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QUITMAN SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2021**

QUITMAN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Quitman 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 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 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 School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-13, 47, 48, 49, 50, and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quitman 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 January 24, 2022, on our consideration of the Quitman 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 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 School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 24, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Quitman 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 \$176,324, which represents a 62% decrease from fiscal year 2020. Total net position for 2020 increased \$1,110,041, including a prior period adjustment of \$50,671, which represents a 80% increase from fiscal year 2019.
- General revenues amounted to \$15,884,373 and \$16,041,638, or 75% and 80% 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 \$5,184,165 or 25% of total revenues for 2021, and \$4,101,998 or 20% of total revenues for 2020.
- The District had \$21,244,862 and \$19,084,266 in expenses for fiscal years 2021 and 2020; only \$5,184,165 for 2021 and \$4,101,998 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,884,373 for 2021 were not adequate to provide for these programs and \$16,041,638 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,376,037 in revenues and \$14,022,914 in expenditures for 2021, and \$15,383,089 in revenues and \$14,407,446 in expenditures for 2020. The General Fund's fund balance increased by \$812,450, from 2020 to 2021, and decreased by (\$1,549,154), including a prior period adjustment of \$50,671, from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$345,970 for 2021 and decreased by \$492,578 for 2020. The increase for 2021 was due to new construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$325,000 for 2021 and decreased by \$320,000 for 2020. This decrease for 2021 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$9,397 for 2021 and increased by \$12,735 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 the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statement 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 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 \$459,536 as of June 30, 2021.

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 10,416,006	\$ 10,144,272	3%
Restricted assets	9,496,197	8,815,436	8%
Capital assets, net	12,143,393	11,797,423	3%
Total Assets	<u>32,055,596</u>	<u>30,757,131</u>	<u>4%</u>
Deferred Outflows of Resources	<u>4,250,886</u>	<u>2,293,771</u>	<u>85%</u>
Current liabilities	1,216,595	636,161	91%
Long-term debt outstanding	3,608,974	3,943,371	(8)%
Net OPEB liability	1,733,207	1,859,984	(7)%
Net pension liability	29,382,844	25,861,080	14%
Total Liabilities	<u>35,941,620</u>	<u>32,300,596</u>	<u>11%</u>
Deferred Inflows of Resources	<u>824,398</u>	<u>1,033,518</u>	<u>(20)%</u>
Net Position:			
Net investment in capital assets	8,704,441	8,040,575	8%
Restricted	12,602,280	11,189,962	13%
Unrestricted	(21,766,257)	(19,513,749)	(12)%
Total Net Position (Deficit)	<u>\$ (459,536)</u>	<u>\$ (283,212)</u>	<u>(62)%</u>

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)	\$	(21,766,257)
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		27,730,611
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$	5,964,354

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

- Increase in net capital assets in the amount of \$345,970.
- The principal retirement of \$325,000 of long-term debt.

Changes in Net Position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$21,068,538 and \$20,143,636, respectively. The total cost of all programs and services was \$21,244,862 for 2021 and \$19,084,266 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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 128,158	\$ 351,212	(64)%
Operating grants and contributions	3,729,822	3,575,571	4%
Capital grants and contributions	1,326,185	175,215	657%
General revenues:			
Property taxes	6,504,027	5,894,043	10%
Grants and contributions not restricted	8,525,279	8,567,369	0%
Unrestricted investment earnings	138,917	206,328	(33)%
Sixteenth section sources	619,074	1,193,645	(48)%
Other	97,076	180,253	(46)%
Total Revenues	<u>21,068,538</u>	<u>20,143,636</u>	<u>5%</u>
Expenses:			
Instruction	9,505,454	8,276,148	15%
Support services	7,631,154	7,582,096	1%
Non-instructional	826,684	1,119,698	(26)%
Sixteenth section	37,475	83,773	(55)%
Pension expense	3,003,805	1,789,966	68%
OPEB expense	20,779	84,260	(75)%
Interest on long-term liabilities	219,511	148,325	48%
Total Expenses	<u>21,244,862</u>	<u>19,084,266</u>	<u>11%</u>
Increase (Decrease) in Net Position	<u>(176,324)</u>	<u>1,059,370</u>	<u>(117)%</u>
Net Position, July 1, as previously reported	(283,212)	(1,393,253)	80%
Prior Period Adjustment	-	50,671	(100)%
Net Position, July 1, as restated	<u>(283,212)</u>	<u>(1,342,582)</u>	<u>79%</u>
Net Position, June 30	\$ <u>(459,536)</u>	\$ <u>(283,212)</u>	<u>(62)%</u>

Governmental Activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 9,505,454	\$ 8,276,148	15%
Support services	7,631,154	7,582,096	1%
Non-Instructional	826,684	1,119,698	(26)%
Sixteenth section	37,475	83,773	(55)%
Pension expense	3,003,805	1,789,966	68%
OPEB expense	20,779	84,260	(75)%
Interest on long-term liabilities	219,511	148,325	48%
Total Expenses	\$ 21,244,862	\$ 19,084,266	11%

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (6,942,811)	\$ (6,281,323)	(11)%
Support services	(6,156,685)	(6,668,865)	8%
Non-Instructional	286,792	70,033	310%
Sixteenth section	(3,898)	(79,562)	95%
Pension expense	(3,003,805)	(1,789,966)	(68)%
OPEB expense	(20,779)	(84,260)	75%
Interest on long-term liabilities	(219,511)	(148,325)	(48)%
Total Net (Expense) Revenue	\$ (16,060,697)	\$ (14,982,268)	(7)%

- Net cost of governmental activities (\$16,060,697 for 2021 and \$14,982,268 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$6,504,027 for 2021 and \$5,894,043 for 2020) and state and federal revenues (\$8,525,279 for 2021 and \$8,567,369 for 2020). In addition, there was \$619,074 and \$1,193,645 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$138,917 for 2021 and \$206,328 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 \$18,778,587, an increase of \$372,061, which includes a decrease in inventory of \$32,226. \$4,432,798 or 24% 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 \$14,345,789 or 76% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$812,450. The fund balance of Other Governmental Funds showed a decrease in the amount of \$842,261, which includes a decrease in reserve for inventory of \$32,226. The increase (decrease) in the fund balance for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Principal	\$ 401,872

