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NESHOBA COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

NESHOBA COUNTY SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	21
Exhibit F – Statement of Changes in Fiduciary Net Position	22
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	51
Budgetary Comparison Schedule – General Fund	52
Budgetary Comparison Schedule – Title I-A Basic Fund	53
Budgetary Comparison Schedule – ESSER II Fund	54
Schedule of the District's Proportionate Share of the Net Pension Liability	55
Schedule of District Contributions (PERS)	56
Schedule of the District's Proportionate Share of the Net OPEB Liability	57
Schedule of District Contributions (OPEB)	58
Notes to the Required Supplementary Information	59
SUPPLEMENTARY INFORMATION	62
Schedule of Expenditures of Federal Awards	63
Notes to the Supplementary Information	64
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	65
OTHER INFORMATION	66
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	67
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	68
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	69
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	72
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	77

INDEPENDENT AUDITORS' REPORT



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

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Neshoba 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 Neshoba County School District as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Neshoba County School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-13, 52-54, 55, 56, 57 and 58, 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 Neshoba 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 September 9, 2022, on our consideration of the Neshoba 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 Neshoba 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 Neshoba County School District's internal control over financial reporting and compliance.

Watkins Ward and Stafford, P.C.

Philadelphia, Mississippi
September 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following discussion and analysis of Neshoba County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2021. 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 2021 increased \$1,555,997, including a prior period adjustment of \$4,758 and residual equity transfers in of \$175,228, which represents a 10.4% increase from fiscal year 2020. Total net position for 2020 increased \$1,222,635, including a prior period adjustment of (\$14,666), which represents an 8.0% increase from fiscal year 2019.
- General revenues amounted to \$24,740,527 and \$23,608,166, or 72.4% and 78.0% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,427,415, or 27.6% of total revenues for 2021, and \$6,472,589, or 22.0% of total revenues for 2020.
- The District had \$32,791,931 and \$28,843,454 in expenses for fiscal years 2021 and 2020; only \$9,427,415 for 2021 and \$6,472,589 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$24,740,527 for 2021 and \$23,608,166 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,585,710 in revenues and \$21,057,357 in expenditures for 2021, and \$23,416,855 in revenues and \$20,231,119 in expenditures in 2020. The General Fund's fund balance increased by \$1,123,841, including a prior period adjustment of (\$2,401) and residual equity transfers in of \$175,228, from 2020 to 2021, and decreased by \$3,264, including a prior period adjustment of (\$13,968), from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$1,626,244 for 2021 and increased by \$2,453,581 for 2020. The increase for 2021 was due primarily to the increase in construction-in-progress.
- Long-term debt, including the liability for compensated absences, increased by \$27,689 for 2021 and increased by \$856,909 for 2020. This increase for 2021 was due primarily to the increase in obligations under energy efficiency leases. The liability for compensated absences increased by \$32,493 for 2021 and decreased by \$2,945 for 2020.

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.

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

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

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

Fund Financial Statements

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

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

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

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

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

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to 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 financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,398,208 as of June 30, 2021.

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, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Current assets	\$ 12,869,931	\$ 12,479,681	3.13 %
Restricted assets	3,151,341	2,128,913	48.03 %
Capital Assets, net	41,021,544	39,395,300	4.13 %
Total assets	57,042,816	54,003,894	5.63 %
 Deferred outflows of resources	 5,778,674	 3,348,942	 72.55 %
Current liabilities	2,687,841	2,387,677	12.57 %
Long-term debt outstanding	26,705,105	26,677,416	0.10 %
Net pension liability	43,456,913	39,241,886	10.74 %
Net OPEB liability	2,565,356	2,835,263	(9.52) %
Total liabilities	75,415,215	71,142,242	6.01 %
 Deferred inflows of resources	 804,483	 1,164,799	 (30.93) %
 Net Position:			
Net investment in capital assets	14,561,829	12,930,781	12.61 %
Restricted	3,980,263	3,417,030	16.48 %
Unrestricted	(31,940,300)	(31,302,016)	(2.04) %
Total net position	\$ (13,398,208)	\$ (14,954,205)	10.41 %

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)	\$ (31,940,300)
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	41,048,078
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,107,778</u>

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

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

- Increase/Decrease in net capital assets in the amount of \$1,626,244.
- The principal retirement of \$702,289 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$34,167,942 and \$30,080,755, respectively. The total cost of all programs and services was \$32,791,931 for 2021 and \$28,843,454 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 529,926	\$ 569,137	(6.89) %
Operating grants and contributions	8,897,489	5,903,452	50.72 %
General revenues:			
Property taxes	5,033,545	4,867,195	3.42 %
Grants and contributions not restricted	18,860,252	17,757,372	6.21 %
Investment earnings	230,854	289,451	(20.24) %
Sixteenth section sources	379,505	418,652	(9.35) %
Other	236,371	275,496	(14.20) %
Total revenues	34,167,942	30,080,755	13.59 %
Expenses:			
Instruction	16,863,669	15,017,869	12.29 %
Support services	8,941,120	7,644,285	16.96 %
Non-instructional	1,859,184	1,481,113	25.53 %
Sixteenth section	195,427	184,771	5.77 %
Pension expense	3,918,048	3,401,428	15.19 %
OPEB expense	33,518	145,613	(76.98) %
Interest on long-term liabilities	980,965	968,375	1.30 %
Total expenses	32,791,931	28,843,454	13.69 %
Increase (Decrease) in net position	1,376,011	1,237,301	11.21 %
Net Position, July 1, as previously reported	(14,954,205)	(16,176,840)	7.56 %
Prior Period Adjustment/Residual Equity Transfers In	179,986	(14,666)	1,327.23 %
Net Position, July 1, as restated	(14,774,219)	(16,191,506)	8.75 %
Net Position, June 30	\$ (13,398,208)	\$ (14,954,205)	10.41 %

