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QUITMAN COUNTY SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2021

L. Reeves CPA, PLLC  
CERTIFIED PUBLIC ACCOUNTANT  
BRANDON, MS 39042



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## INDEPENDENT AUDITOR'S REPORT

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**L. Reeves CPA, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
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**BRANDON, MS 39042**  
**601-624-0777**

**INDEPENDENT AUDITOR'S REPORT**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman 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 7-14, 51-52, 53-54, and 55-56, 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 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 Quitman 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 December 19, 2022, on our consideration of the Quitman 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 Quitman 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 Quitman County School District's internal control over financial reporting and compliance.

*L. Reeves, CPA, PLLC*

L. Reeves, CPA, PLLC  
Brandon, Mississippi  
December 19, 2022

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The following discussion and analysis of Quitman 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 decreased \$573,710, including a fund reclassification for GASB 84 of \$11,494 and a prior period adjustment of (\$47,583), which represents a 3.92% decrease from fiscal year 2020. Total net position for 2020 decreased \$833,684, including a prior period adjustment of (\$87,965), which represents a 6% decrease from fiscal year 2019.
- General revenues amounted to \$9,187,778 and \$9,149,264, or 65% and 70% 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 \$4,840,581, or 35% of total revenues for 2021, and \$3,872,632, or 30% of total revenues for 2020.
- The District had \$14,565,980 and \$13,767,615 in expenses for fiscal years 2021 and 2020; only \$4,840,581 for 2021 and \$3,872,632 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,187,778 for 2021 and \$9,149,264 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,614,923 in revenues and \$ 8,278,150 in expenditures for 2021, and \$8,628,821 in revenues and \$8,224,222 in expenditures in 2020. The General Fund's fund balance increased by \$ 32,333 from 2020 to 2021, and decreased by \$26,852 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$ 355,650 for 2021 and decreased by \$333,654 for 2020. The decrease for 2021 was due to the disposal of mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$322,958 for 2021 and decreased by \$315,910 for 2020. This decrease for 2021 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences increased by \$27,395 for 2021 and decreased by \$5,989 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.

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.

QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

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 fall into the category of governmental funds.

**Governmental funds** – All 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.

### **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.

**QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**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 \$15,196,954 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.



QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Table 1**  
**Condensed Statement of Net Position**

		June 30, 2021		June 30, 2020	Percentage Change
Current assets	\$	1,997,272	\$	1,756,029	13.74%
Restricted assets		571,236		454,495	25.69%
Capital assets, net		6,950,602		7,306,252	-4.87%
Total assets		9,519,110		9,516,776	0.02%
Deferred outflows of resources		3,007,238		2,498,473	20.36%
Current liabilities		785,553		672,523	16.81%
Long-term debt outstanding		5,000,452		5,296,015	-5.58%
Net OPEB liability		1,268,371		1,457,497	-12.98%
Net pension liability		19,433,369		18,706,776	3.88%
Total liabilities		26,487,745		26,132,811	1.36%
Deferred inflows of resources		1,235,557		505,682	144.33%
Net position:					
Net investment in capital assets		2,035,209		2,217,908	-8.24%
Restricted		1,012,827		650,199	55.77%
Unrestricted		(18,244,990)		(17,491,351)	-4.31%
Total net position	\$	(15,196,954)	\$	(14,623,244)	-3.92%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (18,244,990)
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	18,930,059
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 685,069</u>

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

- Decrease in net capital assets in the amount of \$355,650.
- The principal retirement of \$322,958 of long-term debt.

QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$14,028,359 and \$13,021,896, respectively. The total cost of all programs and services was \$14,565,980 for 2021 and \$13,767,615 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
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 25,143	\$ 99,676	(74.78) %
Operating grants and contributions	4,815,438	3,772,956	27.63 %
General revenues:			
Property taxes	3,607,573	3,488,389	3.42 %
Grants and contributions not restricted	5,208,249	5,239,782	(0.60) %
Investment earnings	15,574	27,874	(44.13) %
Sixteenth section sources	290,279	216,654	33.98 %
Other	66,103	176,565	(62.56) %
<b>Total revenues</b>	<b>14,028,359</b>	<b>13,021,896</b>	<b>7.73 %</b>
<b>Expenses:</b>			
Instruction	5,835,829	5,613,014	3.97 %
Support services	5,661,157	4,895,588	15.64 %
Non-instructional	890,069	1,005,962	(11.52) %
Sixteenth section	19,531		N/A %
Pension expense	1,946,705	1,928,586	0.94 %
OPEB expense	33,490	101,188	(66.90) %
Interest on long-term liabilities	179,199	223,277	(19.74) %
<b>Total expenses</b>	<b>14,565,980</b>	<b>13,767,615</b>	<b>5.80 %</b>
<b>Increase (Decrease) in net position</b>	<b>(537,621)</b>	<b>(745,719)</b>	<b>27.91 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(14,623,244)</b>	<b>(13,789,560)</b>	<b>(6.05) %</b>
<b>Fund Reclassification</b>	<b>11,494</b>		N/A
<b>Prior Period Adjustment</b>	<b>(47,583)</b>	<b>(87,965)</b>	45.91 %
<b>Net Position, July 1, as restated</b>	<b>(14,659,333)</b>	<b>(13,877,525)</b>	<b>(5.63) %</b>
<b>Net Position, June 30</b>	<b><u>\$ (15,196,954)</u></b>	<b><u>\$ (14,623,244)</u></b>	<b>(3.92) %</b>

**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.

QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ 5,835,829	\$ 5,613,014	3.97 %
Support services	5,661,157	4,895,588	15.64 %
Non-instructional	890,069	1,005,962	(11.52) %
Sixteenth section	19,531		N/A %
Pension Expense	1,946,705	1,928,586	0.94 %
OPEB Expense	33,490	101,188	(66.90) %
Interest on long-term liabilities	179,199	223,277	(19.74) %
<b>Total expenses</b>	<b>\$ 14,565,980</b>	<b>\$ 13,767,615</b>	<b>5.80 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ (3,927,298)	\$ (4,008,428)	2.02 %
Support services	(3,871,322)	(3,704,633)	(4.50) %
Non-instructional	252,146	71,129	254.49 %
Sixteenth section	(19,531)	-	N/A %
Pension Expense	(1,946,705)	(1,928,586)	(0.94) %
OPEB Expense	(33,490)	(101,188)	66.90 %
Interest on long-term liabilities	(179,199)	(223,277)	19.74 %
<b>Total net (expense) revenue</b>	<b>\$ (9,725,399)</b>	<b>\$ (9,894,983)</b>	<b>1.71 %</b>