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$28,704,944, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$826,685 from 2020. Total accumulated depreciation as of June 30, 2021, was \$16,561,551, and total depreciation expense for the year was \$671,276, resulting in total net capital assets of \$12,143,393.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 174,918	\$ 174,918	0%
Construction in progress	962,304	-	N/A%
Buildings	5,659,984	5,847,487	(3)%
Building improvements	3,442,013	3,651,236	(6)%
Improvements other than buildings	901,882	927,413	(3)%
Mobile equipment	851,269	1,005,627	(15)%
Furniture and equipment	151,023	190,742	(21)%
Total	\$ 12,143,393	\$ 11,797,423	3%

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

Debt Administration. At June 30, 2021, the District had \$3,608,974 in outstanding long-term debt, of which \$310,000 is due within one year. The liability for compensated absences decreased \$9,397 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Limited tax refunding notes	\$ 1,210,000	\$ 1,450,000	(17)%
General obligation certificate of participation	770,000	855,000	(10)%
Qualified school construction bonds payable	1,500,000	1,500,000	0%
Compensated absences payable	<u>128,974</u>	<u>138,371</u>	<u>(7)%</u>
Total	\$ <u>3,608,974</u>	\$ <u>3,943,371</u>	<u>(8)%</u>

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

CURRENT ISSUES

The Quitman School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities 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 School District, 104 East Franklin Street, Quitman, MS 39355.

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FINANCIAL STATEMENTS

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QUITMAN SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,974,932
Cash with fiscal agents	32
Investments	245,887
Due from other governments	1,162,511
Accrued interest receivable	632
Inventories	27,012
Prepaid items	5,000
Restricted assets	9,496,197
Capital assets, non-depreciable:	
Land	174,918
Construction in progress	962,304
Capital assets, net of accumulated depreciation:	
Buildings	5,659,984
Building improvements	3,442,013
Improvements other than buildings	901,882
Mobile equipment	851,269
Furniture and equipment	151,023
Total Assets	<u>32,055,596</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	3,849,646
Deferred outflows - OPEB	360,192
Deferred outflows - advance refunding of debt	41,048
Total Deferred Outflows of Resources	<u>4,250,886</u>
Liabilities	
Accounts payable and accrued liabilities	1,133,616
Interest payable on long-term liabilities	82,979
Long-term liabilities, due within one year:	
Capital related liabilities	310,000
Net OPEB liability	58,150
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,170,000
Non-capital related liabilities	128,974
Net pension liability	29,382,844
Net OPEB liability	1,675,057
Total Liabilities	<u>35,941,620</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	390,689
Deferred inflows - OPEB	433,709
Total Deferred Inflows of Resources	<u>824,398</u>
Net Position	
Net investment in capital assets	8,704,441
Restricted for:	
Expendable:	
School-based activities	50,447
Debt service	805,029
Capital improvements	927,129
Forestry improvements	136,180
Unemployment benefits	40,948
Ad valorem	171,484
Non-expendable:	
Sixteenth section	10,466,063
Prepaid items	5,000
Unrestricted	(21,766,257)
Total Net Position	<u>\$ (459,536)</u>

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

Exhibit B

QUITMAN SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and Changes
		Services	Grants and	Grants and	in Net Position
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 9,505,454	\$ 76,311	\$ 1,409,314	\$ 1,077,018	\$ (6,942,811)
Support services	7,631,154	-	1,225,302	249,167	(6,156,685)
Non-instructional	826,684	18,270	1,095,206	-	286,792
Sixteenth section	37,475	33,577	-	-	(3,898)
Pension expense	3,003,805	-	-	-	(3,003,805)
OPEB expense	20,779	-	-	-	(20,779)
Interest on long-term liabilities	219,511	-	-	-	(219,511)
Total Governmental Activities	<u>\$ 21,244,862</u>	<u>\$ 128,158</u>	<u>\$ 3,729,822</u>	<u>\$ 1,326,185</u>	<u>\$ (16,060,697)</u>
General Revenues:					
Taxes:					
General purpose levies					6,199,486
Debt purpose levies					304,541
Unrestricted grants and contributions:					
State					8,447,851
Federal					77,428
Unrestricted investment earnings					138,917
Sixteenth section sources					619,074
Other					97,076
Total General Revenues					<u>15,884,373</u>
Change in Net Position					(176,324)
Net Position - Beginning					<u>(283,212)</u>
Net Position - Ending					<u>\$ (459,536)</u>

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

QUITMAN SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		Other	Total
	General	16th Section	Governmental	Governmental
	Fund	Principal Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 7,591,557	\$ 3,543,959	\$ 1,383,375	\$ 12,518,891
Cash with fiscal agents	-	-	9,385	9,385
Investments	245,887	5,084,107	840,000	6,169,994
Due from other governments	228,777	-	933,734	1,162,511
Accrued interest receivable	632	12,015	6,763	19,410
Due from other funds	883,365	65,988	-	949,353
Advances to other funds	-	1,759,994	-	1,759,994
Inventories	-	-	27,012	27,012
Prepaid items	5,000	-	-	5,000
Total Assets	<u>\$ 8,955,218</u>	<u>\$ 10,466,063</u>	<u>\$ 3,200,269</u>	<u>\$ 22,621,550</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,030,906	\$ -	\$ 102,710	\$ 1,133,616
Due to other funds	65,988	-	883,365	949,353
Advances from other funds	1,759,994	-	-	1,759,994
Total Liabilities	<u>2,856,888</u>	<u>-</u>	<u>986,075</u>	<u>3,842,963</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	27,012	27,012
Permanent fund principal	-	8,706,069	-	8,706,069
Advances	-	1,759,994	-	1,759,994
Prepaid items	5,000	-	-	5,000
Restricted:				
Debt service	-	-	888,008	888,008
Capital projects	-	-	927,129	927,129
Forestry improvement purposes	-	-	136,180	136,180
Grant activities	-	-	12,600	12,600
Unemployment benefits	-	-	40,948	40,948
Food service	-	-	182,317	182,317
Ad valorem	171,484	-	-	171,484
Committed:				
Debt service	685,000	-	-	685,000
Lawsuit	302,768	-	-	302,768
Assigned:				
Student activity funds	109,284	-	-	109,284
Capital projects	90,724	-	-	90,724
School board activities	235,511	-	-	235,511
Club activities	65,761	-	-	65,761
Unassigned	<u>4,432,798</u>	<u>-</u>	<u>-</u>	<u>4,432,798</u>
Total Fund Balances	<u>6,098,330</u>	<u>10,466,063</u>	<u>2,214,194</u>	<u>18,778,587</u>
Total Liabilities and Fund Balances	<u>\$ 8,955,218</u>	<u>\$ 10,466,063</u>	<u>\$ 3,200,269</u>	<u>\$ 22,621,550</u>

