936,511	(1,070,760)	382,048
Excess (Deficiency) of Revenues over (under) Expenditures	(2,164,590)	35,153	90,609	2,199,743	55,456
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(30,736)	(30,736)	(30,736)	-
Total Other Financing Sources (Uses)	-	(30,736)	(30,736)	(30,736)	-
Net Change in Fund Balances	(2,164,590)	4,417	59,873	2,169,007	55,456
<b>Fund Balances:</b>					
July 1, 2019, as previously reported		-	-	-	-
Prior period adjustments		-	3,449	-	3,449
July 1, 2019, as restated	-	-	3,449	-	3,449
June 30, 2020	\$ (2,164,590)	\$ 4,417	\$ 63,322	\$ 2,169,007	\$ 58,905

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED****Holmes County Consolidated School District  
Required Supplementary Information****Budgetary Comparison Schedule  
Title I School Improvement Fund  
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 110,583	\$ 353,595	\$ 628,542	\$ 243,012	\$ 274,947
Total Revenues	110,583	353,595	628,542	243,012	274,947
<b>Expenditures:</b>					
Instruction	223,353	373,666	348,494	(150,313)	25,172
Support services	16,737	16,708	9,216	29	7,492
Total Expenditures	240,090	390,374	357,710	(150,284)	32,664
Excess (Deficiency) of Revenues over (under) Expenditures	(129,507)	(36,779)	270,832	92,728	307,611
<b>Other Financing Sources (Uses):</b>					
Operating transfers out				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(129,507)	(36,779)	270,832	92,728	307,611
<b>Fund Balances:</b>					
July 1, 2019, as previously reported				-	-
Prior period adjustments				-	-
July 1, 2019, as restated	-	-	-	-	-
June 30, 2020	\$ (129,507)	\$ (36,779)	\$ 270,832	\$ 92,728	\$ 307,611

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

See disclaimer of opinion on financial statements and Finding 2020-001.



**UNAUDITED**

**Holmes County Consolidated School District  
Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<b>2020</b>	<b>2019</b>
District's proportion of the net pension liability	0.225384%	0.247475%
District's proportionate share of the net pension liability \$	39,649,492 \$	41,162,445
District's covered payroll	14,678,654	15,803,651
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.1167%	260.4616%
Plan fiduciary net position as a percentage of the total pension liability	62%	63%

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

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

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED**

**Holmes County Consolidated School District  
Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
PERS  
Last 10 Fiscal Years**

	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 2,601,350	\$ 2,311,888
Contributions in relation to the contractually required contribution	\$ 2,601,350	\$ 2,311,888
Contribution deficiency (excess)	\$ 0	\$ 0
District's covered payroll	\$ 14,950,287	\$ 14,678,654
Contributions as a percentage of covered payroll	17.40%	15.75%

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

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED**

**Holmes County Consolidated School District  
Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
OPEB  
Last 10 Fiscal Years\***

	<b>2020</b>	<b>2019</b>
District's proportion of the net OPEB liability	0.36217258%	0.37109320%
District's proportionate share of the net OPEB liability	\$ 3,073,183	\$ 2,870,591
District's covered-employee payroll	16,585,425	16,784,293
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.53%	17.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%

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

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

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED**

**Holmes County Consolidated School District  
Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years**

	<b>2020</b>	<b>2019</b>
Actuarially determined contribution	\$ 105,194	\$ 123,183
Contributions in relation to the actuarially determined contribution	105,194	123,183
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	14,950,287	11,310,533
Contributions as a percentage of covered-employee payroll	0.70%	1.09%

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

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED**

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

**Budgetary Comparison Schedule**

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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%.

**UNAUDITED**

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

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

**UNAUDITED**

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the 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%