- Net cost of governmental activities (\$9,725,399 for 2021 and \$9,894,983 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$3,607,573 for 2021 and \$3,488,389 for 2020) and state and federal revenues (\$5,208,249 for 2021 and \$5,239,782 for 2020). In addition, there was \$290,279 and \$216,654 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$15,574 for 2021 and \$27,874 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 \$1,812,818, a increase of \$222,737, which includes a prior period adjustment of \$(44,646), a fund reclassification for GASB 84 of \$11,494 and a decrease in inventory of \$(1,777). \$720,031 or 40% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,092,787 or 60% 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.

QUITMAN 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 \$32,333, which includes a fund reclassification for GASB 84 of \$11,494 and a prior period adjustment of \$(43,669). The fund balance of Other Governmental Funds showed an increase in the amount of \$72,747, which includes a prior period adjustment of \$(502) and a decrease in reserve for inventory of \$(1,777). 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
QSCB Sinking Fund	\$ (117,657)

## 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 fund 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 \$11,593,284, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$349,829 from 2020. Total accumulated depreciation as of June 30, 2021, was \$4,642,682, and total depreciation expense for the year was \$331,488, resulting in total net capital assets of \$6,950,602.

**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	\$ 76,602	\$ 76,602	0.00 %
Construction in Progress	16,808	-	N/A %
Buildings	3,215,799	3,280,700	(1.98) %
Building improvements	2,459,690	2,593,787	(5.17) %
Improvements other than buildings	487,927	516,972	(5.62) %
Mobile equipment	665,586	808,465	(17.67) %
Furniture and equipment	28,190	29,726	(5.17) %
<b>Total</b>	<b><u>\$ 6,950,602</u></b>	<b><u>\$ 7,306,252</u></b>	<b><u>(4.87) %</u></b>

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

QUITMAN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Debt Administration.** At June 30, 2021, the District had \$5,000,452 in outstanding long-term debt, of which \$339,341 is due within one year. The liability for compensated absences increased \$27,395 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	\$ 2,645,000	\$ 2,890,000	(8.48) %
Three mill notes payable	860,000	885,000	(2.82) %
Installment purchase loans payable	435,393	488,351	(10.84) %
Qualified school construction bonds payable	975,000	975,000	0.00 %
Compensated absences payable	85,059	57,664	47.51 %
<b>Total</b>	<b><u>\$ 5,000,452</u></b>	<b><u>\$ 5,296,015</u></b>	<b>(5.58) %</b>

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

## **CURRENT ISSUES**

The District is proud of its community support of the public schools.

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

## **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 Quitman County School District, P. O. Drawer E. Marks, MS 38666.

## FINANCIAL STATEMENTS

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**QUITMAN COUNTY SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 915,301
Due from other governments	1,051,744
Accrued interest receivable	916
Inventories	29,311
Restricted assets	571,236
Capital assets, non-depreciable:	
Land	76,602
Construction in progress	16,808
Capital assets, net of accumulated depreciation:	
Buildings	3,215,799
Building improvements	2,459,690
Improvements other than buildings	487,927
Mobile equipment	665,586
Furniture and equipment	28,190
Total Assets	<u>9,519,110</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	2,698,783
Deferred outflows - OPEB	308,455
Total Deferred Outflows of Resources	<u>3,007,238</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	654,401
Unearned revenue	101,289
Interest payable on long-term liabilities	29,863
Long-term liabilities, due within one year:	
Capital related liabilities	335,088
Non-capital related liabilities	4,253
Net OPEB liability	50,313
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,580,305
Non-capital related liabilities	80,806
Net pension liability	19,433,369
Net OPEB liability	1,218,058
Total Liabilities	<u>26,487,745</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	899,765
Deferred inflows - OPEB	335,792
Total Deferred Inflows of Resources	<u>1,235,557</u>
 <b>Net Position</b>	
Net investment in capital assets	2,035,209
Restricted for:	
Expendable:	
School-based activities	234,903
Debt service	687,929
Forestry improvements	63,696
Unemployment benefits	26,299
Unrestricted	(18,244,990)
Total Net Position (deficit)	<u>\$ (15,196,954)</u>

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



**QUITMAN COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2021**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 5,835,829	\$ 25,143	\$ 1,883,388	\$ -	\$	(3,927,298)
Support services	5,661,157	-	1,789,835	-		(3,871,322)
Non-instructional	890,069	-	1,142,215	-		252,146
Sixteenth section	19,531	-				(19,531)
Pension expense	1,946,705	-	-	-		(1,946,705)
OPEB expense	33,490	-	-	-		(33,490)
Interest on long-term liabilities	179,199	-	-	-		(179,199)
Total Governmental Activities	<u>\$ 14,565,980</u>	<u>\$ 25,143</u>	<u>\$ 4,815,438</u>	<u>\$ -</u>	<u>\$</u>	<u>(9,725,399)</u>
General Revenues:						
Taxes:						
General purpose levies						3,238,863
Debt purpose levies						368,710
Unrestricted grants and contributions:						
State						5,114,778
Federal						93,471
Unrestricted investment earnings						15,574
Sixteenth section sources						290,279
Other						66,103
Total General Revenues						<u>9,187,778</u>
Change in Net Position						<u>(537,621)</u>
Net Position - Beginning, as previously reported						(14,623,244)
Fund reclassification						11,494
Prior Period Adjustments						<u>(47,583)</u>
Net Position - Beginning, as restated						<u>(14,659,333)</u>
Net Position (deficit) - Ending						<u>\$ (15,196,954)</u>

