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Prentiss County School District
Audited Financial Statements
For the Year Ended June 30, 2020

PRENTISS COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Prentiss County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

POST OFFICE BOX 1563
STARKVILLE, MS 39760
PHONE: 601-938-5717

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 13-20, 61-67, 69, 71, 73, and 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

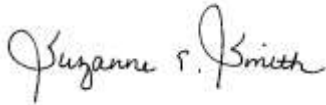
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2021, on our consideration of the Prentiss County School District's internal control over financial reporting

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

A handwritten signature in dark ink, reading "Suzanne E. Smith". The signature is written in a cursive style with a large, stylized 'S' and 'M'.

Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
July 2, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$979,655, including a prior period adjustment of \$2,235, which represents a 4.97% decrease from fiscal year 2019. Total net position for 2019 decreased \$1,030,245, including a prior period adjustment of \$6,755, which represents a 5.52% decrease from fiscal year 2018.
- General revenues amounted to \$18,173,634 and \$17,734,270, or 78% and 78% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,114,420, or 22% of total revenues for 2020, and \$5,085,397, or 22% of total revenues for 2019.
- The District had \$24,269,944 and \$23,856,667 in expenses for fiscal years 2020 and 2019; only \$5,114,420 for 2020 and \$5,085,397 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,173,634 for 2020 and \$17,734,270 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,179,475 in revenues and \$17,947,530 in expenditures for 2020, and \$18,196,975 in revenues and \$17,182,435 in expenditures in 2019. The General Fund's fund balance increased by \$411,723, including a prior period adjustment of \$399, from 2019 to 2020, and increased by \$659,814 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$197,144 for 2020 and decreased by \$266,501 for 2019. The decrease for 2020 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$168,450 for 2020, excluding the decrease in bond premiums, and decreased by \$180,183 for 2019. The increase was due primarily to principal payments made on long-term debt. The liability for compensated absences increased by \$19,041 for 2020 and increased by \$3,333 for 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

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

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial

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

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and

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

deferred inflows of resources exceeded assets and deferred outflows of resources by \$20,671,744 as of June 30, 2020.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 6,564,074	\$ 6,367,755	3.08 %
Capital assets, net	7,818,614	8,015,758	-2.46 %
Total assets	14,382,688	14,383,513	-0.01 %
 Deferred outflows of resources	 3,186,195	 2,853,643	 11.65 %
Current liabilities	80,491	72,838	10.51 %
Long-term debt outstanding	598,195	768,327	-22.14 %
Net pension liability	33,794,180	33,049,713	2.25 %
Net OPEB liability	2,395,144	2,208,370	8.46 %
Total liabilities	36,868,010	36,099,248	2.13 %
 Deferred inflows of resources	 1,372,617	 829,997	 65.38 %
 Net position:			
Net investment in capital assets	7,435,788	7,451,794	-0.21 %
Restricted	1,139,626	1,451,200	-21.47 %
Unrestricted	(29,247,158)	(28,595,083)	-2.28 %
Total net position	\$ (20,671,744)	\$ (19,692,089)	-4.97 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (29,247,158)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	34,383,779
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 5,136,621</u>

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

- Increase in deferred outflows of resources of \$332,552

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

- Increase in current liabilities of \$7,653.
- Decrease in long-term debt outstanding of \$170,132, which includes a decrease in debt premium of \$1,682.
- Increase in net OPEB liability of \$186,774.
- Increase in deferred inflows of resources of \$542,620.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$23,288,054 and \$22,819,667, respectively. The total cost of all programs and services was \$24,269,944 for 2020 and \$23,856,667 for 2019.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 998,740	\$ 1,149,971	(13.15) %
Operating grants and contributions	4,115,680	3,894,316	5.68 %
Capital grants and contributions	-	41,110	(100.00) %
General revenues:			
Property taxes	3,724,090	3,597,367	3.52 %
Grants and contributions not restricted	14,247,556	13,699,602	4.00 %
Investment earnings	160,590	79,886	101.02 %
Other	41,398	357,415	(88.42) %
Total revenues	23,288,054	22,819,667	2.05 %
Expenses:			
Instruction	13,072,710	12,649,111	3.35 %
Support services	6,311,224	6,212,471	1.59 %
Non-instructional	1,510,865	1,340,199	12.73 %
Pension expense	3,210,039	3,513,067	(8.63) %
OPEB expense	146,072	119,174	22.57 %
Interest on long-term liabilities	19,034	22,645	(15.95) %
Total expenses	24,269,944	23,856,667	1.73 %
Increase (Decrease) in net position	(981,890)	(1,037,000)	5.31 %
Net Position, July 1, as previously reported	(19,692,089)	(18,661,844)	(5.52) %
Prior Period Adjustment	2,235	6,755	(66.91) %
Net Position, July 1, as restated	(19,689,854)	(18,655,089)	(5.55) %
Net Position, June 30	\$ (20,671,744)	\$ (19,692,089)	(4.97) %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2020	2019	
Instruction	\$ 13,072,710	\$ 12,649,111	3.35 %
Support services	6,311,224	6,212,471	1.59 %
Non-instructional	1,510,865	1,340,199	12.73 %
Pension Expense	3,210,039	3,513,067	(8.63) %
OPEB Expense	146,072	119,174	22.57 %
Interest on long-term liabilities	19,034	22,645	(15.95) %
Total expenses	\$ 24,269,944	\$ 23,856,667	1.73 %