Governmental activities

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

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 16,863,669	\$ 15,017,869	12.29 %
Support services	8,941,120	7,644,285	16.96 %
Non-instructional	1,859,184	1,481,113	25.53 %
Sixteenth section	195,427	184,771	5.77 %
Pension Expense	3,918,048	3,401,428	15.19 %
OPEB Expense	33,518	145,613	(76.98) %
Interest on long-term liabilities	980,965	968,375	1.30 %
Total expenses	\$ 32,791,931	\$ 28,843,454	13.69 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (11,892,848)	\$ (11,424,671)	(4.10) %
Support services	(6,747,515)	(6,507,656)	(3.69) %
Non-instructional	215,123	60,467	255.77 %
Sixteenth section	(158,511)	(138,572)	(14.39) %
Pension Expense	(3,918,048)	(3,401,428)	(15.19) %
OPEB Expense	(33,518)	(145,613)	76.98 %
Interest on long-term liabilities	(829,199)	(813,392)	(1.94) %
Total net (expense) revenue	\$ (23,364,516)	\$ (22,370,865)	(4.44) %

- Net cost of governmental activities [(\$23,364,516) for 2021 and (\$22,370,865) for 2020] was financed by general revenue, which is primarily made up of property taxes (\$5,033,545 for 2021 and \$4,867,195 for 2020) and state and federal revenues (\$18,860,252 for 2021 and \$17,757,372 for 2020). In addition, there was \$379,505 and \$418,652 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$230,854 for 2021 and \$289,451 for 2020.

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 \$13,623,725, an increase of \$1,156,788, which includes a prior period adjustment of \$4,758, residual equity transfers in of \$175,228, and a decrease in inventory of \$42,591. \$8,501,416 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 \$5,122,309 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.

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,123,841, which includes a prior period adjustment of (\$2,401) and residual equity transfers in of \$175,228. The fund balance of Other Governmental Funds showed a decrease in the amount of \$162,906, which includes a prior period adjustment of \$7,159 and a decrease in reserve for inventory of \$42,591. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
ESSER II Fund	no increase or decrease
Qualified School Construction Fund	\$ 195,853

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 major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$59,792,225, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$3,021,435 from 2020. Total accumulated depreciation as of June 30, 2021, was \$18,770,681, and total depreciation expense for the year was \$1,593,015, resulting in total net capital assets of \$41,021,544.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 783,993	\$ 783,993	0.00 %
Construction in Progress	869,443	3,188,579	(72.73) %
Buildings	32,022,832	30,760,597	4.10 %
Building improvements	336,718	-	N/A %
Improvements other than buildings	2,442,759	2,608,680	(6.36) %
Mobile equipment	1,246,406	1,139,726	9.36 %
Furniture and equipment	905,702	582,723	55.43 %
Leased property under capital leases	2,413,691	331,002	629.21 %
Total	\$ 41,021,544	\$ 39,395,300	4.13 %

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

NESHOPA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Debt Administration. At June 30, 2021, the District had \$26,705,105 in outstanding long-term debt, of which \$1,055,755 is due within one year. The liability for compensated absences increased \$32,493 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 12,600,000	\$ 12,880,000	(2.17) %
Certificates of participation payable	8,555,000	8,940,000	(4.31) %
Discount	(153,832)	(163,447)	(5.88) %
Obligations under capital leases	280,211	310,324	(9.70) %
Obligations under energy efficiency leases	2,178,336	1,497,642	45.45 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	245,390	212,897	15.26 %
Total	<u>\$ 26,705,105</u>	<u>\$ 26,677,416</u>	<u>0.10 %</u>

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

CURRENT ISSUES

The Neshoba 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 Neshoba County School District, 580 East Main Street, Philadelphia, MS 39350.

FINANCIAL STATEMENTS

NESHOBA COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2021**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,178,008
Due from other governments	1,556,088
Other receivables, net	105,991
Inventories	29,844
Restricted assets	3,151,341
Capital assets, non-depreciable:	
Land	783,993
Construction in progress	869,443
Capital assets, net of accumulated depreciation:	
Buildings	32,022,832
Building improvements	336,718
Improvements other than buildings	2,442,759
Mobile equipment	1,246,406
Furniture and equipment	905,702
Leased property under capital leases	2,413,691
Total Assets	<u>57,042,816</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,272,675
Deferred outflows - OPEB	505,999
Total deferred outflows of resources	<u>5,778,674</u>
Liabilities	
Accounts payable and accrued liabilities	2,397,547
Interest payable on long-term liabilities	290,294
Long-term liabilities, due within one year:	
Capital related liabilities	1,055,755
Net OPEB liability	86,436
Long-term liabilities, due beyond one year:	
Capital related liabilities	25,403,960
Non-capital related liabilities	245,390
Net pension liability	43,456,913
Net OPEB liability	2,478,920
Total Liabilities	<u>75,415,215</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	169,149
Deferred inflows - OPEB	635,334
Total deferred inflows of resources	<u>804,483</u>
Net Position	
Net investment in capital assets	14,561,829
Restricted for:	
Expendable:	
School-based activities	813,134
Debt service	2,045,112
Capital improvements	655,661
Forestry improvements	257,104
Unemployment benefits	54,665
Non-expendable:	
Sixteenth section	154,587
Unrestricted	(31,940,300)
Total Net Position	<u>\$ (13,398,208)</u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 16,863,669	\$ 416,938	\$ 4,553,883	\$ -	\$ (11,892,848)
Support services	8,941,120	2,115	2,191,490	-	(6,747,515)
Non-instructional	1,859,184	73,957	2,000,350	-	215,123
Sixteenth section	195,427	36,916	-	-	(158,511)
Pension expense	3,918,048	-	-	-	(3,918,048)
OPEB expense	33,518	-	-	-	(33,518)
Interest on long-term liabilities	980,965	-	151,766	-	(829,199)
Total Governmental Activities	\$ 32,791,931	\$ 529,926	\$ 8,897,489	\$ -	\$ (23,364,516)

General Revenues:

Taxes:

General purpose levies

4,361,403

Debt purpose levies

672,142

Unrestricted grants and contributions:

State

17,925,000

Federal

935,252

Unrestricted investment earnings

230,854

Sixteenth section sources

379,505

Other

236,371

Total General Revenues

24,740,527

Change in Net Position

1,376,011

Net Position - Beginning, as previously reported

(14,954,205)

Residual Equity Transfers In

175,228

Prior Period Adjustments

4,758

Net Position - Beginning, as restated

(14,774,219)

Net Position - Ending

\$ (13,398,208)