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2021**

	Major Funds			Other	Total
	General	Title I-A Basic	QSCB	Governmental	Governmental
	Fund	Fund	Sinking	Funds	Funds
			Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 318,772	\$	\$	597,007	\$ 915,779
Cash With Fiscal Agent			5,758		5,758
Investments		-	565,000	-	565,000
Due from other governments	203,588	190,332	-	657,824	1,051,744
Accrued interest receivable			916		916
Due from other funds	705,288	-		153,141	858,429
Inventories	-	-	-	29,311	29,311
Total assets	\$ 1,227,648	\$ 190,332	\$ 571,674	\$ 1,437,283	\$ 3,426,937
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 455,020	\$ 50,102	\$ -	\$ 149,279	\$ 654,401
Due to other funds	2,500	140,230	-	715,699	858,429
Unearned revenue	-	-	-	101,289	101,289
Total Liabilities	457,520	190,332	-	966,267	1,614,119
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	29,311	29,311
<b>Restricted:</b>					
Debt service	-	-	571,674	146,118	717,792
Forestry improvement purposes				63,696	63,696
Grant activities	-	-	-	205,592	205,592
Unemployment benefits	-	-	-	26,299	26,299
<b>Assigned:</b>					
Student activities	50,097	-	-	-	50,097
<b>Unassigned</b>	720,031	-	-	-	720,031
Total Fund Balances	770,128	-	571,674	471,016	1,812,818
Total Liabilities and Fund Balances	\$ 1,227,648	\$ 190,332	\$ 571,674	\$ 1,437,283	\$ 3,426,937

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 1,812,818

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	\$ 76,602	
Construction in progress	16,808	
Buildings	4,396,713	
Building improvements	4,184,365	
Improvements other than buildings	726,132	
Mobile equipment	1,697,948	
Furniture and equipment	494,716	
Accumulated depreciation	<u>(4,642,682)</u>	6,950,602

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	(19,433,369)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,698,783	
Deferred inflows of resources related to pensions	<u>(899,765)</u>	(17,634,351)

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	(1,268,371)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	308,455	
Deferred inflows of resources related to OPEB	<u>(335,792)</u>	(1,295,708)

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	(2,645,000)	
Other bonds payable	(975,000)	
Compensated absences	(85,059)	
Three mill notes payable	(860,000)	
Installment purchase loan payable	(435,393)	
Accrued interest payable	<u>(29,863)</u>	(5,030,315)

<b>Net Position of governmental activities</b>	<b>\$ <u>(15,196,954)</u></b>
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**QUITMAN 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	QSCB Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 3,313,324	\$	\$ 9,657	\$ 389,385	\$ 3,712,366
Intermediate sources				7,913	7,913
State sources	5,002,615			624,748	5,627,363
Federal sources	8,232	937,040		3,444,612	4,389,884
Sixteenth section sources	290,752			81	290,833
Total Revenues	8,614,923	937,040	9,657	4,466,739	14,028,359
<b>Expenditures:</b>					
Instruction	4,262,718	369,907		1,905,465	6,538,090
Support services	3,852,008	459,444		1,383,582	5,695,034
Noninstructional services	43,998	76,694	-	825,633	946,325
Sixteenth section	19,531				19,531
Facilities Acquisition & Construction				14,638	14,638
Debt service:					
Principal	52,958	-		270,000	322,958
Interest	46,937	-	45,595	106,944	199,476
Other	-	-	-	1,940	1,940
Total Expenditures	8,278,150	906,045	45,595	4,508,202	13,737,992
Excess (Deficiency) of Revenues over (under) Expenditures	336,773	30,995	(35,938)	(41,463)	290,367
<b>Other Financing Sources (Uses):</b>					
Payments held by escrow agent			108,000		108,000
Operating transfers in	165,068		153,595	798,712	1,117,375
Payments to QSCB debt escrow agent			(108,000)		(108,000)
Operating transfers out	(404,632)	(30,520)	-	(682,223)	(1,117,375)
Other Financing Uses	(32,701)				(32,701)
Total Other Financing Sources (Uses)	(272,265)	(30,520)	153,595	116,489	(32,701)
Net Change in Fund Balances	64,508	475	117,657	75,026	257,666
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	737,795	-	454,017	398,269	1,590,081
Fund reclassification	11,494	-			11,494
Prior period adjustments	(43,669)	(475)		(502)	(44,646)
July 1, 2020, as restated	705,620	(475)	454,017	397,767	1,556,929
Increase (Decrease) in inventory	-	-	-	(1,777)	(1,777)
June 30, 2021	\$ 770,128	\$ -	\$ 571,674	\$ 471,016	\$ 1,812,818

**QUITMAN 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** \$ 257,666

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	\$ 32,098	
Depreciation expense	<u>(331,488)</u>	(299,390)

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. (53,323)

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

Payments of debt principal	322,958	
Accrued interest payable	<u>22,217</u>	345,175

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

Pension expense	(1,946,705)	
Contributions subsequent to the measurement date	<u>1,179,682</u>	(767,023)

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

OPEB expense	(33,490)	
Contributions subsequent to the measurement date	<u>41,936</u>	8,446

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	(27,395)	
Change in inventory	<u>(1,777)</u>	(29,172)

\$ (537,621)

**Change in Net Position of governmental activities**

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

## NOTES TO THE FINANCIAL STATEMENTS

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QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or



QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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 is a special revenue fund that accounts for the federal revenue received, and expenditures incurred related to the Title I grants to local education agencies program.

QSCB Sinking Fund – This is a debt service fund that accounts for the repayment of the district's qualified school construction bond.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

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

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021

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

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

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

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

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

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

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

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

**D. Encumbrances**

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

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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 fund.

6. Capital Assets

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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 16 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

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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minutes. Currently there are no committed fund balance for this school district.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 3% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

13. Accounting Standards Update

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

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. The school district reclassified certain funds formerly shown as fiduciary funds as general funds effective July 1, 2020, in accordance with GASB 84, *Fiduciary Activities*. The district did not report fiduciary funds at June 30, 2021.

**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

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State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$ 915,779.

*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. As of June 30, 2021, none of the district's bank balance of \$2,051,734 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,758.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	N/A	1 to 5	565,000
Total			<u>\$ 565,000</u>

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

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

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- Level 1 type of investments of \$565,000 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

### 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 fund	\$ 140,230
	Other governmental funds	565,058
Other governmental funds	General Fund	2,500
	Other governmental funds	150,641
Total		<u>\$ 858,429</u>

The purpose of the Due From/To other funds was to cover deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All balances are expected to be repaid within one year from the date of the financial statements.