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (10,365,974)	\$ (10,102,333)	(2.61) %
Support services	(5,226,543)	(5,182,908)	(0.84) %
Non-instructional	(215,712)	162,078	(233.09) %
Pension Expense	(3,210,039)	(3,513,067)	8.63 %
OPEB Expense	(146,072)	(119,174)	(22.57) %
Interest on long-term liabilities	8,816	(15,866)	155.57 %
Total net (expense) revenue	\$ (19,155,524)	\$ (18,771,270)	(2.05) %

- Net cost of governmental activities [(\$19,155,524) for 2020 and (\$18,771,270) for 2019] was financed by general revenue, which is primarily made up of property taxes (\$3,724,090 for 2020 and \$3,597,367 for 2019) and state and federal revenues (\$14,247,556 for 2020 and \$13,699,602 for 2019).
- Investment earnings amounted to \$160,590 for 2020 and \$79,886 for 2019.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,484,315, an increase of \$188,370, which includes a prior period adjustment of \$136 and an increase in inventory of \$19,445. \$3,996,912 or 62% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,487,403 or 38% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned. The General Fund is the principal operating fund of the District. The increase in fund balance in the General

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

Fund for the fiscal year was \$411,723, which included a prior period adjustment of \$399. The fund balance of Other Governmental Funds showed a decrease in the amount of \$223,353, which included a prior period adjustment of (\$263) and an increase in reserve for inventory of \$19,445. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Extended School Year Fund	\$	No change
Title I Fund		No change
IDEA Part B Fund		No change

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$15,281,240, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$190,336, which includes a prior period adjustment of \$12,101, from 2019. Total accumulated depreciation as of June 30, 2020, was \$7,462,626, and total depreciation expense for the year was \$382,975, resulting in total net capital assets of \$7,818,614.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 252,634	\$ 252,634	0.00 %
Construction-in-Progress	-	10,800	(100.00) %
Buildings	6,608,539	6,697,322	(1.33) %
Building improvements	307,080	307,334	(0.08) %
Improvements other than buildings	172,122	185,241	(7.08) %
Mobile equipment	389,954	440,505	(11.48) %
Furniture and equipment	81,464	112,645	(27.68) %
Leased property under capital leases	6,821	9,277	(26.47) %
Total	<u>\$ 7,818,614</u>	<u>\$ 8,015,758</u>	<u>(2.46) %</u>

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2020, the District had \$594,826 in outstanding long-term debt, including compensated absences payable. This amount excludes bond premiums of \$3,369. \$192,490 of this long-term debt is due within one year. The liability for compensated absences increased \$19,041 from the prior year.

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

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 385,000	\$ 570,000	(32.46) %
Obligations under capital leases	2,490	4,981	(50.01) %
Compensated absences payable	207,336	188,295	10.11 %
Total	<u>\$ 594,826</u>	<u>\$ 763,276</u>	<u>(22.07) %</u>

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Prentiss County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Prentiss County School District, 103 North College Street, Booneville, MS 38829.

FINANCIAL STATEMENTS

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PRENTISS COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2020

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,611,601
Due from other governments	796,449
Other receivables, net	102,413
Inventories	53,611
Capital assets, net of accumulated depreciation:	7,818,614
Total Assets	<u>14,382,688</u>
Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	8,033
Deferred outflows - pensions	2,832,982
Deferred outflows - OPEB	345,180
Total deferred inflows of resources	<u>3,186,195</u>
Liabilities	
Accounts payable and accrued liabilities	79,759
Interest payable on long-term liabilities	732
Long-term liabilities, due within one year:	
Capital related liabilities	192,490
Net OPEB liability	88,123
Long-term liabilities, due beyond one year:	
Capital related liabilities	195,000
Bond premium	3,369
Non-capital related liabilities	207,336
Net pension liability	33,794,180
Net OPEB liability	2,307,021
Total Liabilities	<u>36,868,010</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,191,668
Deferred inflows - OPEB	180,949
Total deferred inflows of resources	<u>1,372,617</u>
Net Position	
Net investment in capital assets	7,435,788
Restricted for:	
Expendable:	
School-based activities	1,003,364
Debt service	76,157
Unemployment benefits	60,105
Unrestricted	(29,247,158)
Total Net Position	<u>\$ (20,671,744)</u>

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

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PRENTISS COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2020

