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**SOUTH TIPPAH SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
South Tippah 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 South Tippah School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the South Tippah 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 South Tippah School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-13, 46-47, 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 South Tippah School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 (CFR) 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2021, on our consideration of the South Tippah 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 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 South Tippah 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 South Tippah School District's internal control over financial reporting and compliance.



Tupelo, MS  
December 15, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **SOUTH TIPPAAH SCHOOL DISTRICT**

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**KAREN HURT**  
Food Service Supervisor  
**RUBY BENNETT**  
Dir. Of Pre-K / Testing Coord /  
Assistant Superintendent  
**LEIGH ESTES**  
SPED Director  
**PAT LONG**  
Administrative Assistant

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021**

The following discussion and analysis of South Tippah 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 \$1,361,007, including a prior period adjustment of \$18,717, which represents an 8% decrease from fiscal year 2020. Total net position for 2020 decreased \$2,393,513, including a prior period adjustment of (\$1,213), which represents a 17% decrease from fiscal year 2019.

General revenues amounted to \$21,175,618 and \$20,652,841, or 75% and 79% 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 \$7,227,316 or 25% of total revenues for 2021, and \$5,507,601, or 21% of total revenues for 2020.

The District had \$29,782,658 and \$28,552,742 in expenses for fiscal years 2021 and 2020; only \$7,227,316 for 2021 and \$5,507,601 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,175,618 for 2021 and \$20,652,841 for 2020 were not adequate to provide for these programs.

Among major funds, the General Fund had \$20,998,338 in revenues, \$20,368,216 in expenditures, and \$3,987 in other financing sources for 2021, and \$20,994,022 in revenues, \$21,205,034 in expenditures, and \$25,873 in other financing uses for 2020. The General Fund's fund balance increased by \$652,826, including a prior period adjustment of \$18,717, from 2020 to 2021, and decreased by \$237,266, including a prior period adjustment of (\$381) from 2019 to 2020.

Capital assets, net of accumulated depreciation, decreased by \$248,415 for 2021 and decreased by \$301,567 for 2020. The decreases for 2021 and 2020 were due primarily to the recording of depreciation expense in excess of annual additions.

Long-term debt increased by \$613,048 for 2021 and decreased by \$134,162 for 2020. The increase for 2021 was due to the issuance of a three mill note payable, less principal payments on long-term debt. The decrease for 2020 was due to principal payments on long-term debt. The liability for compensated absences decreased by \$10,501 for 2021 and increased by \$23,241 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 non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the remainder 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, pension expense, other post-employment benefits (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 are classified 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 statements but are not reported on governmental funds financial statements.

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

## **Notes to the financial statements**

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

## **Required Supplementary Information**

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

## **Supplementary Information**

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

## **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. For the governmental activities of the district, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,224,379 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**

	Governmental Activities		Percentage
	2021	2020	Change
Current assets	\$ 6,358,194	\$ 3,849,250	65.18%
Restricted assets	1,971,300	1,457,734	35.23%
Capital assets, net	19,432,812	19,681,227	-1.26%
Total assets	<u>27,762,306</u>	<u>24,988,211</u>	11.10%
Deferred outflows of resources	<u>6,648,214</u>	<u>4,014,646</u>	65.60%
Current liabilities	1,699,390	252,046	574.24%
Long-term debt	3,704,958	3,102,411	19.42%
Net pension liability	44,161,574	39,133,168	12.85%
Net OPEB liability	<u>2,522,143</u>	<u>2,751,704</u>	-8.34%
Total liabilities	<u>52,088,065</u>	<u>45,239,329</u>	15.14%
Deferred inflows of resources	<u>546,834</u>	<u>626,900</u>	-12.77%
Net position:			
Net investment in capital assets	16,268,544	16,874,630	-3.59%
Restricted	2,535,098	1,794,869	41.24%
Unrestricted	<u>(37,028,021)</u>	<u>(35,532,871)</u>	-4.21%
Total net position	<u>\$ (18,224,379)</u>	<u>\$ (16,863,372)</u>	-8.07%