#### B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 404,632
Title I fund	General Fund	30,520
Other governmental funds	QSCB Sinking fund	153,595
	General Fund	134,548
	Other governmental funds	394,080
Total		<u>\$ 1,117,375</u>

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.



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**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent and investment balance, totaling \$ 5,758 and \$565,000, respectively, of the Quitman County School District Qualified School Construction Bond Fund. In addition, the restricted assets represent the cash, totaling \$478 of the Quitman County School District Middle School Gym Debt fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 76,602	\$	\$	\$ 76,602
Construction in progress		14,638		2,170
Total non-depreciable capital assets	76,602	14,638	-	2,170
<u>Depreciable capital assets:</u>				
Buildings	4,396,713			4,396,713
Building improvements	4,184,365			4,184,365
Improvements other than buildings	726,132			726,132
Mobile equipment	2,066,442		368,494	1,697,948
Furniture and equipment	492,859	17,460	7,980	(7,623)
Total depreciable capital assets	11,866,511	17,460	376,474	(7,623)
<u>Less accumulated depreciation for:</u>				
Buildings	1,116,013	64,901		1,180,914
Building improvements	1,590,578	134,097		1,724,675
Improvements other than buildings	209,160	29,045		238,205
Mobile equipment	1,257,977	94,150	319,765	1,032,362
Furniture and equipment	463,133	9,295	3,386	(2,516)
Total accumulated depreciation	4,636,861	331,488	323,151	(2,516)
Total depreciable capital assets, net	7,229,650	(314,028)	53,323	(5,107)
Governmental activities capital assets, net	\$ 7,306,252	\$ (299,390)	\$ 53,323	\$ (2,937)
	\$ 6,950,602			

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 100,994
Support services	228,816
Non-instructional	1,678
Total depreciation expense - Governmental activities	\$ 331,488

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

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	Spent to June 30, 2021	Remaining Commitment
<b>Governmental Activities:</b>		
Rosenwald Restoration	\$ 16,808	\$ 8,307
Total governmental activities	<u>16,808</u>	<u>8,307</u>

Construction projects included in governmental activities are funded with local sources.

## 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	\$ 2,890,000	\$	\$ 245,000	\$ 2,645,000	\$ 255,000
B. Three mill notes payable	885,000		25,000	860,000	25,000
C. Installment purchases loans payable	488,351		52,958	435,393	55,088
D. Qualified school construction bonds payable	975,000			975,000	
E. Compensated absences payable	57,664	27,395		85,059	4,253
Total	<u>\$ 5,296,015</u>	<u>\$ 27,395</u>	<u>\$ 322,958</u>	<u>\$ 5,000,452</u>	<u>\$ 339,341</u>

### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2015	2.5-3.25%	4/1/2015	4/2/2030	\$ 4,000,000	\$ 2,645,000
Total				<u>\$ 4,000,000</u>	<u>\$ 2,645,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 255,000	\$ 72,475	\$ 327,475
2023	265,000	66,100	331,100
2024	275,000	59,475	334,475
2025	285,000	52,600	337,600
2026	290,000	45,475	335,475
2027-2030	1,275,000	96,600	1,371,600
Total	<u>\$ 2,645,000</u>	<u>\$ 392,725</u>	<u>\$ 3,037,725</u>

This debt will be retired from the G. O. Bond Debt Service Fund.

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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 3.25% of property assessments as of October 1, 2020.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2016	3.0-4.25%	5/16/2016	5/1/2031	\$ 985,000	\$ 860,000
Total				<u>\$ 985,000</u>	<u>\$ 860,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 25,000	\$ 26,975	\$ 51,975
2023	25,000	25,912	50,912
2024	30,000	24,850	54,850
2025	30,000	23,575	53,575
2026	115,000	22,675	137,675
2027 – 2031	635,000	59,525	694,525
Total	<u>\$ 860,000</u>	<u>\$ 183,512</u>	<u>\$ 1,043,512</u>

This debt will be retired from the Three mill 10/20 years Note Fund.

**C. Installment purchases loans payable**

The school district has entered into a master installment purchases agreement as listed below. Property under these installment purchases agreements are composed of the following:

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master installment purchase agreement No. 3188942	4.56%	8/1/2018	2/1/2028	\$ 599,536	\$ 435,393
Total				<u>\$ 599,536</u>	<u>\$ 435,393</u>

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

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Year Ending June 30	Principal	Interest	Total
2022	\$ 55,088	\$ 17,512	\$ 72,600
2023	57,304	15,296	72,600
2024	59,608	12,992	72,600
2025	62,006	10,594	72,600
2026	64,500	8,100	72,600
2027 – 2028	136,887	8,313	145,200
Total	<u>\$ 435,393</u>	<u>\$ 72,807</u>	<u>\$ 508,200</u>

This debt will be retired from the District Maintenance fund.

**D. 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 bonds, Series 2013	4.56%	4/15/2013	12/1/2024	\$ 975,000	\$ 975,000
Total				<u>\$ 975,000</u>	<u>\$ 975,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$	\$ 44,460	\$ 44,460
2023		44,460	44,460
2024		44,460	44,460
2025	975,000	44,460	1,019,460
Total	<u>\$ 975,000</u>	<u>\$ 177,840</u>	<u>\$ 1,152,840</u>

The annual sinking bond payments will be paid from the Qualified School Construction Bond Debt Retirement Fund (debt service fund). It is secured with a pledge of Education Enhancement (EEF) Funds for buildings and buses that are to be used for repayment of the bonds. Proceeds of the bonds were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local funds and are payable through December 1, 2024. Annual sinking fund deposits are expected to require all of the district's annual allocation of such state revenues and other local funds to complete the required debt service payments. The total amount remaining to be paid on the bonds is \$975,000. The school district made a sinking fund payment totaling \$108,000 which was required for the current year. Interest payments of \$44,460 were made. Total state Education Enhancement Fund revenue for buildings and buses was \$56,014.