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 13,072,710	778,748	1,927,988		(10,365,974)
Support services	6,311,224	8,700	1,075,981		(5,226,543)
Non-instructional	1,510,865	211,292	1,083,861		(215,712)
Pension expense	3,210,039				(3,210,039)
OPEB expense	146,072				(146,072)
Interest on long-term liabilities	19,034		27,850		8,816
Total Governmental Activities	<u>\$ 24,269,944</u>	<u>998,740</u>	<u>4,115,680</u>	<u>0</u>	<u>(19,155,524)</u>
General Revenues:					
Taxes:					
General purpose levies					3,531,941
Debt purpose levies					192,149
Unrestricted grants and contributions:					
State					13,980,336
Federal					267,220
Unrestricted investment earnings					160,590
Other					41,398
Total General Revenues					<u>18,173,634</u>
Change in Net Position					<u>(981,890)</u>
Net Position - Beginning, as previously reported					(19,692,089)
Prior Period Adjustments					<u>2,235</u>
Net Position - Beginning, as restated					<u>(19,689,854)</u>
Net Position - Ending					<u><u>\$ (20,671,744)</u></u>

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2020

Exhibit C

	Major Funds				Other	Total
	General	Extended School	Title I	IDEA Part B	Governmental	Governmental
	Fund	Year Fund	Fund	Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 4,533,957				1,077,644	5,611,601
Due from other governments	323,973	91,545	200,276	120,534	60,121	796,449
Other receivables, net	2,306				89,839	92,145
Due from other funds	429,675					429,675
Inventories					53,611	53,611
Total assets	5,289,911	91,545	200,276	120,534	1,281,215	6,983,481
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	34,471	33,574	2,100	3,215	6,399	79,759
Due to other funds		57,971	198,176	117,319	45,941	419,407
Total Liabilities	34,471	91,545	200,276	120,534	52,340	499,166
Fund Balances:						
Nonspendable:						
Inventory					53,611	53,611
Restricted:						
Debt service					76,889	76,889
Grant activities					949,753	949,753
Unemployment benefits					60,105	60,105
Assigned:						
Student activities	317,518					317,518
Special projects	727,123					727,123
Transportation	213,887					213,887
Vocational					88,517	88,517
Unassigned	3,996,912					3,996,912
Total Fund Balances	5,255,440	0	0	0	1,228,875	6,484,315
Total Liabilities and Fund Balances	\$ 5,289,911	91,545	200,276	120,534	1,281,215	6,983,481

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Exhibit C-1
June 30, 2020

Total fund balances for governmental funds \$ 6,484,315

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	\$ 252,634	
Buildings	12,027,067	
Building improvements	670,111	
Improvements other than buildings	327,956	
Mobile equipment	1,367,767	
Furniture and equipment	616,605	
Leased property under capital leases	19,100	
Accumulated depreciation	<u>(7,462,626)</u>	7,818,614

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 (33,794,180)

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	2,832,982	
Deferred inflows of resources related to pensions	<u>(1,191,668)</u>	(32,152,866)

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 (2,395,144)

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	345,180	
Deferred inflows of resources related to OPEB	<u>(180,949)</u>	(2,230,913)

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

Three mill notes payable	(385,000)	
Obligations under capital lease	(2,490)	
Deferred outflows - advance refunding of debt	8,033	
Unamortized bond premium	(3,369)	
Compensated absences	(207,336)	
Accrued interest payable	<u>(732)</u>	(590,894)

Net Position of governmental activities \$ (20,671,744)

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2020

	Major Funds				Other	Total
	General	Extended School	Title I	IDEA Part B	Governmental	Governmental
	Fund	Year Fund	Fund	Fund	Funds	Funds
Revenues:						
Local sources	\$ 4,346,113				578,706	4,924,819
State sources	14,528,792	87,593			786,560	15,402,945
Federal sources	304,570		605,156	633,333	1,417,231	2,960,290
Total Revenues	19,179,475	87,593	605,156	633,333	2,782,497	23,288,054
Expenditures:						
Instruction	12,370,699	87,593	353,532	318,585	1,566,629	14,697,038
Support services	5,350,694		169,098	314,748	650,196	6,484,736
Noninstructional services	223,519		2,212		1,375,618	1,601,349
Facilities acquisition and construction					135,640	135,640
Debt service:						
Principal	2,491				185,000	187,491
Interest	127				12,850	12,977
Other					1,940	1,940
Total Expenditures	17,947,530	87,593	524,842	633,333	3,927,873	23,121,171
Excess (Deficiency) of Revenues over (under) Expenditures	1,231,945	0	80,314	0	(1,145,376)	166,883
Other Financing Sources (Uses):						
Insurance recoveries	2,306					2,306
Operating transfers in	38,336		48,302		986,143	1,072,781
Operating transfers out	(860,863)		(128,616)		(83,302)	(1,072,781)
Other financing uses	(400)					(400)
Total Other Financing Sources (Uses)	(820,621)	0	(80,314)	0	902,841	1,906
Net Change in Fund Balances	411,324	0	0	0	(242,535)	168,789
Fund Balances:						
July 1, 2019, as previously reported	4,843,717				1,452,228	6,295,945
Prior period adjustments	399				(263)	136
July 1, 2019, as restated	4,844,116	0	0	0	1,451,965	6,296,081
Increase (Decrease) in reserve for inventory					19,445	19,445
June 30, 2020	\$ 5,255,440	0	0	0	1,228,875	6,484,315

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 168,789

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	\$ 183,785	
Depreciation expense	<u>(382,975)</u>	(199,190)

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.