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

- In accordance with the implementation of GASB 84, *Fiduciary Activities*, agency funds reported as fiduciary assets in prior years are now reported as governmental activities in the general fund. The increase in cash and cash equivalents amounting to \$2,138,522 and the increase in accounts payable and accrued liabilities amounting to \$1,432,616 is primarily due to this implementation. The issuance of a three mill note amounting to \$750,000 was also a significant factor in the increase to cash and cash equivalents.
- Decrease in net capital assets in the amount of \$248,415, primarily due to depreciation expense of \$798,844 and net capital asset disposals of \$1,667, less capital asset additions of \$552,096.
- Increase in long-term debt in the amount of \$613,048 due to the issuance of a three mill note amounting to \$750,000, less scheduled payments on principal balance.

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:

	Governmental Activities
Total unrestricted net position (deficit)	\$ <u>(37,028,021)</u>
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	<u>40,582,337</u>
Unrestricted net position exclusive of the aforementioned effects	<u>\$ 3,554,316</u>

## Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$28,402,934 and \$26,160,442, respectively. The total cost of all programs and services was \$29,782,658 for 2021 and \$28,552,742 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**

	Governmental Activities		
	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 648,883	\$ 741,260	-12.46%
Operating grants and contributions	6,578,433	4,766,341	38.02%
General revenues:			
Property taxes	5,063,620	4,890,182 *	3.55%
Grants and contributions not restricted	15,974,588	15,631,855 *	2.19%
Investment earnings	45,483	50,192 *	-9.38%
Other	91,927	80,612	14.04%
Total revenues	<u>28,402,934</u>	<u>26,160,442</u>	8.57%
Expenses:			
Instruction	14,234,335	14,117,050	0.83%
Support services	9,286,643	8,509,815	9.13%
Non-instructional	1,428,453	1,556,320	-8.22%
Pension expense	4,716,803	4,168,026	13.17%
OPEB expense	64,106	166,420	-61.48%
Interest on long-term liabilities	52,318	35,111	49.01%
Total expenses	<u>29,782,658</u>	<u>28,552,742</u>	4.31%
Change in net position	<u>(1,379,724)</u>	<u>(2,392,300)</u>	42.33%
Net Position, July 1,			
as previously reported	(16,863,372)	(14,469,859)	-16.54%
Prior Period Adjustments	<u>18,717</u>	<u>(1,213)</u>	1643.03%
Net Position, July 1,			
as restated	<u>(16,844,655)</u>	<u>(14,471,072)</u>	-16.40%
Net Position, June 30	<u>\$ (18,224,379)</u>	<u>\$ (16,863,372)</u>	-8.07%

\* - These amounts were incorrectly classified on the prior year financial statements and have been corrected for this presentation.

## Governmental activities

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

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

	Total Expenses		Percentage Change	Net (Expense) Revenue		Percentage Change
	2021	2020		2021	2020	
Instruction	\$ 14,234,335	\$ 14,117,050	0.83%	\$ (10,911,569)	\$ (11,202,196)	2.59%
Support services	9,286,643	8,509,815	9.13%	(7,122,350)	(7,275,320)	2.10%
Non-instructional	1,428,453	1,556,320	-8.22%	311,804	(198,068)	257.42%
Pension expense	4,716,803	4,168,026	13.17%	(4,716,803)	(4,168,026)	-13.17%
OPEB expense	64,106	166,420	-61.48%	(64,106)	(166,420)	61.48%
Interest on long-term liabilities	52,318	35,111	49.01%	(52,318)	(35,111)	-49.01%
	<u>\$ 29,782,658</u>	<u>\$ 28,552,742</u>	4.31%	<u>\$ (22,555,342)</u>	<u>\$ (23,045,141)</u>	2.13%

Net cost of governmental activities ((\$22,555,342) for 2021 and (\$23,045,141) for 2020), was financed by general revenue, which is primarily made up of property taxes (\$5,063,620 for 2021 and \$4,890,182 for 2020) and state and federal revenues (\$15,974,588 for 2021 and \$15,631,855 for 2020).