**E. 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.

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**Note 7 – Short-Term Financing**

During the fiscal year ended June 30, 2021, the school district participated in the following short-term financing(s) for cash flow purposes.

A. Bank-financed short term debt.

The school district issued a revenue anticipation note payable to First Security Bank, and the proceeds from such issuance are accounted for as a current liability in the General fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2021 are as follows:

Description	7/1/2020	Additions	Reductions	Balance 6/30/2021
Tax Anticipation Note \$		\$ 1,925,000	\$ 1,925,000	\$ -
Total	\$ -	\$ 1,925,000	\$ 1,925,000	\$ -

**Note 8 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Three (3) copiers at Quitman Curriculum Office
2. Five (5) copiers at Quitman Middle School
3. Six (6) copiers at Quitman Middle School

Lease expenditures for the year ended June 30, 2021, amounted to \$6,496.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2022	\$ 2,100
Total	\$ 2,100

**Note 9 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 \$1,179,682, \$1,163,086, and \$1,090,755, respectively, which equaled the required contributions for each year.

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

At June 30, 2021, the school district reported a liability of \$19,433,369 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 0.100385 percent, which was based on a measurement date of June 30, 2020. This was an decrease of 0.005952 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 \$1,946,705. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 169,056	\$
Net difference between projected and actual earnings on pension plan investments	812,732	
Changes of assumptions	115,156	
Changes in proportion and differences between District contributions and proportionate share of contributions	422,157	899,765
District contributions subsequent to the measurement date	1,179,682	
Total	\$ <u>2,698,783</u>	\$ <u>899,765</u>

\$1,179,682 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	\$ 142,349
2023	27,712
2024	192,051
2025	257,224

*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

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:

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<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		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	\$ 25,154,109	\$ 19,433,369	\$ 14,711,461

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

## Note 10 – 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



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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 \$41,936 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 \$1,268,371 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 .16298610 percent. This was a decrease of .00877902 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$33,490. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,617	220,730
Changes of assumptions		
Changes of assumptions	196,926	53,600
Net difference between projected and actual earnings on OPEB plan investments	41	
Changes in proportion and differences between District contributions and proportionate share of contributions	67,935	61,462
District contributions subsequent to the measurement date	41,936	
Total	\$ <u>308,455</u>	\$ <u>335,792</u>

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\$41,936 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	\$ (12,455)
2023	(12,455)
2024	(10,532)
2025	(10,239)
2026	(23,592)

*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%.

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**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.

**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	\$ 1,401,636	\$ 1,268,371	\$ 1,154,065

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,171,146	\$ 1,268,371	\$ 1,378,522

**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 11 – 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.

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Year Ending June 30	Amount
2022	\$ 204,380
2023	30,955
Total	<u>\$ 235,335</u>

## Note 12 – Prior Period Adjustments

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

### Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period error in recording an asset or liability	\$ (47,583)
2. Fund reclassification	11,494
Total	<u>\$ (36,089)</u>

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

Fund	Explanation	Amount
General Fund	Correction of a prior period error in recording an asset or liability	\$ (43,669)
	Fund reclassification	11,494
Title I-A Basic Fund	Correction of a prior period error in recording an asset or liability	(475)
Other governmental funds	Correction of a prior period error in recording an asset or liability	(502)
Total		<u>\$ (33,152)</u>

## Note 13 – Contingencies

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

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

## Note 14 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction

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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 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 \$50,628.

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 \$570,758. 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	\$ 108,000
2023	108,000
2024	108,000
2025	108,000
Total	<u>\$ 432,000</u>

QUITMAN COUNTY SCHOOL DISTRICT  
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**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(18,244,990) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,179,682 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 \$1,519,101 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 \$(18,244,990) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$899,765 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 \$(18,244,990) 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 \$41,936 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 \$266,519 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 \$(18,244,990) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$335,792 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 17 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Quitman County School District evaluated the activity of the district through December 19, 2022, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On August 10, 2021, the school board approved the issuance of a \$136,084 shortfall note from Citizens Bank and Trust at an annual interest rate of 2.25%. A receivable has been recorded as of the June 30, 2021 balance sheet date for the future revenues to be received for the purpose of returning the shortfall debt.

On August 10, 2021, the school board approved the issuance of tax anticipation notes for a maximum principal amount of \$1,934,454.

On July 19, 2022, school board approved the issuance of tax anticipation notes for a maximum principal amount of \$1,577,000.

On July 25, 2022, the school board approved the issuance of a \$112,592 shortfall note from First Security Bank at an annual interest rate of 5.75%.

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## REQUIRED SUPPLEMENTARY INFORMATION



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**QUITMAN 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
<b>Revenues:</b>					
Local sources	\$ 3,312,651	\$ 3,324,819	\$ 3,313,324	\$ 12,168	\$ (11,495)
State sources	5,230,624	5,002,615	5,002,615	(228,009)	-
Federal sources	2,000	8,232	8,232	6,232	-
Sixteenth section sources	265,404	290,752	290,752	25,348	-
Total Revenues	8,810,679	8,626,418	8,614,923	(184,261)	(11,495)
<b>Expenditures:</b>					
Instruction	4,491,578	4,262,783	4,262,718	228,795	65
Support services	4,153,607	3,857,924	3,852,008	295,683	5,916
Noninstructional services	46,615	43,998	43,998	2,617	-
Sixteenth section		19,531	19,531	(19,531)	-
Debt service:					
Principal		27,295	52,958	(27,295)	(25,663)
Interest		72,600	46,937	(72,600)	25,663
Total Expenditures	8,691,800	8,284,131	8,278,150	407,669	5,981
Excess (Deficiency) of Revenues over (under) Expenditures	118,879	342,287	336,773	223,408	(5,514)
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries		5,079	-	5,079	(5,079)
Operating transfers in	1,584,014	1,241,765	165,068	(342,249)	(1,076,697)
Operating transfers out	(1,993,667)	(1,481,329)	(404,632)	512,338	1,076,697
Other Financing Uses		(32,701)	(32,701)	(32,701)	-
Total Other Financing Sources (Uses)	(409,653)	(267,186)	(272,265)	142,467	(5,079)
Net Change in Fund Balances	(290,774)	75,101	64,508	365,875	(10,593)
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	882,550	715,468	737,795	(167,082)	22,327
Fund reclassification	-	-	11,494	-	11,494
Prior period adjustments	-	22,105	(43,669)	22,105	(65,774)
July 1, 2020, as restated	882,550	737,573	705,620	(144,977)	(31,953)
June 30, 2021	\$ 591,776	\$ 812,674	\$ 770,128	\$ 220,898	\$ (42,546)