(55)

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	187,491	
Accrued interest payable	<u>296</u>	187,787

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	(3,210,039)	
Contributions subsequent to the measurement date	<u>2,134,716</u>	(1,075,323)

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	(146,072)	
Contributions subsequent to the measurement date	<u>88,123</u>	(57,949)

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	(19,041)	
Change in inventory reserve	19,445	
Amortization of deferred charges, premiums and discounts	<u>(6,353)</u>	(5,949)

Change in Net Position of governmental activities \$ (981,890)

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

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PRENTISS COUNTY SCHOOL DISTRICT

Fiduciary Funds

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

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,423,926</u>
Total Assets	<u>1,423,926</u>
Liabilities	
Accounts payable and accrued liabilities	1,324,077
Due to other funds	10,268
Due to student clubs	89,579
Other payables	<u>2</u>
Total Liabilities	<u>\$ 1,423,926</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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PRENTISS COUNTY 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.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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.

Extended School Year Fund – This Fund is a special revenue fund that accounts for the revenues and associated expenditures of extended school year services for students.

Title I Fund- This special revenue fund accounts for the revenues and associated expenditures of the Title I grant, a federally funded grant received through the State of Mississippi.

IDEA Part B Fund – This special revenue fund accounts for the revenues and associated expenditures of the Special Education grant to states, a federally funded grant received through the State of Mississippi.

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

The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

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

Accounts Payable Clearing Fund – This agency fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred

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

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.

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school

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

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible 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.

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

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 4 for details.

7. Deferred outflows/inflows of resources

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

Deferred outflows – advance refunding of debt
Deferred outflows – pensions
Deferred outflows – postemployment benefits other than pensions (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 the following deferred inflows during the year:

Deferred inflows – pensions
Deferred inflows – postemployment benefits other than pensions (OPEB)

See Note 7, Note 8, and Note 15 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.

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

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 5 for details.

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action required is approval in the official board minutes. 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 School 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

PRENTISS COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2020

to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

13. Accounting Standards Update

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

Note 2 – Cash and Cash Equivalents

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,611,601 and \$1,423,926, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

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Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Extended School Year Fund	\$ 57,971
	Title I Fund	198,176
	IDEA Part B Fund	117,319
	Other governmental funds	45,941
	Fiduciary funds	10,268
Total		<u>\$ 429,675</u>

The inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the administration of grants funded on a reimbursable basis. Inter-fund balances also represent amounts due from the fiduciary funds to the General Fund.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 860,863
Title I Fund	General Fund	3,336
	Other governmental funds	125,280
Other governmental funds	General Fund	35,000
	Title I Fund	48,302
Total		<u>\$ 1,072,781</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds and transfers of indirect costs from special revenue funds to the General Fund. Such transfers also include operating transfers between other governmental funds.

Note 4 – Capital Assets

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

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	Balance 7/1/2019	Increases	Decreases	Adjustments	Balance 6/30/2020
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 252,634				252,634
Construction-in-progress	10,800	135,640	135,640	(10,800)	-
Total non-depreciable capital assets	263,434	135,640	135,640	(10,800)	252,634
<u>Depreciable capital assets:</u>					
Buildings	11,891,427	135,640			12,027,067
Building improvements	637,641			32,470	670,111
Improvements other than buildings	327,956				327,956
Mobile equipment	1,329,487	38,280			1,367,767
Furniture and equipment	621,859	9,865	5,550	(9,569)	616,605
Leased property under capital leases	19,100				19,100
Total depreciable capital assets	14,827,470	183,785	5,550	22,901	15,028,606
<u>Less accumulated depreciation for:</u>					
Buildings	5,194,105	224,423			5,418,528
Building improvements	330,307	28,132		4,592	363,031
Improvements other than buildings	142,715	13,119			155,834
Mobile equipment	888,982	82,081		6,750	977,813
Furniture and equipment	509,214	32,764	5,495	(1,342)	535,141
Leased property under capital leases	9,823	2,456			12,279
Total accumulated depreciation	7,075,146	382,975	5,495	10,000	7,462,626
Total depreciable capital assets, net	7,752,324	(199,190)	55	12,901	7,565,980
Governmental activities capital assets, net	\$ 8,015,758	(63,550)	135,695	2,101	7,818,614

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 6,483
Support services	359,244
Non-instructional	17,248
Total depreciation expense - Governmental activities	<u>\$ 382,975</u>

Note 5 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Three mill notes payable	\$ 570,000		185,000	385,000	190,000
B. Obligations under capital lease	4,981		2,491	2,490	2,490
C. Compensated absences payable	188,295	19,041		207,336	
Subtotal	763,276	19,041	187,491	594,826	192,490
Premium on debt issuance	5,051		1,682	3,369	
Total	\$ 768,327	19,041	189,173	598,195	