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

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

Total fund balances for governmental funds **\$ 18,778,587**

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	174,918	
Construction-in-progress	962,304	
Buildings	11,882,062	
Building improvements	8,623,921	
Improvements other than buildings	1,896,763	
Mobile equipment	3,762,637	
Furniture and equipment	1,402,339	
Accumulated depreciation	<u>(16,561,551)</u>	12,143,393

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 (29,382,844)

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	3,849,646	
Deferred inflows of resources related to pensions	<u>(390,689)</u>	3,458,957

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 (1,733,207)

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	360,192	
Deferred inflows of resources related to OPEB	<u>(433,709)</u>	(73,517)

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:

Limited tax refunding bonds	(1,210,000)	
Deferred outflow from advance refunding of debt	41,048	
General obligation certificates of participation	(770,000)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(128,974)	
Accrued interest payable	<u>(82,979)</u>	(3,650,905)

Net position of governmental activities **\$ (459,536)**

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

QUITMAN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Other	Total
	General	16th Section	Governmental	Governmental
	Fund	Principal Fund	Funds	Funds
Revenues				
Local sources	\$ 6,498,220	\$ -	\$ 332,497	\$ 6,830,717
State sources	8,618,712	-	579,515	9,198,227
Federal sources	29,300	-	4,359,302	4,388,602
Sixteenth section sources	229,805	413,272	9,573	652,650
Total Revenues	15,376,037	413,272	5,280,887	21,070,196
Expenditures				
Instruction	7,713,395	-	2,651,852	10,365,247
Support services	6,220,609	-	1,668,710	7,889,319
Noninstructional services	-	-	872,500	872,500
Sixteenth section	13,333	11,400	12,742	37,475
Facilities acquisition and construction	-	-	962,304	962,304
Debt service:				
Principal	-	-	325,000	325,000
Interest	75,577	-	136,830	212,407
Other	-	-	6,600	6,600
Total Expenditures	14,022,914	11,400	6,636,538	20,670,852
Excess (Deficiency) of Revenues over (under) Expenditures	1,353,123	401,872	(1,355,651)	399,344
Other Financing Sources (Uses)				
Payments held by escrow agent	-	-	81,442	81,442
Insurance recovery	4,943	-	-	4,943
Operating transfers in	39,025	-	1,730,430	1,769,455
Payments to QSCB debt escrow agent	-	-	(81,442)	(81,442)
Operating transfers out	(584,641)	-	(1,184,814)	(1,769,455)
Total Other Financing Sources (Uses)	(540,673)	-	545,616	4,943
Net Change in Fund Balances	812,450	401,872	(810,035)	404,287
Fund Balances:				
July 1, 2020	5,285,880	10,064,191	3,056,455	18,406,526
Decrease in reserve for inventory	-	-	(32,226)	(32,226)
June 30, 2021	\$ 6,098,330	\$ 10,466,063	\$ 2,214,194	\$ 18,778,587

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

QUITMAN SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds **\$ 404,287**

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	\$ 1,020,443	
	Depreciation expense	<u>(671,276)</u>	349,167
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.		(3,197)
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	325,000	
	Amortization of deferred amount on refunding	<u>(7,104)</u>	317,896
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
	Pension expense	(3,003,805)	
	Contributions subsequent to the measurement date	<u>1,744,786</u>	(1,259,019)
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
	OPEB expense	(20,779)	
	Contributions subsequent to the measurement date	<u>58,150</u>	37,371
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	9,397	
	Change in inventory reserve	<u>(32,226)</u>	(22,829)
Change in net position of governmental activities			<u><u>\$ (176,324)</u></u>

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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the 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 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.

Blended Component Unit

The Quitman School District Facilities Corporation Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 6).

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.

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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

Fund Financial Statements - Separate financial statements are provided for governmental 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.

16th Section Principal Fund - This permanent fund accounts for the revenues associated with nonexpendable resources derived from 16th Section lands.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the 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 and 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 SCHOOL DISTRICT

Notes to the Financial Statements For the 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the 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.

1. Deferred outflows – pensions
2. Deferred outflows – postemployment benefits other than pensions (OPEB)
3. Deferred outflows – advance refunding of debt

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.

1. Deferred inflows – pensions
2. Deferred inflows – postemployment benefits other than pensions (OPEB)

See Notes 7 and 8 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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 payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the finance director pursuant to authorization established by school board policy.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 5% 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.

Quitman School District chose to early implement GASB 84 in the fiscal year 2020. Therefore, the agency funds (i.e., club funds and clearing funds) previously shown as fiduciary funds are now shown in the General Fund. 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.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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 \$12,518,891.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$9,385.

Investments

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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Investment Type	Rating	Maturities (in years)	Fair Value
Government Cash Reserves	Unrated	Less than 5 years	\$ 145,343
U.S. Treasury Deposits	Unrated	Less than 10 years	840,000
Asset Backed Federal Securities	Unrated	Less than 5 years	875,629
	Unrated	Less than 10 years	636,787
	Unrated	Less than 15 years	616,075
	Unrated	Less than 20 years	759,118
	Unrated	Less than 30 years	80,803
Corporate Bonds	Unrated	Less than 10 years	90,753
Municipal Bonds	AA	Less than 5 years	120,440
	AA-	Less than 5 years	407,852
	AA-	Less than 10 years	160,644
	Unrated	Less than 15 years	207,499
	AA	Less than 15 years	293,709
U.S. Treasury/Agency Securities	Unrated	Less than 5 years	20,811
	A	Less than 5 years	28,004
	B	Less than 5 years	22,119
	Unrated	Less than 10 years	93,710
	A	Less than 10 years	132,077
	Unrated	Less than 15 years	370,525
	A	Less than 15 years	268,096
Total			<u>\$ 6,169,994</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:

- All investments are valued using quoted market prices (Level 1 inputs)

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

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

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

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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Issuer		Fair Value	% of Total Investments
State of Mississippi - Special obligation bonds	\$	407,852	6.61%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 883,365
16th Section Principal	General Fund	65,988
Total		<u>\$ 949,353</u>

The purpose of the above loans between the General Fund and other governmental funds represents the existence of negative fund cash balances in a pooled bank account. Negative cash balances in governmental funds (special revenues funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government. The remaining balance is the current portion of Sixteenth Section Loans Payable. All balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 1,759,994
Total		<u>\$ 1,759,994</u>

The purpose of advances was to replace or upgrade the HVAC system in various buildings of the District.