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2021

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I-A Basic Fund	ESSER II Fund	Qualified School Construction Fund	Other Governmental Funds		
Assets							
Cash and cash equivalents	\$ 9,690,141	\$ -	\$ -	\$ 6,398	\$ 2,466,952	\$	12,163,491
Cash with fiscal agents	-	-	-	27	1		28
Investments	-	-	-	2,165,830	-		2,165,830
Due from other governments	306,403	360,347	482,529	-	406,809		1,556,088
Other receivables, net	105,991	-	-	-	-		105,991
Due from other funds	520,380	-	-	-	-		520,380
Inventories	-	-	-	-	29,844		29,844
Total assets	10,622,915	360,347	482,529	2,172,255	2,903,606		16,541,652
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 1,261,320	\$ 178,055	\$ 457,517	\$ -	\$ 500,655	\$	2,397,547
Due to other funds	-	182,292	25,012	-	313,076		520,380
Total Liabilities	1,261,320	360,347	482,529	-	813,731		2,917,927
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	29,844		29,844
Permanent fund principal	-	-	-	-	154,587		154,587
Restricted:							
Debt service	-	-	-	2,172,255	163,151		2,335,406
Capital projects	-	-	-	-	655,661		655,661
Forestry improvement purposes	-	-	-	-	257,104		257,104
Grant activities	8,427	-	-	-	774,863		783,290
Unemployment benefits	-	-	-	-	54,665		54,665
Assigned:							
Vocational	165,446	-	-	-	-		165,446
Student activities	551,663	-	-	-	-		551,663
Building improvements	134,643	-	-	-	-		134,643
Unassigned	8,501,416	-	-	-	-		8,501,416
Total Fund Balances	9,361,595	-	-	2,172,255	2,089,875		13,623,725
Total Liabilities and Fund Balances	\$ 10,622,915	\$ 360,347	\$ 482,529	\$ 2,172,255	\$ 2,903,606	\$	16,541,652

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2021

Total fund balances for governmental funds \$ 13,623,725

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	783,993	
Construction in progress	869,443	
Buildings	43,122,097	
Building improvements	350,748	
Improvements other than buildings	4,703,830	
Mobile equipment	4,870,949	
Furniture and equipment	2,546,922	
Leased property under capital leases	2,544,243	
Accumulated depreciation	<u>(18,770,681)</u>	41,021,544
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	(43,456,913)	
Deferred outflow s and inflow s of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to pensions	5,272,675	
Deferred inflow s of resources related to pensions	<u>(169,149)</u>	(38,353,387)
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 Current Portion	(86,436)	
Net OPEB liability Noncurrent Portion	(2,478,920)	
Deferred outflow s and inflow s of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to OPEB	505,999	
Deferred inflow s of resources related to OPEB	<u>(635,334)</u>	(2,694,691)
4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(12,600,000)	
Certificates of participation	(8,555,000)	
Unamortized discount	153,832	
Qualified school construction bonds payable	(3,000,000)	
Capital lease obligations	(280,211)	
Energy efficiency lease obligations	(2,178,336)	
Compensated absences payable	(245,390)	
Accrued interest payable	<u>(290,294)</u>	(26,995,399)
Net position of governmental activities		<u><u>\$ (13,398,208)</u></u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021**

Exhibit D

	Major Funds					
	General Fund	Title I-A Basic Fund	ESSER II Fund	Qualified School Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 5,147,678	\$ -	\$ -	\$ 2	\$ 791,151	\$ 5,938,831
State sources	18,079,227	-	-	-	722,077	18,801,304
Federal sources	935,252	1,829,328	638,520	155,312	5,398,024	8,956,436
Sixteenth section sources	423,553	-	-	-	47,818	471,371
Total Revenues	24,585,710	1,829,328	638,520	155,314	6,959,070	34,167,942
Expenditures:						
Instruction	12,886,787	1,393,918	-	-	3,615,404	17,896,109
Support services	7,877,387	367,060	2,675	-	1,459,440	9,706,562
Noninstructional services	-	43,618	-	-	2,057,211	2,100,829
Sixteenth section	161,564	-	-	-	36,012	197,576
Facilities acquisition and construction	131,619	-	610,833	-	1,571,387	2,313,839
Debt service:						
Principal	-	-	-	-	702,289	702,289
Interest	-	-	-	180,900	728,415	909,315
Other	-	-	-	13,761	4,000	17,761
Total Expenditures	21,057,357	1,804,596	613,508	194,661	10,174,158	33,844,280
Excess (Deficiency) of Revenues over (under) Expenditures	3,528,353	24,732	25,012	(39,347)	(3,215,088)	323,662
Other Financing Sources (Uses):						
Capital leases issued	-	-	-	-	687,870	687,870
Insurance recovery	6,876	-	-	-	-	6,876
Payment held by escrow agent	-	-	-	201,264	-	201,264
Operating transfers in	317,746	160,000	-	235,200	3,037,678	3,750,624
Other financing sources	985	-	-	-	-	985
Payment to escrow agent	-	-	-	(201,264)	-	(201,264)
Operating transfers out	(2,902,946)	(184,732)	(25,012)	-	(637,934)	(3,750,624)
Total Other Financing Sources (Uses)	(2,577,339)	(24,732)	(25,012)	235,200	3,087,614	695,731
Net Change in Fund Balances	951,014	-	-	195,853	(127,474)	1,019,393
Fund Balances:						
July 1, 2020, as previously reported	8,237,754	-	-	1,976,402	2,252,781	12,466,937
Residual equity transfers in	175,228	-	-	-	-	175,228
Prior period adjustments	(2,401)	-	-	-	7,159	4,758
July 1, 2020, as restated	8,410,581	-	-	1,976,402	2,259,940	12,646,923
Increase (Decrease) in reserve for inventory	-	-	-	-	(42,591)	(42,591)
June 30, 2021	\$ 9,361,595	\$ -	\$ -	\$ 2,172,255	\$ 2,089,875	\$ 13,623,725