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

**QUITMAN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I-A Basic Fund**

**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,062,869	\$ 1,257,158	\$ 937,040	\$ 194,289	\$ (320,118)
Total Revenues	1,062,869	1,257,158	937,040	194,289	(320,118)
<b>Expenditures:</b>					
Instruction	381,170	524,875	369,907	(143,705)	154,968
Support services	553,752	590,630	459,444	(36,878)	131,186
Noninstructional services	97,943	110,082	76,694	(12,139)	33,388
Total Expenditures	1,032,865	1,225,587	906,045	(192,722)	319,542
Excess (Deficiency) of Revenues over (under) Expenditures	30,004	31,571	30,995	1,567	(576)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(30,004)	(31,095)	(30,520)	(1,091)	575
Total Other Financing Sources (Uses)	(30,004)	(31,095)	(30,520)	(1,091)	575
Net Change in Fund Balances	-	476	475	476	(1)
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	-	-	-	-	-
Prior period adjustments		(476)	(475)	(476)	1
July 1, 2020, as restated	-	(476)	(475)	(476)	1
June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -

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

**QUITMAN 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	0.100385%	0.106337%	0.107917%	0.096832%	0.097244%	0.108979%	0.100609%
District's proportionate share of the net pension liability	\$ 19,433,369	18,706,776	17,949,803	16,096,767	17,370,208	16,846,005	12,212,091
District's covered payroll	6,684,402	6,925,429	6,891,524	6,211,829	6,221,327	6,808,375	6,147,702
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.20%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

**QUITMAN 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	\$	1,179,682	1,163,086	1,090,755	1,085,415	978,363	979,859	1,072,319
Contributions in relation to the contractually required contribution		1,179,682	1,163,086	1,090,755	1,085,415	978,363	979,859	1,072,319
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-
District's covered payroll		6,779,782	6,684,402	6,925,429	6,891,524	6,211,829	6,221,327	6,808,375
Contributions as a percentage of covered payroll		17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

**QUITMAN 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	0.16298610%	0.17176512%	0.17009373%	0.15983744%
District's proportionate share of the net OPEB liability	\$ 1,268,371	1,457,497	1,315,760	1,254,099
District's covered - employee payroll	7,854,880	6,925,429	6,891,524	7,181,057
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	16.15%	21.05%	19.09%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

\* 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.

**QUITMAN COUNTY SCHOOL DISTRICT****Required Supplementary Information****Schedule of District Contributions****OPEB****Last 10 Fiscal Years**

	2021	2020	2019	2018
Actuarially determined contribution	\$ 41,936	50,582	58,421	53,464
Contributions in relation to the actuarially determined contribution	41,936	50,582	58,421	53,464
Contribution deficiency (excess)	\$ -	-	-	-
District's covered - employee payroll	6,779,782	6,684,402	6,925,429	4,494,756
Contributions as a percentage of covered - employee payroll	0.62%	0.76%	0.84%	1.19%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, 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 reports.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR 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%.

2019:



QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2021

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.

QUITMAN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR 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%

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## SUPPLEMENTARY INFORMATION

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**QUITMAN 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
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program - donated commodities	10.555	215MS326N1099	49,016
COVID-19 Summer food service program for children	10.559	215MS326N1099	995,012
Total child nutrition cluster			<u>1,044,028</u>
State Administrative Expenses for Child Nutrition	10.560	215MS907N2533	1,473
Total passed-through Mississippi Department of Education			<u>1,045,501</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,045,501</u>
<b><u>U.S. Department of Treasury</u></b>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	537,046
Total passed-through Mississippi Department of Education			<u>537,046</u>
<b>Total U.S. Department of Treasury</b>			<u>537,046</u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
Universal Service Fund - Schools and Libraries	32.004	N/A	3,737
<b>Total Federal Communications Commission</b>			<u>3,737</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	842,266
Title I grants to local educational agencies	84.010	ES010A190024	82,583
Title I grants to local educational agencies	84.010	ES010A200024	12,191
Career and technical education - basic grants to states	84.048	V048A200024	28,343
Twenty-First Century Community Learning Centers	84.287	ES287C190024	118,980
Twenty-First Century Community Learning Centers	84.287	ES287C200024	44,530
Supporting effective instruction state grants	84.367	ES367A180023	2,576
Supporting effective instruction state grants	84.367	ES367A190023	33,911
Supporting effective instruction state grants	84.367	ES367A200023	42,389
School improvement grants	84.377	S377A160025	408,301
Student support and academic enrichment	84.424	ES424A180025	3,600
Student support and academic enrichment	84.424	ES424A190025	17,966
Student support and academic enrichment	84.424	ES424A200025	69,345
Subtotal			<u>1,706,981</u>
COVID-19-Elementary and Secondary School Emergency Relief Fund I	84.425D	S425D200031	575,050
COVID-19-Elementary and Secondary School Emergency Relief Fund II	84.425D	S425D210031	123,972
COVID-19 - Education Stabilization Fund(ESSER) Subtotal			<u>699,022</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	18,843
Special education - grants to states	84.027	H027A190108	3,382
Special education - grants to states	84.027	H027A200108	288,419
Special education - preschool grants	84.173	H173A200113	4,319
Total special education cluster			<u>314,963</u>
Total passed-through Mississippi Department of Education			<u>2,720,966</u>
Passed-through Mississippi Department of Rehabilitation Services:			
Rehabilitation services - vocational rehabilitation grants to states	84.126	H126A200024	29,698
Total passed-through Mississippi Department of Rehabilitation Services:			<u>29,698</u>
<b>Total U.S. Department of Education</b>			<u>2,750,664</u>
<b><u>U. S. Department of Social Security</u></b>			
Passed-through Mississippi Department of Rehabilitation Services:			
Social security disability insurance	96.001	04-21-04MSD100	420
Total passed-through Mississippi Department of Rehabilitation Services			<u>420</u>
<b>Total U.S. Social Security Administration</b>			<u>420</u>
<b>Total for All Federal Awards</b>			<u>\$ 4,337,368</u>