Investment earnings amounted to \$45,483 for 2021 and \$50,192 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 \$6,590,511, an increase of \$1,525,635, which includes a prior period adjustment of \$18,717 and a decrease in inventory of \$47,245. \$2,245,232 or 34% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$4,345,279 or 66% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted 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 652,826 which includes a prior period adjustment of \$18,717. The fund balance of Other Governmental Funds showed an increase of \$727,159, which includes a decrease in reserve for inventory of \$47,245. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
ESSER I Fund	\$ -0-
QSCB Debt Retirement Fund	\$ 145,650

### BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2021, the District's total capital assets were \$33,524,676, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$504,245 from 2020. Total accumulated depreciation as of June 30, 2021, was \$14,091,864, and total depreciation expense for the year was \$798,844, resulting in total net capital assets of \$19,432,812.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 253,944	\$ 238,944	6.28%
Construction in progress	4,717	-0-	N/A
Buildings	13,588,077	13,515,127	0.54%
Building improvements	3,578,987	3,736,711	-4.22%
Improvements other than buildings	979,825	1,039,977	-5.78%
Mobile equipment	702,672	814,736	-13.75%
Furniture and equipment	128,749	115,747	11.23%
Leased property under capital lease	195,841	219,985	-10.98%
	<u>\$ 19,432,812</u>	<u>\$ 19,681,227</u>	<b>-1.26%</b>

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 \$3,704,958 in outstanding long-term debt, of which \$189,693 is due within one year. The liability for compensated absences decreased \$10,501 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,371,286	\$ 686,865	99.64%
Shortfall notes payable	-0-	17,718	-100.00%
Obligations under capital leases	160,965	214,620	-25.00%
Qualified school construction bonds payable	2,000,000	2,000,000	0.00%
Compensated absences payable	172,707	183,208	-5.73%
	<u>\$ 3,704,958</u>	<u>\$ 3,102,411</u>	<b>19.42%</b>

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

## CURRENT ISSUES

The South Tippah 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's system of financial planning, budgeting and internal controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

Enrollment for the 2020-2021 year decreased to 2535 students.

## 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 South Tippah School District, 402 Greenlee Avenue, Ripley, Mississippi 38663.

## **FINANCIAL STATEMENTS**

**SOUTH TIPPAH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 5,055,743
Cash with fiscal agent	755
Due from other governments	1,191,774
Accrued interest receivable	9,954
Inventories	31,024
Prepaid items	68,944
Restricted assets	1,971,300
Capital assets, non-depreciable:	
Land	253,944
Construction in progress	4,717
Capital assets, net of accumulated depreciation:	
Buildings	13,588,077
Building improvements	3,578,987
Improvements other than buildings	979,825
Mobile equipment	702,672
Furniture and equipment	128,749
Leased property under capital leases	195,841
Total Assets	<u>27,762,306</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	6,124,311
Deferred outflows - OPEB	523,903
Total deferred outflows of resources	<u>6,648,214</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,670,039
Interest payable on long-term liabilities	29,351
Long-term liabilities, due within one year:	
Capital related liabilities	189,693
Net OPEB liability	98,685
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,342,558
Non-capital related liabilities	172,707
Net pension liability	44,161,574
Net OPEB liability	2,423,458
Total Liabilities	<u>52,088,065</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - OPEB	546,834
Total deferred inflows of resources	<u>546,834</u>
<b>Net Position</b>	
Net investment in capital assets	16,268,544
Restricted for:	
Expendable:	
School-based activities	725,037
Debt service	1,755,252
Unemployment benefits	54,809
Unrestricted	(37,028,021)
Total Net Position	<u>\$ (18,224,379)</u>