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

NESHOBA 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, 2021**

Exhibit D-1

Net change in fund balances - total governmental funds	\$	1,019,393	
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	\$	3,237,434	
Depreciation expense		<u>(1,593,015)</u>	1,644,419
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.			
			(18,175)
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:			
Energy efficiency leases issued		(687,870)	
Payments of debt principal		702,289	
Accrued interest payable		<u>(44,274)</u>	(29,855)
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:			
Pension expense		(3,918,048)	
Contributions subsequent to the measurement date		<u>2,710,058</u>	(1,207,990)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:			
OPEB expense		(33,518)	
Contributions subsequent to the measurement date		<u>86,436</u>	52,918
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		(32,493)	
Change in inventory reserve		(42,591)	
Amortization of deferred charges, premiums and discounts		<u>(9,615)</u>	(84,699)
Change in net position of governmental activities	\$		<u><u>1,376,011</u></u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2021

Exhibit E

	Private-Purpose Trust Funds
Assets	
Cash and cash equivalents	\$ 52,171
Total Assets	<u>52,171</u>
Liabilities	
Total Liabilities	<u>-</u>
Net Position	
Restricted for individuals, organizations and other governments	<u>52,171</u>
Total Net Position	<u><u>\$ 52,171</u></u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 1,061
Total Additions	<u>1,061</u>
Deductions	
Total Deductions	<u>-</u>
Net increase (decrease) in fiduciary net position	<u>1,061</u>
 Net position - Beginning	 <u>51,110</u>
Net position - Ending	<u><u>\$ 52,171</u></u>

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

B. Government-wide and Fund Financial Statements

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

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local educational agencies.

ESSER II Fund – This special revenue fund is used to account for the activity of the ESSER II federal grant.

Qualified School Construction Fund – This is a debt service fund that accounts for the debt service activity related to the Qualified School Construction Bond Issue issued December 17, 2010.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Private-Purpose Trust Funds – These private purpose trust funds are used to account for scholarship endowments. The school district does not have authority to administer a scholarship fund which has resulted in a finding in the State Compliance Report on page 75.

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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

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

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

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code 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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 8, Note 9, and Note 18 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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts. It is the goal of the School District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than five (5) percent of general fund revenues for the year. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

13. Accounting Standards Update

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

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,163,491 and \$52,171, respectively.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$28.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments
(Continued)**

Investments

As of June 30, 2021, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
QSCB Construction Bonds Common Trust Funds 2012	Aaa	Averages 5 years	\$ 2,165,830
Total			\$ 2,165,830

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

The district has the following recurring fair value measurements as of June 30, 2021:

- QSCB Construction Bonds Common Trust Funds 2012 of \$2,165,830 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2021, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2021, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
QSCB Construction Bonds Common Trust Funds 2012	\$ 2,165,830	100%

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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	Title I-A Basic Fund	\$ 182,292
	ESSER II Fund	25,012
	Other governmental funds	313,076
Total		<u>\$ 520,380</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative federal program fund cash flows and to recognize the effects of inter-fund loans between funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,902,946
Title I-A Basic Fund	General Fund	50,000
	Other governmental funds	134,732
ESSER II Fund	General Fund	25,012
Other governmental funds	General Fund	242,734
	Title I-A Basic Fund	160,000
	Qualified School Construction Fund	235,200
Total		<u>\$ 3,750,624</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds, transfers of investment earnings on 16th Section Principal Fund investments to the general fund, 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 – Restricted Assets

The restricted assets represent the cash balances, totaling \$154,587, \$590,692, \$123,524, \$5,854, and \$110,826, of the Sixteenth Section Principal Fund (Permanent Fund), the New HS/ADA Reno Fund (Capital Projects Fund), the Building Grounds Upgrades Fund (Capital Projects Fund), the MEMA Cafeteria Fund (Capital Projects Fund), and the Upgrades/Roof Gym Floor Fund (Capital Projects Fund), which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$1 of the Certificate of Participation Debt Service Fund. Also included in restricted assets are the cash with fiscal agents and investment balance, totaling \$27 and \$2,165,830, respectively, of the QSCB Bond Retirement Fund.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Completed Construction	Balance 6/30/2021
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 783,993	\$ -	\$ -	\$ -	783,993
Construction-in-progress	3,188,579	2,313,839	-	(4,632,975)	869,443
Total non-depreciable capital assets	3,972,572	2,313,839	-	(4,632,975)	1,653,436
<u>Depreciable capital assets:</u>					
Buildings	40,974,429	-	-	2,147,668	43,122,097
Building improvements	-	49,900	-	300,848	350,748
Improvements other than buildings	4,703,830	-	-	-	4,703,830
Mobile equipment	4,644,786	348,500	122,337	-	4,870,949
Furniture and equipment	2,115,389	525,195	93,662	-	2,546,922
Leased property under capital leases	359,784	-	-	2,184,459	2,544,243
Total depreciable capital assets	52,798,218	923,595	215,999	4,632,975	58,138,789
<u>Less accumulated depreciation for:</u>					
Buildings	10,213,832	885,433	-	-	11,099,265
Building improvements	-	14,030	-	-	14,030
Improvements other than buildings	2,095,150	165,921	-	-	2,261,071
Mobile equipment	3,505,060	229,586	110,103	-	3,624,543
Furniture and equipment	1,532,666	196,275	87,721	-	1,641,220
Leased property under capital leases	28,782	101,770	-	-	130,552
Total accumulated depreciation	17,375,490	1,593,015	197,824	-	18,770,681
Total depreciable capital assets, net	35,422,728	(669,420)	18,175	4,632,975	39,368,108
Governmental activities capital assets, net	\$ 39,395,300	\$ 1,644,419	\$ 18,175	\$ -	\$ 41,021,544

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,052,798
Support services	444,429
Non-instructional	95,788
Total depreciation expense - Governmental activities	<u>\$ 1,593,015</u>

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

	Spent to June 30, 2021	Remaining Commitment
Governmental Activities:		
HVAC & Window Replacement Phase I Project	\$ 581,080	\$ 2,141,942
Gymnasium Floor Repair Project	126,992	298,791
HVAC & Window Replacement Phase II & III Project	145,568	35,592
Vent Hood Project	15,803	294,917
Total governmental activities	<u>869,443</u>	<u>2,771,242</u>

Construction projects included in governmental activities are funded with district funds and proceeds from an ESSER II grant.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. General obligation bonds payable	\$ 12,880,000	\$ -	\$ 280,000	\$ 12,600,000	\$ 575,000
B. Certificates of participation payable	8,940,000	-	385,000	8,555,000	400,000
Discounts	(163,447)	-	(9,615)	(153,832)	(9,615)
C. Obligations under capital leases	310,324	-	30,113	280,211	31,122
D. Obligations under energy efficiency leases	1,497,642	687,870	7,176	2,178,336	59,248
E. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
F. Compensated absences payable	212,897	32,493	-	245,390	-
Total	\$ 26,677,416	\$ 720,363	\$ 692,674	\$ 26,705,105	\$ 1,055,755