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

QUITMAN 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 Quitman 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 Quitman County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Quitman County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements. 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 Quitman County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**QUITMAN 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	\$ 9,619,386	6,626,335	837,547	831,272	1,324,232
Other	4,118,606	1,854,641	288,440	29,180	1,946,345
Total	<u>\$ 13,737,992</u>	<u>8,480,976</u>	<u>1,125,987</u>	<u>860,452</u>	<u>3,270,577</u>
Total number of students *	<u>827</u>				
Cost per student	<u>\$ 16,612</u>	<u>10,255</u>	<u>1,362</u>	<u>1,040</u>	<u>3,955</u>

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

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

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

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

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

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



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## OTHER INFORMATION

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**QUITMAN COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 3,313,324	3,286,140	3,463,870	3,240,181
State sources	5,002,615	5,120,668	5,284,256	5,381,328
Federal sources	8,232	5,202	63,516	3,969
Sixteenth section sources	290,752	216,811	256,909	258,390
Total Revenues	8,614,923	8,628,821	9,068,551	8,883,868
<b>Expenditures:</b>				
Instruction	4,262,718	4,376,851	4,968,512	4,697,571
Support services	3,852,008	3,713,263	4,351,084	4,175,815
Noninstructional	43,998	41,712	81,170	114,602
Debt service:				
Principal	52,958	50,910	60,275	
Interest	46,937	21,690	12,325	
Other		19,796		
Total Expenditures	8,278,150	8,224,222	9,473,366	8,987,988
Excess (Deficiency) of Revenues over (under) Expenditures	336,773	404,599	(404,815)	(104,120)
<b>Other Financing Sources (Uses):</b>				
Bond and notes issued			599,536	
Other financing sources			111,000	
Operating transfers in	165,068	151,686	133,322	292,926
Operating transfers out	(404,632)	(496,206)	(552,232)	(1,275,295)
Other financing uses	(32,701)			
Total Other Financing Sources (Uses)	(272,265)	(344,520)	291,626	(982,369)
Net Change in Fund Balances	64,508	60,079	(113,189)	(1,086,489)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	737,795	764,647	877,836	1,924,112
Fund reclassification	11,494			
Prior period adjustments	(43,669)	(86,931)		40,213
Beginning of period, as restated	705,620	677,716	877,836	1,964,325
End of Period	\$ 770,128	737,795	764,647	877,836

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**QUITMAN 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*
<b>Revenues:</b>				
Local sources	\$ 3,712,366	3,792,219	3,935,433	3,697,943
Intermediate sources	7,913			
State sources	5,627,363	5,688,022	5,846,707	5,963,782
Federal sources	4,389,884	3,324,717	3,382,253	3,410,555
Sixteenth section sources	290,833	216,938	256,909	258,390
Total Revenues	14,028,359	13,021,896	13,421,302	13,330,670
<b>Expenditures:</b>				
Instruction	6,538,090	6,370,875	6,937,346	6,581,019
Support services	5,695,034	4,964,425	5,546,038	5,857,011
Noninstructional services	946,325	1,076,032	1,142,838	1,110,640
Sixteenth section	19,531			530,673
Facilities acquisition and construction	14,638			
Debt service:				
Principal	322,958	315,910	315,275	245,000
Interest	199,476	180,756	179,354	174,631
Other	1,940	21,340	2,494	34
Total Expenditures	13,737,992	12,929,338	14,123,345	14,499,008
Excess (Deficiency) of Revenues over (under) Expenditures	290,367	92,558	(702,043)	(1,168,338)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes Issued			599,536	
Payments held for QSCB escrow agent	108,000	108,000	109,000	109,000
Payments to QSCB debt escrow agent	(108,000)	(108,000)	(109,000)	(109,000)
Sale of other property				
Operating transfers in	1,117,375	703,906	741,567	1,568,221
Other financing sources	(32,701)		111,000	
Operating transfers out	(1,117,375)	(703,906)	(741,567)	(1,568,221)
Total Other Financing Sources (Uses)	(32,701)	0	710,536	0
Net Change in Fund Balances	257,666	92,558	8,493	(1,168,338)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,590,081	1,574,723	1,570,676	3,243,700
Fund reclassification	11,494			
Prior period adjustments	(44,646)	(87,965)	(5,372)	(504,476)
Beginning of period, as restated	1,556,929	1,486,758	1,565,304	2,739,224
Increase (Decrease) in reserve for inventory	(1,777)	10,765	926	(210)
End of Period	\$ 1,812,818	1,590,081	1,574,723	1,570,676

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**L. Reeves CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT  
305 PARK RIDGE DRIVE  
BRANDON, MS 39042  
601-624-0777

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Superintendent and School Board  
Quitman 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 Quitman County School District as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Quitman County School District's basic financial statements, and have issued our report thereon dated December 19, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Quitman 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 Quitman 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist they have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Cost that we consider to be significant deficiencies as Finding 2021-001 and 2021-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Quitman County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an



opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Quitman County School District's Responses to Findings**

Quitman County School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The Quitman County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

*L. Reeves, CPA, PLLC*

L. Reeves, CPA, PLLC  
Brandon, Mississippi  
December 19, 2022

**L. Reeves CPA, PLLC**  
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305 PARK RIDGE DRIVE  
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601-624-0777

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

Superintendent and School Board  
Quitman County School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Quitman 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 (CFR) 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 Quitman 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 Quitman County School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Quitman 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 Quitman 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 Quitman 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 Quitman 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*L. Reeves, CPA, PLLC*

L. Reeves, CPA, PLLC  
Brandon, Mississippi  
December 19, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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**L. Reeves CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT  
305 PARK RIDGE DRIVE  
BRANDON, MS 39042  
601-624-0777

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2021, which collectively comprise Quitman County School District's basic financial statements and have issued our report thereon dated December 19, 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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

**Finding SL-21-001**

Criteria: Section 25-11-127, Miss. Code Ann. (1972) addresses reemployment of PERS retirees by a school district under the PERS system. The district is required to

submit a PERS Form 4 B" Certification/Acknowledgement of Reemployment of Retiree." The employee should not be paid more than the amount allowed by law as noted on Form 4-B.