**UNAUDITED**  
SUPPLEMENTARY INFORMATION



**UNAUDITED****HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
Supplementary Information****Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 373,012
National school lunch program	10.555	205MS326N1099	1,009,623
Summer Food Service Program for Children	10.559	205MS326N1099	1,049,885
Total child nutrition cluster			2,432,520
Total passed-through Mississippi Department of Education			2,432,520
<b>Total U.S. Department of Agriculture</b>			<b>2,432,520</b>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX		49,256
<b>Total U.S. Department of Defense</b>			<b>49,256</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A190024	3,439,114
Career and technical education - basic grants to states	84.048	V048A190024	67,174
Twenty-first Century Community Learning Centers	84.287	ES287C180024	172,573
Rural Education	84.358	ES358B180024	34,534
Supporting Effective Instruction state grants	84.367	ES367A190023	100,484
Student Support and Academic Enrichment program	84.424	ES424A190025	238,176
Subtotal			4,052,055
Special education cluster:			
Special education - grants to states	84.027	H027A190108	308,591
Special education - preschool grants	84.173	H173A190113	31,804
Total special education cluster			340,395
Total passed-through Mississippi Department of Education			4,392,450
<b>Total U.S. Department of Education</b>			<b>4,392,450</b>
<b><u>U.S. Department of Social Security Administration</u></b>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	04-19-04MSDI00	406
Total passed-through Mississippi Department of Education			406
<b>Total U.S. Department of Social Security Administration</b>			<b>406</b>
Total for All Federal Awards			<b>\$ 6,874,632</b>

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

See disclaimer of opinion on financial statements and Finding 2020-001.

**UNAUDITED**

**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Notes to the Supplementary Information**

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

**Schedule of Expenditures of Federal Awards**

**(1) Basis of Presentation**

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

**(2) Summary of Significant Accounting Policies**

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

**(3) Indirect Cost Rate**

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

**(4) Other Items**

Donated commodities are included in the National School Lunch Program.

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

**Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds**

**(1) Basis of Accounting**

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

**UNAUDITED****Holmes County Consolidated 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	\$ 21,842,498	14,642,843	1,017,676	1,745,841	4,436,138
Other	6,359,694	2,468,793	534,863	7,176	3,348,862
Total	<u>\$ 28,202,192</u>	<u>17,111,636</u>	<u>1,552,539</u>	<u>1,753,017</u>	<u>7,785,000</u>
Total number of students *	<u>2,925</u>				
Cost per student	<u>\$ 9,642</u>	<u>5,850</u>	<u>531</u>	<u>599</u>	<u>2,662</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

See disclaimer of opinion on financial statements and Finding 2020-001.

## OTHER INFORMATION

**UNAUDITED****HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT  
Other Information****Statement of Revenues, Expenditures and Changes in Fund Balances****General Fund****Last Four Years****UNAUDITED**

	2020	2019*
<b>Revenues:</b>		
Local sources	\$ 6,507,309	\$ 6,271,597
State sources	16,159,435	15,521,707
Federal sources	49,662	57,581
Sixteenth Section sources	241,218	950,299
Total Revenues	<u>22,957,624</u>	<u>22,801,184</u>
<b>Expenditures:</b>		
Instruction	10,302,267	10,812,701
Support services	9,521,253	10,593,157
Noninstructional services	7,384	15,602
Sixteenth section	7,604	26,773
Total Expenditures	<u>19,838,508</u>	<u>21,448,233</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,119,116</u>	<u>1,352,951</u>
<b>Other Financing Sources (Uses):</b>		
Insurance recovery		5,752
Operating transfers in	7,055	167,319
Operating transfers out	(2,108,216)	(198,929)
Total Other Financing Sources (Uses)	<u>(2,101,161)</u>	<u>(25,858)</u>
Net Change in Fund Balances	<u>1,017,955</u>	<u>1,327,093</u>
<b>Fund Balances:</b>		
Beginning of period, as previously reported	8,866,261	7,539,168
Prior period adjustments	207,981	
Beginning of period, restated	<u>9,074,242</u>	<u>7,539,168</u>
End of Period	<u>\$ 10,092,197</u>	<u>\$ 8,866,261</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

\* The Mississippi Legislature passed House Bill 926 which provided for an administrative consolidation of the Durant Public School District and the Holmes County School District into one school district to be designated Holmes County Consolidated School District effective July 1, 2018. Therefore, the figures provided are for the first two years the entity came into existence.