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2015	2.375 - 3.25%	11/12/2015	11/1/2035	\$ 9,000,000	\$ 8,100,000
2. General obligation bonds, Series 2016	2.25 - 3.00%	5/11/2016	5/1/2036	5,000,000	4,500,000
Total				<u>\$ 14,000,000</u>	<u>\$ 12,600,000</u>

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

1. General obligation bond issue of November 12, 2015:

Year Ending June 30	Principal	Interest	Total
2022	\$ 360,000	\$ 223,706	\$ 583,706
2023	360,000	212,906	572,906
2024	360,000	202,106	562,106
2025	360,000	192,206	552,206
2026	360,000	183,206	543,206
2027 – 2031	2,345,000	756,921	3,101,921
2032 – 2036	3,955,000	315,908	4,270,908
Total	<u>\$ 8,100,000</u>	<u>\$ 2,086,959</u>	<u>\$ 10,186,959</u>

This debt will be retired from the General Obligation Bond 2015 Fund (Debt Service Fund).

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

2. General obligation bond issue of May 11, 2016:

Year Ending June 30	Principal	Interest	Total
2022	\$ 215,000	\$ 121,150	\$ 336,150
2023	220,000	114,700	334,700
2024	230,000	108,100	338,100
2025	235,000	101,200	336,200
2026	240,000	94,150	334,150
2027 – 2031	1,405,000	376,024	1,781,024
2032 – 2036	1,955,000	164,176	2,119,176
Total	\$ 4,500,000	\$ 1,079,500	\$ 5,579,500

This debt will be retired from the General Obligation Bond 2016 Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 575,000	\$ 344,856	\$ 919,856
2023	580,000	327,606	907,606
2024	590,000	310,206	900,206
2025	595,000	293,406	888,406
2026	600,000	277,356	877,356
2027 – 2031	3,750,000	1,132,945	4,882,945
2032 – 2036	5,910,000	480,084	6,390,084
Total	\$ 12,600,000	\$ 3,166,459	\$ 15,766,459

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2021, the amount of outstanding bonded indebtedness was equal to 10.3% of property assessments as of October 1, 2020.

B. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation payable	3.00- 5.00%	2/1/2017	2/1/2037	\$ 9,300,000	\$ 8,555,000
Total				\$ 9,300,000	\$ 8,555,000

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 400,000	\$ 342,812	\$ 742,812
2023	425,000	322,812	747,812
2024	435,000	303,688	738,688
2025	435,000	290,638	725,638
2026	480,000	277,588	757,588
2027 – 2031	3,210,000	1,074,950	4,284,950
2032 – 2036	2,185,000	518,343	2,703,343
2037	985,000	44,325	1,029,325
Total	\$ 8,555,000	\$ 3,175,156	\$ 11,730,156

This debt will be retired from the Certificate of Participation Debt Service Fund (Debt Service Fund).

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of football stadium lighting at a cost of \$359,784 with a down payment of \$20,334. This lease qualifies as a capital lease for accounting purposes.

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
Football stadium lighting	3.35%	2/7/2019	2/8/2029	\$ 339,450	\$ 280,211
Total				\$ 339,450	\$ 280,211

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2022	\$ 31,122	\$ 9,387	\$ 40,509
2023	32,165	8,344	40,509
2024	33,242	7,267	40,509
2025	34,356	6,153	40,509
2026	35,507	5,002	40,509
2027 – 2029	113,819	7,709	121,528
Total	\$ 280,211	\$ 43,862	\$ 324,073

This debt will be retired from the Capital Lease/Stadium Light Fund (Debt Service Fund).

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

D. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease					
- Bank of America	2.40%	11/14/2019	3/1/2036	\$ 2,185,512	\$ 2,178,336
Total				<u>\$ 2,185,512</u>	<u>\$ 2,178,336</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 59,248	\$ 120,446	\$ 179,694
2023	129,478	50,216	179,694
2024	132,602	47,092	179,694
2025	135,800	43,894	179,694
2026	139,076	40,618	179,694
2027 – 2031	747,354	151,116	898,470
2032 – 2036	834,778	63,792	898,570
Total	<u>\$ 2,178,336</u>	<u>\$ 517,174</u>	<u>\$ 2,695,510</u>

This debt will be retired from the Energy Efficiency Lease Project Fund (Debt Service Fund).

An energy efficiency lease agreement dated November 14, 2019, was executed by and between the district, the lessee, and Bank of America, National Association, the lessor.

The agreement authorized the borrowing of \$2,185,512 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Energy Efficiency Project Fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

E. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond	6.03%	12/17/2010	12/17/2025	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ -	\$ 180,900	\$ 180,900
2023	-	180,900	180,900
2024	-	180,900	180,900
2025	-	180,900	180,900
2026	3,000,000	180,900	3,180,900
Total	<u>\$ 3,000,000</u>	<u>\$ 904,500</u>	<u>\$ 3,904,500</u>

This debt will be retired from the QSCB Debt Service Fund (Debt Service Fund).

F. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Eighty-four (84) printers and copiers
2. Two (2) postage meters
3. One (1) drivers' education vehicle

Lease expenditures for the year ended June 30, 2021, amounted to \$88,085.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 7 – Other Commitments (Continued)

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2022	\$ 70,514
2023	1,655
2024	919
2025	919
2026	230
Total	<u>\$ 74,237</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 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, 2021, 2020 and 2019 were \$2,710,058 \$2,600,888 and \$2,288,130, respectively, which equaled the required contributions for each year.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the school district reported a liability of \$43,456,913 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 0.224481 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.001414 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,918,048. At June 30, 2021 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	\$ 377,135	\$ -
Net difference between projected and actual earnings on pension plan investments	1,775,614	-
Changes of assumptions	241,566	-
Changes in proportion and differences between District contributions and proportionate share of contributions	168,302	169,149
District contributions subsequent to the measurement date	2,710,058	-
Total	\$ <u>5,272,675</u>	\$ <u>169,149</u>