Condition: During our test of PERS Form 4Bs it was noted that one retiree out of sample of five was paid a total of \$1,397.31 more than the allowable limit listed on their PERS Form 4-B.

Cause: The school district failed to comply with Section 25-11-127, Miss. Code of 1972.

Effect Of Condition: This could result in non-compliance with Section 25-11-127, Miss. Code Ann. (1972).

Recommendation: We recommend the district limit amounts paid to retirees to the amount allowable per Section 25-11-127, Miss. Code Ann. (1972). Revised PERS Form 4-Bs should be submitted to PERS should the annual salary for the position change during the school year as a result of the school receiving School Recognition funds.

Response: The district will ensure that a revised PERS form 4-Bs is submitted to PERS with the updated annual salary and position change.

#### **Finding SL-21-002**

Criteria: Section 25-4-25, Mississippi Code Annotated (1972) states, "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: (a) Persons elected by popular vote, excluding United States Senators and United States Representatives, to any office, whether it be legislative, executive or judicial, and whether it be statewide, district, county, municipal or any other political subdivision, with the exception of members of boards of levee commissioners and election commissioners; (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed.

Section 25-4-29(1)(a), Mississippi Code Annotated (1972) states, "Every incumbent public official required by paragraphs (a), (b), (d) and (e) of Section 25-4-25 to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration."

Section 25-4-29(2), Mississippi Code Annotated (1972) states, "Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed.

Condition: A review of the Statements of Economic Interest filed by the school district's board members revealed that two board members failed to file a Statement of Economic Interest with the Mississippi Ethics Commission. by May 1<sup>st</sup>.

Cause: The school district failed to comply with Section 25-4-25, Miss. Code Ann. (1972).

Effect Of Condition: Failure to file the Statement of Economic Interest results in non-compliance with Section 25-4-25 and could result in fines being assessed. Also, a civil judgement could be enrolled against the delinquent filers, as allowed by Section 25-4-29(2).

Recommendation: We recommend the School District ensure each Board Member file their Statement of Economic Interest no later than May 1<sup>st</sup> of each year that such official holds office, as required by law.

Response: The district will ensure the Board Members file their Statement of Economics no later than the date required by law.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken. The Quitman County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

*L. Reeves, CPA, PLLC*

L. Reeves, CPA, PLLC  
Brandon, MS  
December 19, 2022



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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QUITMAN 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?       | No         |
| b.   | Significant deficiency(ies) identified? | Yes        |
| 3. Noncompliance material to financial statements noted? |   |            |
|  |   | No         |

Federal Awards:

- |   |   |  |
|---|---|--|
| 4.  | Internal control over major programs:   |  |
| a.  | Material weakness(es) identified?       | No   |
| b.  | Significant deficiency(ies) identified? | None reported  |
| 5. Type of auditor's report issued on compliance for major programs:  |   |  |
|   |   | Unmodified   |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   |   |  |
|   |   | No   |
| 7. Identification of major programs:  |   |  |
|   | CFDA Numbers                            | Name of Federal Program or Cluster   |
|   | 21.019                                  | COVID-19 – Coronavirus Relief Fund   |
|   | 84.010                                  | Title I grants to local educational agencies                               |
|   | 84.425D                                 | COVID-19 – Elementary and Secondary School Emergency Relief I & II (ESSER) |
| 8. Dollar threshold used to distinguish between type A and type B programs:   |   |  |
|   |   | \$750,000  |
| 9. Auditee qualified as low-risk auditee?   |   |  |
|   |   | No   |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). |   |  |
|   |   | No   |

QUITMAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

Section II: Financial Statement Findings

Significant Deficiency

Finding 2021-001

CRITERIA: Management is charged with the responsibility of establishing an internal control system that ensures strong financial accountability and safeguarding of district's funds surrounding the revenue recognition.

CONDITION: During our testwork of the cutoff assertion related to insurance loss recoveries, we noted that the district recognized an insurance loss recovery of \$5,079 in FY 21 for which the date of loss did not occur until the subsequent fiscal year.

CAUSE: The cause is a failure to properly apply cutoff procedures for recognition of insurance loss recoveries.

EFFECT: The district improperly overstated insurance loss recoveries by \$5,079 prior to audit adjustments.

RECOMMENDATION: We recommend that the district implement procedures to ensure a proper cut off of transactions to ensure that transactions are recorded in the proper fiscal year.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

Finding 2021-002

Significant Deficiency

CRITERIA: The school district is charged with the responsibility of accounting for its capital assets through the timely tagging of assets, the capturing of asset information in the subsidiary records, and periodic physical inventories to reconcile physical existence of the assets to the subsidiary records. The use of distinct object codes are to be used to designate items which must be capitalized in the subsidiary records.

CONDITION: Thirty (30) furniture and equipment assets with an acquisition cost of less than \$5,000 were capitalized contrary to the district's capitalization policy.

CAUSE: The district failed to follow their policy for capitalization of capital assets and reconcile additions to the general ledger.

EFFECT: The district's capitalized assets subsidiary ledger was overstated by \$12,460.

RECOMMENDATION: We recommend that the board hold management and staff accountable for following established policies and procedures for capitalization of assets.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

Section III: Federal Award Findings and Questioned Costs

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

#### AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511, the Quitman County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2021:

##### Finding 2021-001

- a. Name of Contact Person Responsible for Corrective Action

Name: Dr. Fredrick Robinson/ Kenyatta McClain

- b. Corrective Action Planned:

The district will implement procedures to ensure a proper cut-off of transactions and that transactions are recorded in the proper fiscal year.

- c. Anticipated Completion Date: January 01, 2023

##### Finding 2021-002

- a. Name of Contact Person Responsible for Corrective Action

Name: Dr. Fredrick Robinson/ Kenyatta McClain/ Natasha Towner

- b. Corrective Action Planned:

The district will ensure management and staff follow the established policies and procedures for capitalizing assets.

- c. Anticipated Completion Date: January 01, 2023