**See disclaimer of opinion on financial statements and Finding 2020-001.**

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

	2020	2019*
<b>Revenues:</b>		
Local sources	\$ 6,833,510	\$ 6,484,931
Increase(decrease) in fair market value		32,884
State sources	17,159,881	16,922,529
Federal sources	7,122,632	6,587,977
Sixteenth section sources	284,624	1,099,694
Total Revenues	31,400,647	31,128,015
<b>Expenditures:</b>		
Instruction	14,037,012	13,899,432
Support services	11,869,702	13,995,496
Noninstructional services	2,138,255	2,429,808
Sixteenth section	21,772	62,718
Debt service:		
Principal		80,000
Interest	132,728	151,238
Other	2,722	11,241
Total Expenditures	28,202,191	30,629,933
Excess (Deficiency) of Revenues over (under) Expenditures	3,198,456	498,082
<b>Other Financing Sources (Uses):</b>		
Insurance recovery		7,495,039
Payment held for QZAB and QSCB escrow agent	10,082	3,140
Payment to QZAB and QSCB escrow agent	(397,910)	(624,345)
Operating transfers in	2,408,981	414,252
Operating transfers out	(2,517,320)	(414,252)
Total Other Financing Sources (Uses)	(496,167)	6,873,834
Net Change in Fund Balances	2,702,289	7,371,916
<b>Fund Balances:</b>		
Beginning of period, as originally reported	20,556,252	13,192,906
Prior period adjustments	144,137	
Beginning of period, restated	20,700,389	13,192,906
Increase (Decrease) in reserve for inventory		(8,570)
End of Period	\$ 23,402,678	\$ 20,556,252

\*SOURCE - PRIOR YEAR AUDIT REPORTS

\* The Mississippi Legislature passed House Bill 926 which provided for an administrative consolidation of the Durant Public School District and the Holmes County School District into one school district to be designated Holmes County Consolidated School District effective July 1, 2018. Therefore, the figures provided are for the first two years the entity came into existence.

See disclaimer of opinion on financial statements and Finding 2020-001.

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



## McKENZIE CPA, PLLC

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

Interim Superintendent  
Holmes County Consolidated School District

We were engaged to audit, 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 Holmes County Consolidated School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Holmes County Consolidated School District's basic financial statements, and have issued our report thereon dated February 4, 2022. Our report disclaims opinions on such financial statements, because of the materiality and pervasiveness of the inadequacies in the accounting and financial reporting systems and the significance of inevitable uncertainties. We were unable to rely on the basic accounting systems and were not able to apply other auditing procedures to satisfy ourselves as to the fair presentation of the financial statements.

#### **Internal Control Over Financial Reporting**

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

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



## **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of Holmes County Consolidated School District, 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.

## **Holmes County Consolidated School District's Response to Finding**

The Holmes County Consolidated School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The Holmes County Consolidated School District's response was not subjected to the auditing procedures that would have been applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

McKenzie CPA, PLLC  
Madison, Mississippi  
February 4, 2022

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



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

Interim Superintendent  
Holmes County Consolidated School District

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Holmes County Consolidated School District's major federal programs based on conducting the audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate evidence to provide an opinion on the District's major federal programs.

**Basis of Disclaimer of Opinion on Each Major Federal Program**

Because of the materiality and pervasiveness of the inadequacies in the accounting and financial reporting systems and the significance of inevitable uncertainties and, because we were unable to rely on the basic accounting systems and were not able to apply other auditing procedures to satisfy ourselves, the scope of our work was insufficient to enable us to express and we do not express an opinion on the district's compliance with the requirements described in the OMB Compliance Supplement that are applicable to each of the district's major federal programs for the year ended June 30, 2020.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Findings 2020-002, 2020-003, and 2020-004.**

Holmes County Consolidated School District's responses to the noncompliance findings identified in our audit are described in the accompanying auditee's corrective action plan. Holmes County Consolidated School District's responses were not subjected to the auditing procedures that would have been applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the Holmes County Consolidated 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 Holmes County Consolidated 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 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 school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the schedule of findings and questioned costs as **Findings 2020-002, 2020-003, 2020-004**, that we consider to be material weaknesses. Holmes County Consolidated School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying auditee's corrective action plan.

Holmes County Consolidated School District's responses were not subjected to the auditing procedures that would have been applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

McKenzie CPA, PLLC  
Madison, Mississippi  
February 4, 2022

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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |                       |
|----|---|-----------------------|
| 1. | Type of auditor's report issued:                      | Disclaimer of opinion |
| 2. | Internal control over financial reporting:            |                       |
| a. | Material weaknesses identified?                       | Yes                   |
| b. | Significant deficiencies identified?                  | None reported         |
| 3. | Noncompliance material to financial statements noted? | No                    |

Federal Awards:

- |    |  |                       |
|----|--|-----------------------|
| 4. | Internal control over major programs:  |                       |
| a. | Material weakness identified?  | Yes                   |
| b. | Significant deficiency identified?   | None reported         |
| 5. | Type of auditor's report issued on compliance for major programs:                                  | Disclaimer of opinion |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes                   |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
10.553; 10.555; 10.559	Child Nutrition Cluster
84.010	Title I grants to local educational agencies