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



**SOUTH TIPPAH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 14,234,335	592,703	2,730,063	(10,911,569)
Support services	9,286,643		2,164,293	(7,122,350)
Non-instructional	1,428,453	56,180	1,684,077	311,804
Pension expense	4,716,803			(4,716,803)
OPEB expense	64,106			(64,106)
Interest on long-term liabilities	52,318			(52,318)
Total Governmental Activities	\$ 29,782,658	648,883	6,578,433	(22,555,342)
General Revenues:				
Taxes:				
General purpose levies				\$ 4,810,798
Debt purpose levies				252,822
Unrestricted grants and contributions:				
State				15,837,245
Federal				137,343
Unrestricted investment earnings				45,483
Other				91,927
Total General Revenues				21,175,618
Change in Net Position				(1,379,724)
Net Position - Beginning, as previously reported				(16,863,372)
Prior Period Adjustments				18,717
Net Position - Beginning, as restated				(16,844,655)
Net Position - Ending				\$ (18,224,379)

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

**SOUTH TIPPAH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2021**

Exhibit C	Major Funds			Other	Total
	General Fund	ESSER I Fund	QSCB Debt Retirement Fund	Governmental Funds	Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,036,554			1,387,172	5,423,726
Cash with fiscal agents	755		17,431		18,186
Investments			1,585,886		1,585,886
Due from other governments	296,733	280,826		614,215	1,191,774
Accrued interest receivable			9,954		9,954
Due from other funds	972,726			97,992	1,070,718
Inventories				31,024	31,024
Total Assets	\$ 5,306,768	280,826	1,613,271	2,130,403	9,331,268
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,646,377	2,161		21,501	1,670,039
Due to other funds	2,312	278,665		789,741	1,070,718
Total Liabilities	1,648,689	280,826	-0-	811,242	2,740,757
Fund Balances:					
Nonspendable:					
Inventory				31,024	31,024
Restricted:					
Debt service			1,613,271	171,332	1,784,603
Capital projects				367,983	367,983
Grant activities				441,180	441,180
Unemployment benefits				54,809	54,809
Assigned:					
Capital improvements	1,041,853				1,041,853
School activities	370,994				370,994
Vocational center maintenance				221,735	221,735
Other purposes				31,098	31,098
Unassigned	2,245,232				2,245,232
Total Fund Balances	3,658,079	-0-	1,613,271	1,319,161	6,590,511
Total Liabilities and Fund Balances	\$ 5,306,768	280,826	1,613,271	2,130,403	9,331,268

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

**SOUTH TIPPAH SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 6,590,511

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	253,944	
Construction in progress	4,717	
Buildings	21,901,794	
Building improvements	4,503,681	
Improvements other than buildings	1,741,274	
Mobile equipment	3,517,247	
Furniture and equipment	1,333,744	
Leased property under capital leases	268,275	
Accumulated depreciation	<u>(14,091,864)</u>	19,432,812

2. Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Prepaid items	68,944
---------------	--------

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

Net pension liability	(44,161,574)
Net OPEB liability	(2,522,143)

4. Deferred outflows and inflows related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	6,124,311	
Deferred outflows of resources related to OPEB	523,903	
Deferred inflows of resources related to OPEB	<u>(546,834)</u>	6,101,380

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

Three mill notes payable	(1,371,286)	
Qualified school construction bonds	(2,000,000)	
Capital lease obligations	(160,965)	
Compensated absences	(172,707)	
Accrued interest payable	<u>(29,351)</u>	(3,734,309)