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A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, series 2012	1.0 - 2.5%	20-Jun-12	30-Jun-22	\$ 1,640,000	\$ 385,000
Total				<u>\$ 1,640,000</u>	<u>\$ 385,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 190,000	9,150	199,150
2022	195,000	4,875	199,875
Total	<u>\$ 385,000</u>	<u>14,025</u>	<u>399,025</u>

This debt will be retired from the Three Mill Note Fund (debt service fund). It is secured with a pledge of Education Enhancement (EEF) funds for buildings and buses that is to be used for repayment of the limited tax refunding notes. Proceeds from the notes were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local ad valorem revenues generated from a special levy to retire this debt and are payable through June 30, 2022. Annual principal and interest payments on the notes are expected to require all of the district's annual allocation of such state revenues. The total principal and interest payments remaining are \$399,025. Total principal and interest paid for the current year and total state EEF revenues for buildings and buses were \$197,850 and \$73,354, respectively.

B. Obligations under capital leases

The school district has entered into a lease agreement as described below:

Mower – Jumpertown School – Acquisition cost of \$19,100 with a down payment of \$6,646.

The various options available to the lessee for this lease are as follows:

1. Ownership will transfer to the school district at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Mower Lease	5.10%	27-Jun-16	27-Jun-21	\$ 12,454	\$ 2,490
Total				<u>\$ 12,454</u>	<u>\$ 2,490</u>

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

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Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2021	\$ 2,490	127	2,617
Total	\$ 2,490	127	2,617

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material. This debt will be retired from the General Fund.

C. Compensated absences payable

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

Note 6 – Other Commitments

Operating leases:

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2020, amounted to \$51,895.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2021	\$ 42,175
2022	28,815
2023	24,340
2024	7,977
Total	\$ 103,307

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon

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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 \$2,134,716, \$1,970,314 and \$1,998,123, 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 \$33,794,180 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 0.1921 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.0066 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$3,210,039. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,678	\$ 368,317
Net difference between projected and actual earnings on pension plan investments	52,323	
Changes of assumptions	331,374	
Changes in proportion and differences between District contributions and proportionate share of contributions	293,891	823,351
District contributions subsequent to the measurement date	2,134,716	
Total	\$ <u>2,832,982</u>	\$ <u>1,191,668</u>

\$2,134,716 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:

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Year Ending June 30:	
2021	\$ 67,362
2022	(621,924)
2023	(93,127)
2024	154,287

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

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

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

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

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

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

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 44,423,621	\$ 33,794,180	\$ 25,020,531

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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 \$88,123 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 \$2,395,144 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

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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 0.28226610 percent. This was a decrease of 0.00321899 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 \$146,072. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,621	\$ 34,284
Changes of assumptions	178,564	124,200
Net difference between projected and actual earnings on OPEB plan investments	45	
Changes in proportion and differences between District contributions and proportionate share of contributions	74,827	22,465
District contributions subsequent to the measurement date	88,123	
Total	\$ <u>345,180</u>	\$ <u>180,949</u>

\$88,123 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	\$ 9,449
2022	9,449
2023	9,449
2024	14,584
2025	24,156
Thereafter	9,021

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

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Measurement Date	2019
Prior Measurement Date	2018

Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	3.50%
Measurement Date	3.89%
Prior Measurement Date	

Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate rate of 4.75% by 2028
Pre-Medicare	

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

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

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

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

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

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

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 2,660,587	\$ 2,395,144	\$ 2,168,032

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	\$ 2,219,470	\$ 2,395,144	\$ 2,594,152

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

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior period recording of an asset or liability	\$ 136
2. To restate beginning net OPEB liability	(2)
3. To correct prior period error in recording a capital asset	2,101
Total	<u>\$ 2,235</u>

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

Fund	Explanation	Amount
General Fund	To correct prior period error in recording an asset or liability	\$ 399
Other governmental funds	To correct prior period error in recording an asset or liability	(263)
Total		<u>\$ 136</u>

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. However, the school district's legal counsel has not identified any pending or threatened lawsuits or proceedings that may 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of

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

jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Prentiss County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Prentiss County School District and the Booneville School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students. Prentiss County School District has been designated as the fiscal agent for the Prentiss County Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the center:

Prentiss County Career and Technology Center	
Statement of Revenues, Expenditures and Changes in Fund Balance	
For the Year Ended June 30, 2020	
Revenues	
Local sources:	
Tuition from other LEA's	\$ 89,839
Total local sources	<u>89,839</u>
State sources	532,420
Federal sources	<u>48,388</u>
Total Revenues	<u>670,647</u>
Expenditures	
Salaries	1,139,830
Employee Benefits	281,910
Purchased property services	32,784
Other purchased services	6,757
Supplies	4,986
Property	42,276
Other	<u>3,350</u>
Total Expenditures	<u>1,511,893</u>
Excess deficiency of revenues under Expenditures	<u>(841,246)</u>
Other Financing Sources/Uses	
Transfers In	<u>846,321</u>
Total other financing sources/uses	<u>846,321</u>
Net Change in Fund Balance	<u>5,075</u>
Fund Balance	
July 1, 2019	<u>83,443</u>
June 30, 2020	<u><u>\$ 88,518</u></u>