- |     |  |           |
|-----|--|-----------|
| 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       |

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

Section II: Financial Statement Findings

**Material Weakness**

**Finding 2020-001 /Repeat of 2019-001**

**Weaknesses in controls surrounding financial accountability and safeguarding of assets.**

**Criteria:**

An effective system of internal controls is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

**Condition:**

During the course of our audit we found multiple discrepancies with the information provided as supporting documentation for the accounting records and other internal control issues:

- (1) During the test work of cash, we noted that bank accounts had not been reconciled accurately or timely. Failure to prepare accurate bank reconciliations could lead to misappropriation of assets and material misstatements that could go undetected by management.
- (2) During our test of receivables, the school district was unable to provide receipts for funds received after June 30, 2019.
- (3) During our test of accounts payable, the school district was unable to provide supporting documentation.
- (4) During our test of capital assets, we noted that the school district was not maintaining a subsidiary ledger.
- (5) During our test of revenue, the school district was unable to provide supporting documentation for receivables recorded.
- (6) During our test on non-payroll expenditures, the district was unable to provide adequate support for all samples requested.
- (7) During our test on payroll expenditures, the district was unable to provide proper authorizations and reconciliations of payroll expenditures.

**Cause:**

This is the result of the school district not properly implementing an effective internal control system and maintaining the system.

**Effect:**

Without a proper internal control system being in place to ensure accurate accounting records, the district increases the risk that the financial statements will contain materially misstated accounts. These deficiencies resulted in a disclaimer of opinion on the financial statements.

**Recommendation:**

The district should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

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

**Views of Responsible Officials:**

(1) Bank reconciliations are currently being prepared each month and reviewed for accuracy by Chief Financial officer. All efforts will be made to ensure that this is done timely and reports made to upper management. (2) The district acknowledges that receipts were not being prepared and/or not completed properly. Training has been done with the responsible staff to ensure that this process is done to accurately reflect all funds coming into the district. (3) Training has been done with the staff explaining the importance of supporting documentation, the necessary documentation required and how to assemble. Supporting documentation is maintained electronically in the accounting system as well as physical copies in files. (4) The district now has appointed Fixed Asset Director. This person is responsible for ensuring that all fixed assets are securely safeguarded and are properly accounted for in the accounting system. Work is currently being done and will be ongoing to update all assets all each location within the district. (5) Going forth the district will reconcile this information to ensure accuracy. (6) Going forth the district will maintain all necessary supporting documentation for all receivables recorded. (7) The district is working to improve controls for non-payroll and payroll expenditures.

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

Section III: Federal Award Findings and Questioned Costs

**Material Weakness and Noncompliance**

**Finding 2020-002 / Repeat of Finding 2019-002**

**Weaknesses in controls surrounding accounting for federal grants.**

Program: U. S. Department of Education  
Passed-through the Mississippi Department of Education  
Title I Grants to Local Educational Agencies  
CFDA# 84.010

Compliance requirement: Allowable Cost/Cost Principles

**Criteria:**

Management is responsible for establishing a proper internal control system to ensure adequate financial accountability and safeguarding of the federal program assets.

**Condition:**

During fieldwork, we noted the following conditions:

(1) Accounting program years were not kept separate in a concise manner.

(2) Questioned Cost from monitoring visit Title I totaled \$257,026.

**Context:**

During the course of the audit, we noted that the accounting system reflected indirect cost charges but the request for reimbursement did not reflect these charges.

**Questioned Costs:**

\$257,026.

**Cause:**

Lack of adequate controls to ensure that the accounting system reflects the budget of the grant application.

**Effect:**

As a result, the school district is in noncompliance with the federal regulations and could result in repaying the Mississippi Department of Education for excess funds received during the year.

**Recommendation:**

The school district must develop policies and procedures to ensure that the accounting system reflects the federal budget.

**Views of Responsible Officials**

The district will ensure that all federal programs are recorded/distinguished by Grant year using a designated 'program code' (ex. 020, 021) in the accounting system. This will allow for proper accounting of each grant received by the district. The district acknowledges the amount of \$257,026 in questioned cost. This amount was remitted to the Mississippi Department of Education on November 19, 2020.