**Net position of governmental activities** \$ (18,224,379)

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

**SOUTH TIPPAH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit D	Major Funds			Other	Total
	General Fund	ESSER I Fund	QSCB Debt Retirement Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 5,179,325		31,956	635,684	5,846,965
State sources	15,675,310			1,235,577	16,910,887
Federal sources	143,703	443,863		5,054,568	5,642,134
Total Revenues	20,998,338	443,863	31,956	6,925,829	28,399,986
Expenditures:					
Instruction	12,884,069	161,919		2,838,359	15,884,347
Support services	7,338,655	209,249		1,981,190	9,529,094
Noninstructional services	140,775	23,959		1,362,159	1,526,893
Facilities acquisition and construction	4,717			483,863	488,580
Debt service:					
Principal				136,952	136,952
Interest				30,405	30,405
Other			2,500		2,500
Total Expenditures	20,368,216	395,127	2,500	6,832,928	27,598,771
Excess (Deficiency) of Revenues over (under) Expenditures	630,122	48,736	29,456	92,901	801,215
Other Financing Sources (Uses):					
Bonds and notes issued				750,000	750,000
Insurance recoveries	2,948				2,948
Payments held by QSCB escrow agent			116,194		116,194
Payments to QSCB escrow agent				(116,194)	(116,194)
Operating transfers in	118,211			290,086	408,297
Operating transfers out	(117,172)	(48,736)		(242,389)	(408,297)
Total Other Financing Sources (Uses)	3,987	(48,736)	116,194	681,503	752,948
Net Change in Fund Balances	634,109	-0-	145,650	774,404	1,554,163
Fund Balances:					
July 1, 2020, as previously reported	3,005,253	-0-	1,467,621	592,002	5,064,876
Prior period adjustments	18,717				18,717
July 1, 2020, as restated	3,023,970	-0-	1,467,621	592,002	5,083,593
Decrease in reserve for inventory				(47,245)	(47,245)
June 30, 2021	\$ 3,658,079	-0-	1,613,271	1,319,161	6,590,511

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

**SOUTH TIPPAH SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 1,554,163**

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	552,096	
Depreciation expense	<u>(798,844)</u>	(246,748)

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 retired.

(1,667)

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:

Bonds and notes issued	(750,000)	
Payments of debt principal	136,952	
Accrued interest payable	<u>(19,413)</u>	(632,461)

4. Some items relating to pensions and OPEB 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	(4,716,803)	
Contributions subsequent to the measurement date - Pension	2,610,524	
OPEB expense	(64,106)	
Contributions subsequent to the measurement date - OPEB	<u>85,174</u>	(2,085,211)

5. 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	10,501	
Change in prepaid items	68,944	
Change in inventory reserve	<u>(47,245)</u>	<u>32,200</u>

**Change in net position of governmental activities** **\$ (1,379,724)**

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2021**

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

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

**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, South Tippah 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.

**Government-wide and Fund 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 for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

ESSER I Fund - This is a special revenue fund that accounts for Elementary and Secondary School Emergency Relief Program funds for COVID-19, authorized by the CARES Act.

QSCB Debt Retirement Fund - This is a debt retirement fund that accounts for the payments of principal and interest on Qualified School Construction Bonds.

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.

**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.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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.

**Encumbrances**

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



**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance**

**1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

**2. Receivables and Payables**

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

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

**3. Due from Other Governments**

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

6. Capital Assets

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

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

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

The following schedule details those 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 amounts will correspond with the amounts for the asset classifications as listed. See note 5 for details.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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.

This District currently reports deferred pension outflows of resources related to the implementation of GASB 68. The District also reports deferred OPEB outflows of resources related to the implementation of GASB 75.

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

The District currently reports deferred pension inflows of resources related to the implementation of GASB 68. The District also reports deferred OPEB inflows of resources related to the implementation of GASB 75.

See note 15 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**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 become 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 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 by resolution of the Board. Currently there is no committed fund balance for this school district.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are not restricted. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted. Assignments of fund balance, pursuant to authority established by the Board, are created by the superintendent and business manager.