Note 13 - Insurance loss recoveries

The Prentiss County School District received \$2,306 in insurance loss recoveries related to property damage during the

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

2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss			
Recoveries	Percentage	Expense Function	
\$ 2,306	100%	Support services	
\$ 2,306	100%		

Note 14 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995, creating the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Booneville School District, Baldwin School District, and Prentiss County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for the NEMRAEC, and the operations of the consortium are included in its financial statements.

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets amount of \$7,435,788 includes the effect of deferring the recognition of expenses resulting from a deferred outflow on advance refunding of capital debt. A portion of the deferred outflow of resources related to refunded debt in the amount of \$8,033 will be recognized as an expense and will decrease the net investment in capital assets over the next year.

The unrestricted net position amount of (\$29,247,158) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,134,716 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$698,266 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 (\$29,247,158) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,191,668 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 (\$29,247,158) 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 \$88,123 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$257,057 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 (\$29,247,158) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$180,949 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 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

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

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 Prentiss County School District evaluated the activity of the district through July 2, 2021 (the date the financial statements were available to be issued), and determined that no such events had occurred that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,257,679	4,346,113	4,346,113	88,434	0
State sources	14,399,485	14,528,792	14,528,792	129,307	0
Federal sources	234,860	304,570	304,570	69,710	0
Total Revenues	18,892,024	19,179,475	19,179,475	287,451	0
Expenditures:					
Instruction	12,453,656	12,704,837	12,370,699	(251,181)	334,138
Support services	5,494,263	5,353,313	5,350,694	140,950	2,619
Noninstructional services	276,979	223,519	223,519	53,460	0
Debt service:					
Principal	18,622	18,203	2,491	419	15,712
Interest	1,292	1,712	127	(420)	1,585
Total Expenditures	18,244,812	18,301,584	17,947,530	(56,772)	354,054
Excess (Deficiency) of Revenues over (under) Expenditures	647,212	877,891	1,231,945	230,679	354,054
Other Financing Sources (Uses):					
Insurance recoveries	0	2,306	2,306	2,306	0
Operating transfers in	2,926,520	4,041,768	38,336	1,115,248	(4,003,432)
Operating transfers out	(3,723,867)	(4,510,244)	(860,863)	(786,377)	3,649,381
Other financing uses	0	(400)	(400)	(400)	0
Total Other Financing Sources (Uses)	(797,347)	(466,570)	(820,621)	330,777	(354,051)
Net Change in Fund Balances	(150,135)	411,321	411,324	561,456	3
Fund Balances:					
July 1, 2019, as previously reported	3,831,751	4,843,718	4,843,717	1,011,967	(1)
Prior period adjustments	0	399	399	399	0
July 1, 2019, as restated	3,831,751	4,844,117	4,844,116	1,012,366	(1)
June 30, 2020	\$ 3,681,616	5,255,438	5,255,440	1,573,822	2

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

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PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Extended School Year Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
State sources	\$ 101,910	101,910	87,593	0	(14,317)
Total Revenues	101,910	101,910	87,593	0	(14,317)
Expenditures:					
Instruction	101,910	178,682	87,593	(76,772)	91,089
Total Expenditures	101,910	178,682	87,593	(76,772)	91,089
Net Change in Fund Balances	0	(76,772)	0	(76,772)	76,772
Fund Balances:					
July 1, 2019	0	0	0	0	0
June 30, 2020	\$ 0	(76,772)	0	(76,772)	76,772

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

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PRENTISS COUNTY 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
Revenues:					
Federal sources	\$ 868,053	868,053	605,156	0	(262,897)
Total Revenues	868,053	868,053	605,156	0	(262,897)
Expenditures:					
Instruction	451,001	458,632	353,532	(7,631)	105,100
Support services	241,074	241,399	169,098	(325)	72,301
Noninstructional services	10,485	9,554	2,212	931	7,342
Total Expenditures	702,560	709,585	524,842	(7,025)	184,743
Excess (Deficiency) of Revenues over (under) Expenditures	165,493	158,468	80,314	(7,025)	(78,154)
Other Financing Sources (Uses):					
Operating transfers in	0	0	48,302	0	48,302
Operating transfers out	(165,493)	(144,743)	(128,616)	20,750	16,127
Total Other Financing Sources (Uses)	(165,493)	(144,743)	(80,314)	20,750	64,429
Net Change in Fund Balances	0	13,725	0	13,725	(13,725)
Fund Balances:					
July 1, 2019	0	0	0	0	0
June 30, 2020	\$ 0	13,725	0	13,725	(13,725)