Sixteenth Section Principal Loans Payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2021 is 4%.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 65,988	\$ 73,039	\$ 139,027
2023	68,628	70,400	139,028
2024	71,373	67,655	139,028
2025	74,228	64,800	139,028
2026	77,197	61,831	139,028
2027 - 2031	434,849	260,289	695,138
2032 - 2036	529,062	166,078	695,140
2037 - 2041	504,657	51,459	556,116
Total	<u>\$1,825,982</u>	<u>\$815,551</u>	<u>\$2,641,533</u>

The current portion of \$65,988 sixteenth section loans payable is recorded as a balance in due from/to other funds.

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 584,641
Other governmental funds	General Fund	39,025
Other governmental funds	Other governmental funds	1,145,789
Total		<u>\$ 1,769,455</u>

The purpose of inter-fund transfers was to provide operating funds and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance of \$3,543,959, the investment balance of \$5,084,107, and the accrued interest balance of \$12,015 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent cash with fiscal agent of \$9,353, investment balance of \$840,000, and accrued interest balance of \$6,763 of the QSCB Bond Retirement Fund, which is legally restricted for debt service.

Restricted assets on the Statement of Net Position total \$9,496,197.

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
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 174,918	\$ -	\$ -	\$ 174,918
Construction-in-progress	-	962,304	-	962,304
Total non-depreciable capital assets	174,918	962,304	-	1,137,222
<u>Depreciable capital assets:</u>				
Buildings	11,882,062	-	-	11,882,062
Building improvements	8,623,921	-	-	8,623,921
Improvements other than buildings	1,860,780	35,983	-	1,896,763
Mobile equipment	3,776,635	-	13,998	3,762,637
Furniture and equipment	1,559,943	22,156	179,760	1,402,339
Total depreciable capital assets	27,703,341	58,139	193,758	27,567,722
<u>Less accumulated depreciation for:</u>				
Buildings	6,034,575	187,503	-	6,222,078
Building improvements	4,972,685	209,223	-	5,181,908
Improvements other than buildings	933,367	61,514	-	994,881
Mobile equipment	2,771,008	152,958	12,598	2,911,368
Furniture and equipment	1,369,201	60,078	177,963	1,251,316
Total accumulated depreciation	16,080,836	671,276	190,561	16,561,551
Total depreciable capital assets, net	11,622,505	(613,137)	3,197	11,006,171
Governmental activities capital assets, net	\$ 11,797,423	\$ 349,167	\$ 3,197	\$ 12,143,393

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Depreciation expense was charged to the following governmental functions:

Governmental Activities	Amount
Instruction	\$ 268,873
Support Services	375,838
Non-instructional	26,565
Total Depreciation Expense - Governmental Activities	<u>\$ 671,276</u>

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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

Governmental Activities:	Spent to June 30, 2021	Remaining Commitment
HVAC Project	\$ 962,304	\$ 355,694
Total Governmental activities	<u>\$ 962,304</u>	<u>\$ 355,694</u>

Construction projects included in governmental activities are funded with a Sixteenth Section Loan Payable.

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. Limited tax refunding notes	\$ 1,450,000	\$ -	\$ 240,000	\$ 1,210,000	\$ 220,000
B. General obligation certificate of participation	855,000	-	85,000	770,000	90,000
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	138,371	-	9,397	128,974	-
Total	<u>\$ 3,943,371</u>	<u>\$ -</u>	<u>\$ 334,397</u>	<u>\$ 3,608,974</u>	<u>\$ 310,000</u>

A. Limited tax refunding notes

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, series 2014	1.60- 2.60%	7/15/2014	4/15/2027	\$ 2,635,000	\$ 1,210,000
Total				<u>\$ 2,635,000</u>	<u>\$ 1,210,000</u>

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 220,000	\$ 28,170	\$ 248,170
2023	205,000	23,770	228,770
2024	190,000	19,260	209,260
2025	190,000	14,890	204,890
2026	200,000	10,330	210,330
2027 - 2031	205,000	5,330	210,330
Total	<u>\$ 1,210,000</u>	<u>\$ 101,750</u>	<u>\$1,311,750</u>

The debt will be retired from the Three Mill Note Fund (debt service fund). It is secured with a Pledge of Education Enhancement (EEF) Funds for buildings and buses that is to be used for repayment of the limited tax refunding notes. Proceeds from the notes were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local ad valorem revenues generated from a special levy to retire this debt and are payable through April 15, 2027. Annual principal and interest payments on the notes are expected to require all of the district's annual allocation of such state revenues and local ad valorem revenues levied to complete the required debt service payments. The total principal and interest payments remaining are \$1,311,750. Total revenues for building and buses were \$82,393, respectively.

B. General obligation certificate of participation

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation certificate of participation, series 2014	1.50 - 3.00%	7/15/2014	6/1/2029	\$ 1,340,000	\$ 770,000
Total				<u>\$ 1,340,000</u>	<u>\$ 770,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 90,000	\$ 21,180	\$ 111,180
2023	90,000	19,020	109,020
2024	90,000	16,860	106,860
2025	95,000	14,430	109,430
2026	95,000	11,865	106,865
2027-2031	310,000	18,750	328,750
Total	<u>\$ 770,000</u>	<u>\$ 102,105</u>	<u>\$ 872,105</u>

This debt is being retired from the Three Mill Loan Fund (debt service fund).

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

C. Qualified school construction bonds payable

As more fully explained in Note 12, 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	5.40%	10/7/2010	8/1/2025	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ -	\$ 81,000	\$ 81,000
2023	-	81,000	81,000
2024	-	81,000	81,000
2025	-	81,000	81,000
2026	1,500,000	81,000	1,581,000
Total	<u>\$ 1,500,000</u>	<u>\$ 405,000</u>	<u>\$ 1,905,000</u>

This debt is being retired from the QSCB Bond Retirement Fund (debt service fund).

D. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1,

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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 \$1,744,786, \$1,758,561, and \$1,507,912, 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 \$29,382,844 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 0.151780 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.004775 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,003,805. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 254,850	\$ -
Net difference between projected and actual earnings on pension plan investments	1,205,796	-
Changes of assumptions	159,196	-
Changes in proportion and differences between District contributions and proportionate share of contributions	485,018	390,689
District contributions subsequent to the measurement date	1,744,786	-
Total	\$ <u>3,849,646</u>	\$ <u>390,689</u>

\$1,744,786 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:

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Year Ending June 30:	Amount
2022	\$ (74,914)
2023	711,419
2024	688,753
2025	388,913

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 will be 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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.

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 38,032,481	\$ 29,382,844	\$ 22,243,418

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$58,150 for the year ended June 30, 2021.

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements 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 \$1,733,207 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.22271765 percent. This was an increase of 0.00351980 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 \$20,779. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,209	\$ 301,624
Changes of assumptions	269,096	73,243
Net difference between projected and actual earnings on OPEB plan investments	56	-
Changes in proportion and differences between District contributions and proportionate share of contributions	30,681	58,842
District contributions subsequent to the measurement date	58,150	-
Total	<u>\$ 360,192</u>	<u>\$ 433,709</u>

\$58,150 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:

<u>Year Ending June 30:</u>	<u>Amount</u>
2022	\$ (42,005)
2023	(42,005)
2024	(33,051)
2025	(3,461)
2026	(11,145)

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%

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Year FNP is projected to be depleted	2020
Measurement Date	2019
Prior Measurement Date	

Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	2.19%
Measurement Date	3.50%
Prior Measurement Date	

Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

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

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately; therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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	\$ 1,915,312	\$ 1,733,207	\$ 1,577,010

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:

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,600,351	\$ 1,733,207	\$ 1,883,726

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

Note 9 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2022	\$ 4,761
2023	4,761
2024	4,761
2025	4,761
2026	4,761
2027 – 2031	23,806
2032 – 2036	14,769
2037 – 2041	2,802
Total	<u>\$ 65,182</u>

Note 10 - Contingencies

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

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

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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 12 – 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 that 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 \$73,333.

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 \$856,116, which included cash with fiscal agent of \$9,353, investments of \$840,000, and accrued interest of \$6,763. 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	\$ 120,000
2023	150,000
2024	150,000
2025	150,000
Total	<u>\$ 570,000</u>

Note 13 – Fund Balance Assignments

The amount assigned for unemployment \$40,948 shown on Exhibit C represents the amount held in the Unemployment Compensation Fund at June 30, 2021, which is above the statutory requirement necessary to fill that fund.

Note 14 – Insurance Loss Recoveries

The Quitman School District received \$4,943 in insurance loss recoveries related to damage during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income.

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital asset amount of \$8,704,441 includes the effect of deferring the recognition of expenses resulting from a deferred outflow on advance refunding of capital debt. A portion of the deferred outflow of resources related to refunded debt in the amount of \$41,048 will be recognized as an expense and will decrease the net investment in capital assets over the next 5 years.

The unrestricted net position amount of (\$21,766,257) 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 \$1,744,786 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$2,104,860 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 (\$21,766,257) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$390,689 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 (\$21,766,257) 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 \$58,150 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 \$302,042 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 (\$21,766,257) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$433,709 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 16 – State Compliance Testing

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

Note 17 – Subsequent Events

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

The district entered into a contract to replace the roof of the high school with a total project cost of \$335,379.

REQUIRED SUPPLEMENTARY INFORMATION

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QUITMAN SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$6,410,678	\$6,406,643	\$ 6,498,220	\$ (4,035)	\$ 91,577
State sources	7,651,298	8,577,512	8,618,712	926,214	41,200
Federal sources	66,940	66,940	29,300	-	(37,640)
Sixteenth section sources	243,083	243,083	229,805	-	(13,278)
Total Revenues	14,371,999	15,294,178	15,376,037	922,179	81,859
Expenditures					
Instruction	8,693,773	7,713,395	7,713,395	980,378	-
Support services	6,968,839	6,220,609	6,220,609	748,230	-
Noninstructional services	63,000	-	-	63,000	-
Sixteenth section	15,800	13,333	13,333	2,467	-
Facilities acquisition & construction	120,000	-	-	120,000	-
Debt Service:					
Interest	75,577	75,577	75,577	-	-
Total Expenditures	15,936,989	14,022,914	14,022,914	1,914,075	-
Excess (Deficiency) of Revenues over (under) Expenditures	(1,564,990)	1,271,264	1,353,123	2,836,254	81,859
Other Financing Sources (Uses)					
Insurance recovery	-	-	4,943	-	4,943
Operating transfers in	2,247,896	2,247,896	39,025	-	(2,208,871)
Operating transfers out	(3,654,358)	(2,714,075)	(584,641)	940,283	2,129,434
Total Other Financing Sources (Uses)	(1,406,462)	(466,179)	(540,673)	940,283	(74,494)
Net Change in Fund Balances	(2,971,452)	805,085	812,450	3,776,537	7,365
Fund Balances					
July 1, 2020	4,814,726	3,764,546	5,285,880	(1,050,180)	1,521,334
June 30, 2021	\$1,843,274	\$4,569,631	\$ 6,098,330	\$2,726,357	\$1,528,699

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

Quitman School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.151780%	0.147005%	0.147764%	0.150423%	0.161408%	0.163425%	0.158659%
District's proportionate share of the net pension liability \$	29,382,844	25,861,080	24,577,544	25,005,408	28,831,499	25,262,282	19,258,297
District's covered payroll \$	10,106,672	9,574,045	9,436,121	9,649,740	10,325,676	10,198,489	9,694,861
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.22%	247.71%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	59%	62%	63%	61%	57%	62%	67%

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

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

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

Quitman School District
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,744,786	1,758,561	1,507,912	1,486,189	1,519,834	1,626,294	1,606,262
Contributions in relation to the contractually required contribution	\$ 1,744,786	1,758,561	1,507,912	1,486,189	1,519,834	1,626,294	1,606,262
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 10,027,506	10,106,672	9,574,045	9,436,121	9,649,740	10,325,676	10,198,489
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 requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

Quitman School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.22271765%	0.21919785%	0.21813605%	0.22278585%
District's proportionate share of the net OPEB liability	\$ 1,733,207	1,859,984	1,687,391	1,747,998
District's covered-employee payroll	\$ 10,106,672	9,574,045	9,436,121	10,009,156
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	17.15%	19.43%	17.88%	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 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

Quitman School District
Required Supplementary Information
Schedule of District Contributions
OPEB
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 58,150	69,120	74,554	74,520
Contributions in relation to the actuarially determined contribution	\$ 58,150	69,120	74,554	74,520
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 10,027,506	10,106,672	9,574,045	9,436,121
Contributions as a percentage of covered-employee payroll	0.58%	0.68%	0.78%	0.79%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, 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.