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

**Finding 2020-003**

**Weaknesses in controls surrounding non-payroll expenditures.**

Program: U. S. Department of Education  
Passed-through the Mississippi Department of Education  
Title I Grants to Local Educational Agencies, CFDA# 84.010  
Child Nutrition Cluster, CFDA # 10.553; 10.555, 10.559  
Special Education Cluster, CFDA # 84.027; 84.173

Compliance requirement: Allowable Cost/Cost Principles  
Questioned Costs: Unknown

Repeat Finding - No

**Criteria:**

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

**Condition:**

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

- Invoices were not signed or dated noting items received
- Invoices not properly canceled indicating payment
- Several instances of the service being performed before the PO was issued
- Several invoices reviewed were dated before the purchase order date
- No evidence of checking for debarred vendors
- Canceled checks could not be provided during testing

**Context:**

During the course of the engagement, we were unable to get adequate support for testing non-payroll expenditures.

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Views of Responsible Officials**

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

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

**Finding 2020-004**

**Deficiencies in controls surrounding payroll expenditures.**

Programs:

Child Nutrition Cluster, CFDA #10.553; 10.555; 10.559

Title I grants to local educational agencies, CFDA #84.010

Supporting Effective instruction state grants, CFDA # 84.367

Special Education Cluster, CFDA # 84.027; 84.173

Compliance Requirement: Allowable Cost

Questioned Cost: Unknown

Repeat Finding: No

**Criteria:**

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

**Condition:**

In our review of the controls surrounding payroll expenditures, we noted that the school board did not approve several supplemental amounts paid to district employees, including supplements for extra duties assigned. We also noted that employee time sheets were not being reconciled to pay.

**Cause:**

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

**Effect:**

The effect is a breakdown in the controls surrounding the payroll expenditure cycle and exposure to risk of noncompliance with federal wage and hour law. Further, employees who are approved for one position are actually serving in a different capacity. When not reconciling to time sheets, employees could be overpaid or underpaid.

**Recommendation:**

We recommend that the school district comply with the recordkeeping requirements of the federal wage and hour law. We further recommend that all supplemental pay amounts be approved by the school board and that all employees be approved for the position/title that corresponds to their actual work assignments. We recommend the district reconcile to employee time sheets.

**View of Responsible Officials:**

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

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

**Holmes County Consolidated School District**  
**313 Olive Street**  
**Office of the Superintendent**  
**Lexington, Mississippi 39095**  
**Dr. Jennifer Wilson, Interim Superintendent**  
**Shaquita Burke, Financial Advisor**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by the Uniform Guidance, The Holmes County Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020:

Finding	Corrective Action Plan Details
<b>2020-001</b>	<p><b>Weaknesses in controls surrounding financial accountability and safeguarding of assets.</b></p> <p>A. Name of contact person responsible for corrective action: Name: Dr. Jennifer Wilson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p style="padding-left: 40px;">District will implement policies and controls to strengthen the financial accountability and safeguarding of assets.</p> <p>C. Anticipated completion date:</p> <p style="padding-left: 40px;">June 30, 2022.</p>
<b>2020-002</b>	<p><b>Weaknesses in controls surrounding accounting for federal grants.</b></p> <p>A. Name of contact person responsible for corrective action: Name: Dr. Jennifer Wilson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p style="padding-left: 40px;">District will implement a plan to account for federal grants and improve controls.</p> <p>C. Anticipated completion date:</p> <p style="padding-left: 40px;">June 30, 2022</p>

**Holmes County Consolidated School District  
313 Olive Street  
Office of the Superintendent  
Lexington, Mississippi 39095  
Dr. Jennifer Wilson, Interim Superintendent  
Shaquita Burke, Financial Advisor**

**2020-003**

**Weaknesses in controls surrounding non-payroll expenditures.**

A. Name of contact person responsible for corrective action:

Name: Shaquita Burke

Title: Financial Advisor

B. Corrective action planned:

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

C. Anticipated completion date:

June 30, 2022

**2020-004**

**Deficiencies in controls surrounding payroll expenditures.**

A. Name of contact person responsible for corrective action:

Name: Shaquita Burke

Title: Financial Advisor

B. Corrective action planned:

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

C. Anticipated completion date:

June 30, 2022

**Holmes County Consolidated School District  
313 Olive Street  
Office of the Superintendent  
Lexington, Mississippi 39095  
Dr. Jennifer Wilson, Interim Superintendent  
Shaquita Burke, Financial Advisor**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

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

Finding Status

2019-001      Not Corrected (See Finding 2020-001)

2019-002      Not Corrected (See Finding 2020-002)