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

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

IDEA Part B Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)		
	Original	Final		Original to Final	Final to Actual	
Revenues:						
Federal sources	\$	714,958	714,958	633,333	0	(81,625)
Total Revenues		714,958	714,958	633,333	0	(81,625)
Expenditures:						
Instruction		370,908	383,335	318,585	(12,427)	64,750
Support services		338,993	354,147	314,748	(15,154)	39,399
Noninstructional services		596	525	0	71	525
Total Expenditures		710,497	738,007	633,333	(27,510)	104,674
Net Change in Fund Balances		4,461	(23,049)	0	(27,510)	23,049
Fund Balances:						
July 1, 2019		0	0	0	0	0
June 30, 2020	\$	4,461	(23,049)	0	(27,510)	23,049

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

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1921%	0.1987%	0.1940%	0.1930%	0.1918%	0.1890%
District's proportionate share of the net pension liability	\$ 33,794,180	33,049,713	32,249,384	34,474,619	29,648,498	22,941,139
District's covered payroll	\$ 12,509,931	12,686,495	12,472,527	12,341,613	11,979,505	11,526,921
District's proportionate share of the net pension liability as a percentage of its covered payroll	270%	261%	259%	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	62%	63%	61%	57%	62%	67%

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

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

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

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,134,716	1,970,314	1,998,123	1,964,423	1,943,795	1,886,772
Contributions in relation to the contractually required contribution	\$ 2,134,716	1,970,314	1,998,123	1,964,423	1,943,795	1,886,772
Contribution deficiency (excess)	\$ 0	0	0	0	0	0
District's covered payroll	\$ 12,268,483	12,509,931	12,686,495	12,472,527	12,341,556	11,979,505
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

OPEB

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.28226610%	0.28548509%	0.27402807%
District's proportionate share of the net OPEB liability	\$ 2,395,144	2,208,370	2,150,049
District's covered-employee payroll	\$ 12,509,931	12,686,495	12,472,527
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	19%	17%	17%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

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

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

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PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution**	\$ 88,123	96,005	91,660
Contributions in relation to the actuarially determined contribution**	\$ 88,123	96,005	91,660
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 12,268,483	12,509,931	12,686,495
Contributions as a percentage of covered-employee payroll	0.72%	0.77%	0.72%

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

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

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

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PRENTISS COUNTY 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 and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

PRENTISS COUNTY 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

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.

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

(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%

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SUPPLEMENTARY INFORMATION

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PRENTISS COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 414,049
National school lunch program	10.555	205MS326N1099	981,647
Subtotal			<u>1,395,696</u>
COVID-19 - Summer food service program for children	10.559	205MS326N1099	125,086
Subtotal			<u>125,086</u>
Total child nutrition cluster			<u>1,520,782</u>
State administrative expenses for child nutrition	10.560	205MS907N2533	8,124
Total passed-through Mississippi Department of Education			<u>1,528,906</u>
Total U.S. Department of Agriculture			<u>1,528,906</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A170024 S010A180024 S010A190024	605,156
Career and technical education - basic grants to states	84.048	V048A190024	48,388
Rehabilitation services - vocational rehabilitation grants to states	84.126	20-OVR-054	23,597
Rural education	84.358	S358B170024 S358B180024 S358B190024	5,298
Supporting Effective Instruction State Grants	84.367	S367A170023 S367A180023 S367A190023	108,053
Student support and academic enrichment grant	84.424	S424A170025 S424A190025	63,124
Subtotal			<u>853,616</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108 H027A180108 H027A190108	639,116
Special education - preschool grants	84.173	H173A170113 H173A180113 H173A190113	36,957
Total special education cluster			<u>676,073</u>
Total passed-through Mississippi Department of Education			<u>1,529,689</u>
Total U.S. Department of Education			<u>1,529,689</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Medicaid cluster:			
Medical assistance program	93.778	1805MS51DM	7,592
Total Medicaid cluster			7,592
Total passed-through Mississippi Department of Education			7,592
Total U.S. Department of Health and Human Services			7,592
<u>U.S. Department of Social Security</u>			
Passed-through Mississippi Department of Rehabilitation Services			
Social security disability insurance	96.001	DDS-SSA-5334	378
Total passed-through Mississippi Department of Rehabilitation Services			378
Total U. S. Department of Social Security			378
Total for All Federal Awards			\$ 3,066,565

As allowed by federal regulations, the Prentiss County School District elected to transfer program funds. The District expended \$48,302 from its Student support and academic enrichment grant (84.424) on allowable activities of the Title I grants to local educational agencies grant (84.010). For purposes of this schedule, this amount is reflected in the expenditures of the Student support and academic enrichment grant.