*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 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 (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 (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 assigned amounts first, followed by 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 7% of received revenues (expenditures). If the unassigned fund balance at fiscal year-end falls below the goal, the District will develop a restoration plan to achieve and maintain the minimum fund balance.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (Continued)**

13. Accounting Standards Update

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

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

**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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,423,726, including restricted assets of \$367,983.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 2: Cash and Cash Equivalents, and Investments (Continued)**

*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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$6,690,527 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$18,186, including restricted assets of \$17,431.

**Investments**

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Amount</u>
U.S. Government Securities	AAA	3	\$ 1,585,886

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: U.S. Government Securities of \$1,585,886 are valued using quoted market prices (Level 1 inputs).

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

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

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

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**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	ESSER I Fund	\$ 278,665
General Fund	Other Governmental Funds	694,061
Other Governmental Funds	General Fund	2,312
Other Governmental Funds	Other Governmental Funds	95,680
Total		<u>\$ 1,070,718</u>

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 117,172
ESSER I Fund	General Fund	48,736
Other Governmental Funds	General Fund	69,475
Other Governmental Funds	Other Governmental Funds	172,914
Total		<u>\$ 408,297</u>

The purpose of the inter-fund transfers was to cover operating expenses of other funds. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

**Note 4: Restricted Assets**

Restricted assets represent the legally restricted cash, cash with fiscal agents, and investment balances of the following funds:

Funds with Restricted Balances	Account	Amount
Other Governmental Funds	Cash and Cash Equivalents	\$ 367,983
QSCB Debt Retirement Fund	Cash with Fiscal Agents	17,431
QSCB Debt Retirement Fund	Investments	1,585,886
		<u>\$ 1,971,300</u>

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 5: Capital Assets**

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

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21
<b>Governmental Activities:</b>				
<b>Non-depreciable capital assets:</b>				
Land	\$ 238,944	15,000		\$ 253,944
Construction-in-progress		4,717		4,717
Total non-depreciable capital assets	<u>238,944</u>	<u>19,717</u>	<u>-0-</u>	<u>258,661</u>
<b>Depreciable capital assets:</b>				
Buildings	21,432,932	468,862		21,901,794
Building improvements	4,503,681			4,503,681
Improvements other than buildings	1,741,274			1,741,274
Mobile equipment	3,523,562	6,899	13,214	3,517,247
Furniture and equipment	1,311,763	56,618	34,637	1,333,744
Leased property under capital leases	268,275			268,275
Total depreciable capital assets	<u>32,781,487</u>	<u>532,379</u>	<u>47,851</u>	<u>33,266,015</u>
<b>Less accumulated depreciation for:</b>				
Buildings	7,917,805	395,912		8,313,717
Building improvements	766,970	157,724		924,694
Improvements other than buildings	701,297	60,152		761,449
Mobile equipment	2,708,826	117,642	11,893	2,814,575
Furniture and equipment	1,196,016	43,270	34,291	1,204,995
Leased property under capital leases	48,290	24,144		72,434
Total accumulated depreciation	<u>13,339,204</u>	<u>798,844</u>	<u>46,184</u>	<u>14,091,864</u>
Total depreciable capital assets, net	<u>19,442,283</u>	<u>(266,465)</u>	<u>1,667</u>	<u>19,174,151</u>
Governmental activities capital assets, net	<u>\$ 19,681,227</u>	<u>(246,748)</u>	<u>1,667</u>	<u>\$ 19,432,812</u>

Depreciation expense was charged to the following functions:

	Amount
Instruction	\$ 247,111
Support services	540,558
Non-instructional	11,175
Total governmental activities depreciation expense	<u>\$ 798,844</u>

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

	Spent to June 30, 2021	Remaining Commitment
<b>Governmental Activities:</b>		
Pine Grove High School additions project	\$ 4,717	\$ 469,485
Total governmental activities	<u>\$ 4,717</u>	<u>\$ 469,485</u>

Construction projects included in governmental activities are funded with three mill notes proceeds.