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

QUITMAN SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

QUITMAN SCHOOL DISTRICT

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

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

QUITMAN SCHOOL DISTRICT

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

SUPPLEMENTARY INFORMATION

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QUITMAN SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	215MS326N1099	\$ 83,891
Subtotal			83,891
COVID-19 - Summer Food Service Program for Children	10.559	215MS907N1099	901,626
Total Summer Food Service Program for Children			901,626
Total Child Nutrition Cluster			985,517
Total Passed-through Mississippi Department of Education			985,517
Total U.S. Department of Agriculture			985,517
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	n/a	25,206
Total U.S. Department of Defense			25,206
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A180024 S010A190024 S010A200024	1,058,753
Career and Technical Education - Basic Grants to States	84.048	V08A200024	31,061
Rural Education	84.358	S358B190024 S358B200024	60,166
Supporting Effective Instruction State Grants	84.367	S367A200023	103,629
Student Support and Academic Enrichment Program	84.424	S424A190025 S424A200025	40,756
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A190108 H027A200108	488,499
Special Education - Preschool Grants	84.173	H173A190113 H173A200113	37,360
Total Special Education Cluster			525,859
Elementary and Secondary School Emergency Relief Fund I	84.425D	S425D200031	513,927
Elementary and Secondary School Emergency Relief Fund II	84.425D	S425D200031	90,750
COVID-19 - Education Stabilization Fund (ESSER) Subtotal:			604,677
Total Passed-through Mississippi Department of Education			2,424,901
Total U.S. Department of Education			2,424,901
<u>Social Security Administration</u>			
Direct Program:			
Disability Insurance/SSI Cluster:			
Social Security Disability Insurance	96.001	N/A	4,094
Total Social Security Administration			4,094
<u>U.S. Department of Treasury</u>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	875,548
Total Passed-through Mississippi Department of Education			875,548
Total U.S. Department of Treasury			875,548
Total for All Federal Awards			\$ 4,315,266

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

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

QUITMAN SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2021

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,765,934	9,777,000	887,237	1,380,335	1,721,362
Other	6,904,918	2,717,962	244,608	5,497	3,936,851
Total	\$ <u>20,670,852</u>	<u>12,494,962</u>	<u>1,131,845</u>	<u>1,385,832</u>	<u>5,658,213</u>
Total number of students*	<u>1,645</u>				
Cost per student	\$ <u>12,566</u>	<u>7,596</u>	<u>688</u>	<u>842</u>	<u>3,440</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 SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2021	2020*	2019*	2018*
Revenues				
Local sources	\$ 6,498,220	6,202,325	5,898,258	5,729,181
State sources	8,618,712	8,892,609	8,622,249	8,843,766
Federal sources	29,300	81,815	73,896	44,193
Sixteenth section sources	229,805	206,340	170,229	321,231
Total Revenues	<u>15,376,037</u>	<u>15,383,089</u>	<u>14,764,632</u>	<u>14,938,371</u>
Expenditures				
Instruction	7,713,395	7,858,895	7,490,626	7,436,637
Support services	6,220,609	6,409,756	6,179,709	6,164,252
Noninstructional services	-	32	-	-
Sixteenth section	13,333	40,314	40,716	15,474
Facilities acquisition and construction	-	98,449	49,421	-
Debt service:				
Interest	<u>75,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>14,022,914</u>	<u>14,407,446</u>	<u>13,760,472</u>	<u>13,616,363</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,353,123</u>	<u>975,643</u>	<u>1,004,160</u>	<u>1,322,008</u>
Other Financing Sources (Uses)				
Insurance recovery	4,943	-	-	6,414
Operating transfers in	39,025	-	73,993	59,992
Operating transfers out	<u>(584,641)</u>	<u>(2,575,468)</u>	<u>(656,687)</u>	<u>(609,570)</u>
Total Other Financing Sources (Uses)	<u>(540,673)</u>	<u>(2,575,468)</u>	<u>(582,694)</u>	<u>(543,164)</u>
Net Change in Fund Balances	812,450	(1,599,825)	421,466	778,844
Fund Balances				
Beginning of period, as previously reported	5,285,880	6,835,034	6,502,387	5,723,543
Prior period adjustments	<u>-</u>	<u>50,671</u>	<u>(88,819)</u>	<u>-</u>
Beginning of period, as restated	<u>5,285,880</u>	<u>6,885,705</u>	<u>6,413,568</u>	<u>5,723,543</u>
End of Period	<u>\$ 6,098,330</u>	<u>5,285,880</u>	<u>6,835,034</u>	<u>6,502,387</u>