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Prentiss County School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Prentiss County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Prentiss County 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 Prentiss County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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PRENTISS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2020

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 18,338,925	14,892,201	775,745	893,966	1,777,013
Other	4,782,246	1,482,152	274,221	17,108	3,008,765
Total	<u>\$ 23,121,171</u>	<u>16,374,353</u>	<u>1,049,966</u>	<u>911,074</u>	<u>4,785,778</u>
Total number of students *	<u>2,087</u>				
Cost per student	<u>\$ 11,079</u>	<u>7,846</u>	<u>503</u>	<u>437</u>	<u>2,293</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

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OTHER INFORMATION

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PRENTISS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 4,346,113	4,300,490	4,163,697	4,206,728
State sources	14,528,792	13,768,452	13,128,699	12,825,292
Federal sources	304,570	128,033	258,389	198,048
Total Revenues	19,179,475	18,196,975	17,550,785	17,230,068
Expenditures:				
Instruction	12,370,699	11,888,272	11,631,712	11,211,620
Support services	5,350,694	5,283,795	5,228,805	4,991,510
Noninstructional services	223,519	7,738	242,673	276,561
Facilities acquisition and construction				
Debt service:				
Principal	2,491	2,491	2,491	2,491
Interest	127	139	127	127
Other				
Total Expenditures	17,947,530	17,182,435	17,105,808	16,482,309
Excess (Deficiency) of Revenues over (under) Expenditures	1,231,945	1,014,540	444,977	747,759
Other Financing Sources (Uses):				
Insurance recoveries	2,306			23,290
Sale of transportation equipment		11,992		6,764
Sale of other assets			1	
Operating transfers in	38,336	373,124	35,000	44,535
Operating transfers out	(860,863)	(739,842)	(714,125)	(806,537)
Other financing uses	(400)			(3,379)
Total Other Financing Sources (Uses)	(820,621)	(354,726)	(679,124)	(735,327)
Net Change in Fund Balances	411,324	659,814	(234,147)	12,432
Fund Balances:				
Beginning of period, as previously reported	4,843,717	4,183,903	4,453,232	4,440,800
Prior period adjustments	399		(35,182)	
Beginning of period, as restated	4,844,116	4,183,903	4,418,050	4,440,800
End of Period	\$ 5,255,440	4,843,717	4,183,903	4,453,232

*SOURCE - PRIOR YEAR AUDIT REPORTS

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PRENTISS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 4,924,819	5,184,639	4,790,876	4,864,284
State sources	15,402,945	14,528,841	14,364,074	14,038,484
Federal sources	2,960,290	3,103,333	3,253,735	3,243,902
Total Revenues	23,288,054	22,816,813	22,408,685	22,146,670
Expenditures:				
Instruction	14,697,038	14,165,106	13,958,490	13,558,591
Support services	6,484,736	6,389,998	6,334,204	6,201,641
Noninstructional services	1,601,349	1,438,914	1,778,302	1,851,136
Facilities acquisition and construction	135,640	10,800		
Debt service:				
Principal	187,491	183,466	514,831	544,831
Interest	12,977	16,589	33,377	51,477
Other	1,940	1,940	4,445	3,290
Total Expenditures	23,121,171	22,206,813	22,623,649	22,210,966
Excess (Deficiency) of Revenues over (under) Expenditures	166,883	610,000	(214,964)	(64,296)
Other Financing Sources (Uses):				
Insurance recoveries	2,306			23,290
Sale of transportation equipment		11,992		6,764
Sale of other assets			1	
Operating transfers in	1,072,781	1,275,845	870,717	962,916
Operating transfers out	(1,072,781)	(1,275,845)	(870,717)	(962,916)
Other financing uses	(400)			(3,379)
Total Other Financing Sources (Uses)	1,906	11,992	1	26,675
Net Change in Fund Balances	168,789	621,992	(214,963)	(37,621)
Fund Balances:				
Beginning of period, as previously reported	6,295,945	5,670,701	5,928,311	5,960,163
Prior period adjustments	136		(35,182)	
Beginning of period, as restated	6,296,081	5,670,701	5,893,129	5,960,163
Increase (Decrease) in reserve for inventory	19,445	3,252	(7,465)	5,769
End of Period	\$ 6,484,315	6,295,945	5,670,701	5,928,311

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board
Prentiss County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prentiss County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Prentiss County School District's basic financial statements, and have issued our report thereon dated July 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

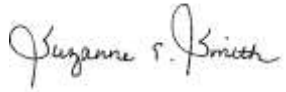
Compliance and Other Matters

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

Purpose of this Report

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

POST OFFICE BOX 1563
STARKVILLE, MS 39750
PHONE: 601-938-5717

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
July 2, 2021

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board
Prentiss County School District

Report on Compliance for Each Major Federal Program

We have audited Prentiss County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Prentiss County School District's major federal programs for the year ended June 30, 2020. The Prentiss County School District's major federal programs are identified in the summary of the 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 Prentiss County School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Prentiss County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In

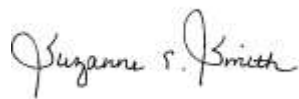
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STARKVILLE, MS 39760
PHONE: 601-938-5717

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is as 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
July 2, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|---|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 10.553/10.555/10.559 | Child Nutrition Cluster |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | Yes |
| 10. | Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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