**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 6: Long-term Liabilities**

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

	Balance 07/01/20	Additions	Reductions	Balance 06/30/21	Amounts due within one year
A Three mill notes payable	\$ 686,865	750,000	65,579	1,371,286	136,038
B Shortfall notes payable	17,718		17,718	-0-	
C Obligations under capital lease	214,620		53,655	160,965	53,655
D Qualified school construction bonds payable	2,000,000			2,000,000	
E Compensated absences	183,208		10,501	172,707	
Total	<u>\$ 3,102,411</u>	<u>750,000</u>	<u>147,453</u>	<u>3,704,958</u>	<u>189,693</u>

A. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, series 2019	3.75%	3/27/2019	3/27/2029	\$ 750,000	\$ 621,286
2. Limited tax note, series 2020	3.00%	7/23/2020	7/23/2030	750,000	750,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,371,286</u>

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

1. Limited tax note, series 2019:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 68,038	23,298	91,336
2023	70,590	20,747	91,337
2024	73,187	18,149	91,336
2025	75,982	15,355	91,337
2026	78,831	12,506	91,337
2027-2029	<u>254,658</u>	<u>19,352</u>	<u>274,010</u>
Total	<u>\$ 621,286</u>	<u>109,407</u>	<u>730,693</u>

This debt will be retired from the Three Mill Note FY19 Debt Service Fund.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 6: Long-term Liabilities (Continued)**

2. Limited tax note, series 2020:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 68,000	22,500	90,500
2023	70,000	20,460	90,460
2024	71,000	18,360	89,360
2025	71,000	16,230	87,230
2026	74,000	14,100	88,100
2027-2031	396,000	36,000	432,000
Total	\$ 750,000	127,650	877,650

This debt will be retired from the Three Mill Note FY20 Debt Service Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 136,038	45,798	181,836
2023	140,590	41,207	181,797
2024	144,187	36,509	180,696
2025	146,982	31,585	178,567
2026	152,831	26,606	179,437
2027-2031	650,658	55,352	706,010
Total	\$ 1,371,286	237,057	1,608,343

B. Shortfall notes payable.

This debt was retired during the current fiscal year.

C. Obligations under capital lease.

The school district has entered into a lease agreement as lessee for financing the acquisition of 3 buses at a cost of \$268,275. This lease qualifies as a capital lease for accounting purposes. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2018	2.00%	10/23/2018	10/23/2023	\$ 268,275	\$ 160,965

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 53,655	3,219	56,874
2023	53,655	2,146	55,801
2024	53,655	1,073	54,728
Total	\$ 160,965	6,438	167,403

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

This debt will be retired from the General Fund.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 6: Long-term Liabilities (Continued)**

**D. Qualified School Construction Bonds Payable.**

As more fully explained in Note 13, 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
Limited tax notes, series 2009	0.00%	9/15/2009	9/15/2023	\$ 2,000,000	\$ 2,000,000

The Qualified School Construction Bond (QSCB) was issued at a nominal interest rate. Investors receive federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows the state and local governments to borrow without incurring interest costs.

**E. Compensated absences payable.**

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

**Note 7: Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7: Defined Benefit Pension Plan (Continued)**

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$2,610,524, \$2,643,072, and \$2,281,785, 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 \$44,161,574 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 0.22812100 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.005672 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 \$4,716,803. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 383,327	\$ -0-
Net difference between projected and actual earnings on pension plan investments	1,813,988	-0-
Changes of assumptions	247,040	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,069,432	-0-
District contributions subsequent to the measurement date	2,610,524	-0-
<b>Total</b>	<b>\$ 6,124,311</b>	<b>\$ -0-</b>

\$2,610,524 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:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 664,977
2023	1,232,338
2024	1,031,946
2025	584,526
<b>Total</b>	<b>\$ 3,513,787</b>