*Source - Prior Year Audit Reports

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

	2021	2020*	2019*	2018*
Revenues				
Local sources	\$ 6,830,717	6,537,659	6,235,850	5,985,435
State sources	9,198,227	9,470,818	9,192,359	9,433,702
Federal sources	4,388,602	2,855,868	3,080,832	2,632,551
Sixteenth section sources	652,650	1,279,294	1,456,546	1,069,282
Total Revenues	<u>21,070,196</u>	<u>20,143,639</u>	<u>19,965,587</u>	<u>19,120,970</u>
Expenditures				
Instruction	10,365,247	9,286,018	9,048,442	8,733,129
Support services	7,889,319	7,730,226	7,291,681	7,142,591
Noninstructional services	872,500	1,217,042	1,290,459	1,276,557
Sixteenth section	37,475	83,773	78,182	147,948
Facilities acquisition and construction	962,304	98,449	49,421	-
Debt service:				
Principal	325,000	320,000	315,000	305,000
Interest	212,407	142,663	152,777	154,171
Other	6,600	6,052	5,734	5,647
Total Expenditures	<u>20,670,852</u>	<u>18,884,223</u>	<u>18,231,696</u>	<u>17,765,043</u>
Excess (Deficiency) of Revenues over Expenditures	<u>399,344</u>	<u>1,259,416</u>	<u>1,733,891</u>	<u>1,355,927</u>
Other Financing Sources (Uses)				
Insurance recovery	4,943	-	-	6,414
Payments held by escrow agent	81,442	81,439	89,000	90,102
Operating transfers in	1,769,455	2,659,332	730,680	849,484
Payments to QSCB debt escrow agent	(81,442)	(81,439)	(89,000)	(90,102)
Operating transfers out	(1,769,455)	(2,659,332)	(730,680)	(849,484)
Total Other Financing Sources (Uses)	<u>4,943</u>	<u>-</u>	<u>-</u>	<u>6,414</u>
Net Change in Fund Balances	404,287	1,259,416	1,733,891	1,362,341
Fund Balances				
Beginning of period, as previously reported	18,406,526	17,057,912	15,412,316	14,051,053
Prior period adjustments	-	50,671	(88,819)	(2,163)
Beginning of period, as restated	<u>18,406,526</u>	<u>17,108,583</u>	<u>15,323,497</u>	<u>14,048,890</u>
Increase (Decrease) in reserve for inventory	<u>(32,226)</u>	<u>38,527</u>	<u>524</u>	<u>1,085</u>
End of Period	<u>\$ 18,778,587</u>	<u>18,406,526</u>	<u>17,057,912</u>	<u>15,412,316</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Quitman School District

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman 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 School District's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2021-002 and 2021-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2021-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quitman School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the

accompanying Schedule of Findings and Questioned Costs as items 2021-002 and 2021-003.

Quitman School District's Responses to Findings

Quitman School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Quitman 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 on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 24, 2022

Stephen D. Myrick C.P.A., L.L.C.

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

Superintendent and School Board
Quitman School District

Report on Compliance for Each Major Program

We have audited the Quitman 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 Quitman School District's major federal programs for the year ended June 30, 2021. Quitman School District 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 the Quitman School District major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Quitman 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 major federal program. However, our audit does not provide a legal determination of the Quitman School District's compliance.

Opinion on Each Major Program

In our opinion, the Quitman 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-004 and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

Quitman School District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Quitman School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-004 and 2021-005 that we consider to be material weaknesses.

Quitman School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Quitman School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 24, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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QUITMAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | Yes |
| | 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 200.511(b)? | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Elementary and Secondary School Emergency Relief, I & II
21.019	COVID-19 – Coronavirus Relief Fund

- | | | |
|-----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |

QUITMAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

Section II: Financial Statement Findings.

2021-001.

Finding

Significant Deficiency

Repeat Finding: No

Criteria: The Mississippi Department of Education's Accounting Manual for School Districts states that bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud. They also assist in identifying accounting and banking errors by providing differences between cash balances in the accounting records and the bank balance on the bank statements and should be reconciled in an accurate manner within thirty days of receipt.

Condition: The District's monitoring activities element of its internal control system was inadequate to ensure compliance with requirements of the Mississippi Department of Education's Accounting Manual for School Districts requiring accurately reconciled bank statements. Specifically, we observed on the monthly bank reconciliations items reflected as reconciling items that represented accounting errors or misclassifications.

Cause: The District's monitoring activities element of its internal control system was inadequate to ensure accounting personnel responsible for making corrections of accounting errors and misclassifications fulfilled their responsibilities.

Effect: Failure to make the necessary corrections as a result of the identification of certain errors or misclassifications during the process of reconciling the bank statements could lead to the presentation of inaccurate information in the financial statements of the District.

Recommendation: The District should implement additional internal controls to improve its monitoring activities element of the District's internal control system that will ensure its bank statements are fully reconciled monthly and that errors or misclassifications identified as part of the reconciliation process are corrected in a timely manner in the correct accounting period.

**Views of Responsible
Officials:**

As of January 2022, reconciling items that were improperly categorized have been corrected and a system of internal controls is being implemented.

QUITMAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

2021-002.

Finding

Material Weakness and Material Noncompliance

Repeat Finding: No

Criteria: The Mississippi Department of Education's Accounting Manual for School Districts requires that school district's maintain individual personnel files for each employee which includes contracts, teacher certificates, wage authorizations, federal and state withholding authorizations and other deductions information. Individual personnel files shall stand alone to support payroll checks issued to individuals.

Condition: The District's monitoring activities element of its internal control system is inadequate to ensure compliance with requirements of the Mississippi Department of Education's Accounting Manual for School Districts. As a result of our audit procedures, we observed the following items that represent weaknesses in the internal control system over payroll and payroll benefits:

- One instance where a new hourly employee was paid for the entire pay period but only worked one week in that pay period.
- One instance where an employee began working prior to the approval of the contract by the superintendent.
- Two instances where there were no contracts at the District for employees.
- Nineteen instances where no withholding or other deduction authorizations were available at the District to document withholdings.

Cause: The District's monitoring activities element of its internal control policy is inadequate to ensure that the District's payroll clerk fulfilled the requirements of current District internal control policy for payroll and payroll benefits.

Effect: Failure to follow the Mississippi Department of Education's Accounting Manual could result in inaccurate payments to employees or payments to fictitious employees and result in a loss or misappropriation of public assets.

Recommendation: The District should implement additional internal controls to improve the monitoring activities element of internal control over payroll and payroll benefits to ensure that employees with payroll responsibilities perform their duties accurately and maintain the required documentation as required in the Mississippi Department of Education's Accounting Manual.

**Views of Responsible
Officials:**

As of January 2022, a system of internal controls has been implemented to accurately calculate monthly payroll process.

QUITMAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

2021-003.

Finding

Material Weakness and Material Noncompliance

Repeat Finding: No

Criteria: The District's internal control policy, "Fixed (Capital) Asset Accountability" requires all purchases of assets with a useful life greater than one year and with a historical cost of at least one thousand dollars to be capitalized. The District's policy also requires certain other items to be listed regardless of cost which includes items such as cameras and camera equipment, televisions, computers and computer equipment, weapons, two-way radio equipment, lawn maintenance equipment, cellular telephones, chain saws, air compressors, welding machines, generators and motorized vehicles.