\$2,710,058 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2022	\$ 40,816
2023	890,491
2024	886,963
2025	575,198

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. 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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 8 – Defined Benefit Pension Plan (Continued)

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 are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
Total	100	%		

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 56,249,634	\$ 43,456,913	\$ 32,897,778

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$86,436 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,565,356 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.329649 percent. This was a decrease of 0.0044849 percent from the proportionate share as of the measurement date of June 30, 2019.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$33,518. At June 30, 2021, 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	\$ 3,270	\$ 446,441
Changes of assumptions	398,295	108,408
Net difference between projected and actual earnings on OPEB plan investments	82	-
Changes in proportion and differences between District contributions and proportionate share of contributions	17,916	80,485
District contributions subsequent to the measurement date	86,436	-
Total	\$ <u>505,999</u>	\$ <u>635,334</u>

\$86,436 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, 2022. 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:

2022	\$ (59,410)
2023	(59,410)
2024	(50,694)
2025	(16,998)
2026	(29,259)

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

Actuarial assumptions. The total OPEB liability in the June 30, 2020 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	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2030
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, 2020 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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 2,834,894	\$ 2,565,356	\$ 2,334,166

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	\$ 2,368,714	\$ 2,565,356	\$ 2,788,143

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

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2022	\$ 137,522
2023	130,039
2024	115,653
2025	111,344
2026	101,071
2027 – 2031	398,527
2032 - 2036	233,224
2037 – 2041	175,055
2042 – 2046	52,320
Thereafter	728
Total	\$ 1,455,483

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 11 – 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 errors	\$ 4,758
2. To record residual equity transfers in	175,228
Total	<u>\$ 179,986</u>

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

Fund	Explanation	Amount
General Fund	To correct prior period errors	\$ (2,401)
	To record residual equity transfers in	175,228
Other governmental funds	To correct prior period errors	7,159
Total		<u>\$ 179,986</u>

Note 12 – Contingencies

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

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

COVID-19 – On March 11, 2020 the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the District's operations. As of September 9, 2022, Management has noted an adverse effect on workforce availability and operational costs. The long-term effects of these items on the net position of the District cannot be determined as of the date of this report.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 57 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14 – Trust Certificates

A trust agreement dated February 1, 2017, was executed by and between the school district and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$9,300,000. Approximately \$8,935,708 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$172,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 15 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2021, the subsidy payments amounted to \$155,312.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2021 was \$2,165,857. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2022	\$ 201,300
2023	201,300
2024	201,300
2025	201,300
2026	181,800
Total	<u>\$ 987,000</u>

Note 16 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba Vocational-Technical 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 Neshoba County School District, the Philadelphia Public School District, and East Central Community College.

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.

East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba Vocational-Technical Center, and the operations of the consortium are included in its financial statements.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Note 17 - Insurance loss recoveries

The Neshoba County School District received \$6,876 in insurance loss recoveries related to property damage during the 2020-2021 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		Percentage	Expense Function
Recoveries			
\$	6,876	100%	Support services
\$	6,876	100%	

Note 18 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$31,940,300) 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 \$2,710,058 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, 2022. The \$2,562,617 balance of deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$31,940,300) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$169,149 balance of deferred inflow of resources related to pensions, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$31,940,300) 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 \$86,436 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, 2022. The \$419,563 balance of deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$31,940,300) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$635,334 balance of deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 19 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Neshoba County School District evaluated the activity of the district through September 9, 2022, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,730,409	\$ 5,203,812	\$ 5,147,678	\$ 473,403	\$ (56,134)
State sources	18,005,338	18,079,275	18,079,227	73,937	(48)
Federal sources	616,000	909,293	935,252	293,293	25,959
Sixteenth section sources	277,717	428,602	423,553	150,885	(5,049)
Total Revenues	23,629,464	24,620,982	24,585,710	991,518	(35,272)
Expenditures:					
Instruction	13,312,275	13,220,637	12,886,787	91,638	333,850
Support services	8,899,304	9,168,644	7,877,387	(269,340)	1,291,257
Sixteenth section	153,200	161,664	161,564	(8,464)	100
Facilities acquisition and construction	-	-	131,619	-	(131,619)
Total Expenditures	22,364,779	22,550,945	21,057,357	(186,166)	1,493,588
Excess (Deficiency) of Revenues over (under) Expenditures	1,264,685	2,070,037	3,528,353	805,352	1,458,316
Other Financing Sources (Uses):					
Insurance recovery	-	6,876	6,876	6,876	-
Operating transfers in	3,139,990	3,709,683	317,746	569,693	(3,391,937)
Other financing sources	-	-	985	-	985
Operating transfers out	(4,867,753)	(6,255,544)	(2,902,946)	(1,387,791)	3,352,598
Total Other Financing Sources (Uses)	(1,727,763)	(2,538,985)	(2,577,339)	(811,222)	(38,354)
Net Change in Fund Balances	(463,078)	(468,948)	951,014	(5,870)	1,419,962
Fund Balances:					
July 1, 2020, as previously reported	8,031,994	8,410,581	8,237,754	378,587	(172,827)
Residual equity transfers in	-	-	175,228	-	175,228
Prior period adjustments	-	985	(2,401)	985	(3,386)
July 1, 2020, as restated	8,031,994	8,411,566	8,410,581	379,572	(985)
June 30, 2021	\$ 7,568,916	\$ 7,942,618	\$ 9,361,595	\$ 373,702	\$ 1,418,977

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

NESHOBA COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,296,271	\$ 2,277,583	\$ 1,829,328	\$ (18,688)	\$ (448,255)
Total Revenues	2,296,271	2,277,583	1,829,328	(18,688)	(448,255)
Expenditures:					
Instruction	1,811,471	1,813,880	1,393,918	(2,409)	419,962
Support services	401,945	371,515	367,060	30,430	4,455
Noninstructional services	68,968	66,701	43,618	2,267	23,083
Total Expenditures	2,282,384	2,252,096	1,804,596	30,288	447,500
Excess (Deficiency) of Revenues over (under) Expenditures	13,887	25,487	24,732	11,600	(755)
Other Financing Sources (Uses):					
Operating transfers in	160,000	160,000	160,000	-	-
Operating transfers out	(173,887)	(185,487)	(184,732)	(11,600)	755
Total Other Financing Sources (Uses)	(13,887)	(25,487)	(24,732)	(11,600)	755
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2020	-	-	-	-	-
June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -

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

NESHOBA COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ESSER II Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 6,841,033	\$ 6,841,033	\$ 638,520	\$ -	\$ (6,202,513)
Total Revenues	6,841,033	6,841,033	638,520	-	(6,202,513)
Expenditures:					
Instruction	639,323	549,323	-	90,000	549,323
Support services	441,710	446,710	2,675	(5,000)	444,035
Noninstructional services	-	10,000	-	(10,000)	10,000
Facilities acquisition and construction	5,660,000	5,735,000	610,833	(75,000)	5,124,167
Total Expenditures	6,741,033	6,741,033	613,508	-	6,127,525
Excess (Deficiency) of Revenues over (under) Expenditures	100,000	100,000	25,012	-	(74,988)
Other Financing Sources (Uses):					
Operating transfers out	(100,000)	(100,000)	(25,012)	-	74,988
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(25,012)	-	74,988
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2020	-	-	-	-	-
June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -

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

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.224481%	0.223067%	0.222976%	0.227058%	0.231634%	0.231141%	0.223056%
District's proportionate share of the net pension liability	\$ 43,456,913	\$ 39,241,886	\$ 37,087,533	\$ 37,744,747	\$ 41,375,617	\$ 35,729,840	\$ 27,074,914
District's covered payroll	14,947,631	14,527,810	14,239,143	14,565,892	14,818,216	14,440,343	13,629,873
District's proportionate share of the net pension liability as a percentage of its covered payroll	291%	270%	260%	259%	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	59%	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.

NESHOBA COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,710,058	\$ 2,600,888	\$ 2,288,130	\$ 2,242,665	\$ 2,294,128	\$ 2,333,869	\$ 2,274,354
Contributions in relation to the contractually required contribution	2,710,058	2,600,888	2,288,130	2,242,665	2,294,128	2,333,869	2,274,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	15,575,052	14,947,631	14,527,810	14,239,143	14,565,892	14,818,216	14,440,343
Contributions as a percentage of covered payroll	17.40%	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 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	2021	2020	2019	2018*
District's proportion of the net OPEB liability	0.329649%	0.334134%	0.330983%	0.338523%
District's proportionate share of the net OPEB liability	\$ 2,565,356	\$ 2,835,263	\$ 2,560,320	\$ 2,656,079
District's covered-employee payroll	14,947,631	14,527,810	14,239,143	14,565,892
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.16%	19.52%	17.98%	18.23%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	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, 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.

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

	2021	2020	2019	2018*
Actuarially determined contribution	\$ 86,436	\$ 102,306	\$ 113,646	\$ 113,233
Contributions in relation to the actuarially determined contribution	86,436	102,306	113,646	113,233
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	15,575,052	14,947,631	14,527,810	14,239,143
Contributions as a percentage of covered-employee payroll	0.55%	0.68%	0.78%	0.80%

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).

NESHOBA COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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%.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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, 2018 valuation for the June 30, 2020 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	30.9 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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
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	3.50%

SUPPLEMENTARY INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

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:			
State Administrative Expenses for Child Nutrition	10.560	215MS907N2533	\$ 5,978
Subtotal			5,978
Child nutrition cluster:			
National school lunch program	10.555	215MS326N1099	176,788
COVID-19 - Summer food service program for children	10.559	215MS326N1099	1,857,784
Total child nutrition cluster			2,034,572
Total passed-through Mississippi Department of Education			2,040,550
Total U.S. Department of Agriculture			2,040,550
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	84,075
Total U.S. Department of Defense			84,075
<u>U.S. Department of Treasury</u>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	1,149,869
Total passed-through Mississippi Department of Education			1,149,869
Total U.S. Department of Treasury			1,149,869
<u>Federal Communications Commission</u>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	153,644
Total Federal Communications Commission			153,644
<u>U.S. Department of Education</u>			
Direct Program:			
Impact aid	84.041	N/A	388,192
Indian education grants to local educational agencies	84.060	N/A	75,894
Total direct programs			464,086
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	1,964,200
Career and technical education - basic grants to states	84.048	V048A200024	55,674
Rural education	84.358	S358B200024	74,432
Supporting effective instruction state grants	84.367	S367A200023	64,499
Student support and academic enrichment program	84.424	S424A20025	92,088
Subtotal			2,250,893
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	756,274
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	638,520
CTE ESSER Grant	84.425D	S425D200031	15,488
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			1,410,282
Special education cluster:			
Special education - grants to states	84.027	H027A200108	657,863
Special education - preschool grants	84.173	H173A200113	18,010
Total special education cluster			675,873
Total passed-through Mississippi Department of Education			4,337,048
Total U.S. Department of Education			4,801,134
Total for All Federal Awards			\$ 8,229,272

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

NESHOPA COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information
For the Year Ended June 30, 2021

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Neshoba County School District under programs of the federal government for the year ended June 30, 2021. 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 Neshoba County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Neshoba County School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Award - Commodities

The amount of donated commodities reported on the Schedule is the value of donated commodities received by the District and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$132,986.

NESHOBA COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2021

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 21,720,434	16,461,552	1,394,457	1,312,896	2,551,529
Other	12,123,846	3,643,433	221,404	18,362	8,240,647
Total	<u>\$ 33,844,280</u>	<u>20,104,985</u>	<u>1,615,861</u>	<u>1,331,258</u>	<u>10,792,176</u>
Total number of students *	<u>2,541</u>				
Cost per student	<u>\$ 13,319</u>	<u>7,912</u>	<u>636</u>	<u>524</u>	<u>4,247</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,147,678	\$ 4,851,189	\$ 4,680,823	\$ 4,183,193
State sources	18,079,227	17,356,825	16,678,535	16,627,052
Federal sources	935,252	740,257	782,281	695,700
Sixteenth section sources	423,553	468,584	526,411	351,239
Total Revenues	24,585,710	23,416,855	22,668,050	21,857,184
Expenditures:				
Instruction	12,886,787	12,604,112	12,115,545	12,423,628
Support services	7,877,387	7,043,342	7,576,338	7,272,518
Noninstructional services	-	-	1,500	1,000
Sixteenth section	161,564	160,902	42,587	41,086
Facilities acquisition and construction	131,619	422,763	-	-
Total Expenditures	21,057,357	20,231,119	19,735,970	19,738,232
Excess (Deficiency) of Revenues over (under) Expenditures	3,528,353	3,185,736	2,932,080	2,118,952
Other Financing Sources (Uses):				
Insurance recovery	6,876	3,633	66,531	-
Operating transfers in	317,746	79,184	147,429	109,795
Other financing sources	985	-	-	-
Operating transfers out	(2,902,946)	(3,257,353)	(2,304,503)	(761,395)
Other financing uses	-	(496)	-	-
Total Other Financing Sources (Uses)	(2,577,339)	(3,175,032)	(2,090,543)	(651,600)
Net Change in Fund Balances	951,014	10,704	841,537	1,467,352
Fund Balances:				
Beginning of period, as previously reported	8,237,754	8,241,018	7,397,537	5,930,185
Residual equity transfers in	175,228	-	-	-
Prior period adjustments	(2,401)	(13,968)	1,944	-
Beginning of period, as restated	8,410,581	8,227,050	7,399,481	5,930,185
End of Period	\$ 9,361,595	\$ 8,237,754	\$ 8,241,018	\$ 7,397,537

*SOURCE - PRIOR YEAR AUDIT REPORTS

NESHOBA COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,938,831	\$ 5,896,730	\$ 5,895,710	\$ 5,363,140
State sources	18,801,304	18,524,071	17,437,105	17,771,899
Federal sources	8,956,436	5,136,755	4,999,657	5,034,996
Sixteenth section sources	471,371	523,199	637,218	387,741
Total Revenues	34,167,942	30,080,755	28,969,690	28,557,776
Expenditures:				
Instruction	17,896,109	16,066,090	14,987,542	15,361,084
Support services	9,706,562	8,227,691	8,465,246	8,560,882
Noninstructional services	2,100,829	1,605,286	1,642,077	1,670,444
Sixteenth section	197,576	187,056	102,279	75,780
Facilities acquisition and construction	2,313,839	3,446,869	2,017,509	1,022,113
Debt service:				
Principal	702,289	669,126	280,000	905,000
Interest	909,315	936,702	933,719	962,206
Other	17,761	6,100	5,950	7,233
Total Expenditures	33,844,280	31,144,920	28,434,322	28,564,742
Excess (Deficiency) of Revenues over (under) Expenditures	323,662	(1,064,165)	535,368	(6,966)
Other Financing Sources (Uses):				
Capital leases issued	687,870	1,519,365	317,727	-
Insurance recovery	6,876	3,633	66,531	-
Payment held by escrow agent	201,264	199,446	201,195	201,300
Operating transfers in	3,750,624	4,076,186	3,171,992	1,101,504
Other financing sources	985	-	-	-
Operating transfers out	(3,750,624)	(4,076,186)	(3,171,992)	(1,101,504)
Payment to escrow agent	(201,264)	(199,446)	(201,195)	(201,300)
Other financing uses	-	(496)	-	-
Total Other Financing Sources (Uses)	695,731	1,522,502	384,258	-
Net Change in Fund Balances	1,019,393	458,337	919,626	(6,966)
Fund Balances:				
Beginning of period, as previously reported	12,466,937	11,975,069	11,055,834	11,057,560
Residual equity transfers in	175,228	-	-	-
Prior period adjustments	4,758	(14,741)	1,110	-
Beginning of period, as restated	12,646,923	11,960,328	11,056,944	11,057,560
Increase (Decrease) in reserve for inventory	(42,591)	48,272	(1,501)	5,240
End of Period	\$ 13,623,725	\$ 12,466,937	\$ 11,975,069	\$ 11,055,834

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
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Edward A. Maxwell, CPA

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

To the Superintendent and School Board
Neshoba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Neshoba County School District's basic financial statements, and have issued our report thereon dated September 9, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Neshoba 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Watkins Ward and Stafford, P.C.

Philadelphia, Mississippi
September 9, 2022



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
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Michael C. Knox, CPA
Clifford P. Stewart, CPA
Edward A. Maxwell, CPA

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

To the Superintendent and School Board
Neshoba County School District

Report on Compliance for Each Major Federal Program

We have audited the Neshoba 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 each of the Neshoba County School District's major federal programs for the year ended June 30, 2021. Neshoba County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Neshoba County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Neshoba County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Neshoba 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 Neshoba County School District's internal control over compliance.

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

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

Purpose of this Report

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

Watkins Ward and Stafford, P.C.

Philadelphia, Mississippi
September 9, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

Superintendent and School Board
Neshoba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2021, which collectively comprise Neshoba County School District's basic financial statements and have issued our report thereon dated September 9, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. The District should not maintain scholarship funds

MS AG Opinion 1980 WL 28797 states that there is no authority whereby a school board can administer a scholarship fund. Therefore, a school district may not maintain a scholarship fund composed of nonpublic funds.

During our testing of state legal compliance, we noted that the District has two scholarship funds on its books.

Recommendation

We recommend the District cease to administer the scholarship funds so that it is no longer in violation of MS AG Opinion 1980 WL 28797.

School District Response

The Neshoba County School District was directed many years ago by a donor to use the funds donated to them to administer two scholarships on their behalf. As soon as the District was made aware administering scholarships was not an allowable activity, the District contacted the family of the donor in an attempt to return the money. In the years since the money was donated, the donor has become unable to handle their business affairs and ultimately passed away. During fiscal year 2022, the estate of the donor was created and an executor was named. During the period in which the District was attempting to return the funds, no checks were cut on behalf of the scholarship, the money was only present in a custodial capacity, earning a small amount of interest. In December 2021, the District was finally notified to write a check to the executor of the estate and remove the Scholarship Funds once and for all from the District's books. The District is no longer administering any scholarship funds.

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

The Neshoba County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins Ward and Stafford, P.C.

Philadelphia, Mississippi
September 9, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NESHOPA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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> |
| | 10.555, 10.559 | Child Nutrition Cluster |
| | 84.425D | Education Stabilization Fund (ESSER) I, II, & CTE ESSER Grant |
| | 21.019 | Coronavirus Relief Fund |
| 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 which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | No |

NESHOBA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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.