Condition: The District's monitoring activities element of its internal control policy was inadequate to ensure that the District complies with its internal control policy, "Fixed (Capital) Asset Accountability" which requires all assets above a certain threshold and others regardless of cost to be listed. As a result of our audit procedures we observed one asset with a cost of \$35,983 that should have been capitalized and depreciated in accordance with District policy that was not. We also observed \$1,725,980 of assets that should have been listed regardless of cost according to District policy that were not.

Cause: The District's monitoring activities element was insufficient to ensure that the Fixed Asset Agent fulfilled the requirements of the current District internal control policy, "Fixed (Capital) Asset Accountability".

Effect: Failure to follow the District's policy, "Fixed (Capital) Asset Accountability" could result in a loss or misappropriation of public assets.

Recommendation: The District should implement additional internal controls to improve the monitoring activities element of its internal control system to ensure that District personnel fulfill the requirements of its policy, "Fixed (Capital) Asset Accountability".

**Views of Responsible
Officials:**

As of January 2022, a system of training, reconciling and internal controls has been implemented to properly account for fixed assets.

QUITMAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section III: Federal Award Findings and Questioned Costs.

2021-004. Finding

Material Weakness and Material Noncompliance

Program: 21.019 – COVID-19 – Coronavirus Relief Fund
84.425D – Elementary and Secondary School Emergency Relief, I & II.

Criteria: *U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.313(d)(1)* states that for equipment purchased with federal grant fund requires that property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Condition: The District’s monitoring activities element of its internal control policy was inadequate to ensure that the District complied with its internal control policy, which requires all assets above a certain threshold and others regardless of cost to be listed in its fixed asset system. As a result, we observed \$1,494,446 in equipment purchased with federal grant funds that were not properly included in the District’s fixed asset system.

Cause: The District’s monitoring activities element of its internal control system designed to ensure that the Fixed Asset Agent fulfilled the requirements of the current District internal control policy, “Fixed (Capital) Asset Accountability” is inadequate.

Effect or Potential Effect: Failure to follow the *U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.313(d)(1)* could affect future eligibility for federal award programs. It also could result in a loss or misappropriation of public assets.

Questioned Costs: None

Repeat Finding: No

Recommendation: We recommend that the District implement additional internal controls to improve the monitoring activities element of its current internal control system which will ensure that it fulfills the standards for Federal requirements of “Equipment and Real Property Management” contained in the *U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.313(d)(1)*.

Views of Responsible Officials: The Auditee’s Corrective Action Plan on pages 80-81 lists the District’s response to the finding.

QUITMAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-005.

Finding

Material Weakness and Material Noncompliance

Program: 21.019 – COVID-19 – Coronavirus Relief Fund

Criteria: *U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.344* states that the Federal awarding agency or pass-through entity will close out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity. If the non-Federal entity fails to complete the requirements, the Federal awarding agency or pass-through entity will proceed to close out the Federal award with the information available. This section specifies the actions the non-Federal entity and Federal awarding agency or pass-through entity must take to complete this process at the end of the period of performance.

U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.344(a) states that the recipient must submit, no later than 120 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. A subrecipient must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and subrecipient) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable.

Condition: The District's monitoring activities element of its internal control system was inadequate to ensure that the District fulfilled the Federal compliance requirements for "Reporting", which required the District to close out its grants upon completion of grant activities.

Cause: The District's internal control system over the Federal compliance requirement was insufficient and allowed the Grant Director to not fulfill the Federal compliance requirements for "Reporting".

Effect or Potential Effect: Failure to follow the *U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.344* could affect future eligibility for Federal award programs and could potentially result in repayment of grant funds.

Questioned Costs: None

Repeat Finding: No

QUITMAN SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Recommendation:	We recommend that the District implement additional internal control to improve the monitoring activities element of its internal control system and ensure the District fulfills the standards for Federal requirements of “Reporting” contained in the <i>U. S. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, section 200.344.</i>
Views of Responsible Officials:	The Auditee’s Corrective Action Plan on pages 80-81 lists the District’s response to the finding.

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AUDITEE'S CORRECTIVE ACTION PLAN

Finding 2021-001.

Corrective Action: As of January 2022, reconciling items that were improperly categorized have been corrected and a system of internal controls is being implemented.

Responsible Parties: Elisa Mayo, Finance Coordinator
Minnie Dace, Superintendent

Corrective Action Start Date: January 27, 2022

Finding 2021-002.

Corrective Action: As of January 2022, a system of internal controls has been implemented to accurately calculate monthly payroll process.

Responsible Parties: Elisa Mayo, Finance Coordinator
Minnie Dace, Superintendent

Corrective Action Start Date: January 27, 2022

Finding 2021-003.

Corrective Action: As of January 2022, a system of training, reconciling and internal controls has been implemented to properly account for fixed assets.

Responsible Parties: Elisa Mayo, Finance Coordinator
Minnie Dace, Superintendent

Corrective Action Start Date: January 27, 2022

Finding 2021-004. Elementary and Secondary School Emergency Relief Fund (84.425D).

Corrective Action: Quitman School District will maintain the integrity of the asset keeping of the district by ensuring all staff are properly trained regarding federal grant fund requirements.

In addition, a system of internal controls and reporting will allow for sufficient checks and balances as it relates to the inventory control system. Asset additions will be properly reconciled to the general journal and properly tagged as required. Records will be maintained that include the description of the property, an identification number, source of funding, acquisition date, cost, location, use, condition, date of disposal, sales price, and percent of federal participation.

Responsible Parties: Elisa Mayo, Finance Coordinator
Minnie Dace, Superintendent

Corrective Action Start Date: January 27, 2022

Finding 2021-005. COVID-19 – Coronavirus Relief Fund (21.019).

Corrective Action: Quitman School District will maintain the integrity of the federal grants of the district by ensuring all grants are properly and timely closed out in the future.

The district is in process of implementing additional internal controls regarding reporting to ensure sufficient checks and balances to ensure that all grants are properly closed out.

Responsible Parties: Elisa Mayo, Finance Coordinator
Minnie Dace, Superintendent

Corrective Action Start Date: January 27, 2022