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7: Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions.* The total pension liability as of June 30, 2020 actuarial valuation 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 the 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The 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.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7: Defined Benefit Pension Plan (Continued)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, 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 one (1) percentage-point lower (6.75 percent) or one (1) percentage-point higher (8.75 percent) than the current rate (7.75 percent):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 57,161,732	\$ 44,161,574	\$ 33,431,222

*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.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Other Postemployment Benefits (OPEB) (Continued)**

*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 \$85,174 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,522,143 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 0.32409620 percent. This was a decrease of 0.00019034 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 \$64,106. 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	\$ 3,215	\$ 438,920
Net difference between projected and actual earnings on OPEB plan investments	81	-0-
Changes of assumptions	391,586	106,582
Changes in proportion and differences between District contributions and proportionate share of contributions	43,847	1,332
District contributions subsequent to the measurement date	85,174	-0-
<b>Total</b>	<b>\$ <u>523,903</u></b>	<b>\$ <u>546,834</u></b>

\$85,174 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	\$ (27,257)
2023	(27,257)
2024	(23,096)
2025	(7,215)
2026	(23,280)
Thereafter	-0-
<b>Total</b>	<b>\$ <u>(108,105)</u></b>

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Other Postemployment Benefits (OPEB) (Continued)**

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an
Pre-Medicare	ultimate 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.



**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Other Postemployment Benefits (OPEB) (Continued)**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
District's proportionate share of the net OPEB liability	\$ 2,787,140	\$ 2,522,143	\$ 2,294,847

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

	1% Decrease	Healthcare Cost Trend Rates - Current	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,328,813	\$ 2,522,143	\$ 2,741,177

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

**Note 9: Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior year recorded accruals	\$ 18,717

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

Explanation	Amount
<i>General Fund:</i>	
1. To correct prior year recorded accruals	\$ 18,717

**Note 10: Other Commitments**

Operating leases:

The school district has several operating leases for copiers. Lease expenditures for the year ended June 30, 2021, amounted to 112,153.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2022	\$ 121,494
2023	95,824
2024	54,434
2025	9,992
Total	\$ <u>281,744</u>

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 11: 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 12: Risk Management**

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

**Participation in Public Entity Risk Pool**

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

**Note 13: Qualified School Construction Bonds**

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

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13: Qualified School Construction Bonds (Continued)**

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 \$1,603,317. The amount accumulated in the sinking fund at the end of the seventeen-year period will 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	\$ 145,000
2023	145,000
2024	145,000
Total	\$ <u>435,000</u>

**Note 14: Insurance Loss Recoveries**

The District received \$2,948 in insurance loss recoveries related to towing charges and damage to a school bus during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenue.

**Note 15: Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$37,028,021) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,610,524 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 \$3,513,787 balance of the deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$37,028,021) 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 \$85,174 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 \$438,729 balance of the 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 (\$37,028,021) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$546,834 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.

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 16: Alternative School Consortium**

The school district entered into an Alternative School Agreement dated March 20, 1996 and revised October 1999, creating the New Albany, South Tippah, Union County Behavioral Management School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany School District, the South Tippah School District and the Union County School District.

Section 37-13-92 (6), Miss. Code Ann., allows two or more adjacent schools districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the head district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students. The New Albany Public School District has been designated as the lead school district for the New Albany, South Tippah, Union County Behavioral Management School, and the operations of the consortium are included in its financial statements.

**Note 17: Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated August 24, 1981, creating the North and South Tippah County Vocational-Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The center includes the North Tippah School District and the South Tippah School District. The name of the center has been changed to the Tippah Career and Technology Center.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed, and detailed procedures for student admission and transportation services for those students.

The South Tippah School District has been designated as the fiscal agent for the Tippah Career and Technology Center, and the operations of the consortium are included in its financial statements.

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 17: Vocational School Consortium (Continued)**

The following Statement of Revenues, Expenditures, and Changes in Fund Balance is presented to detail the financial activity of the Tippah Career and Technology Center.

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

**Revenues**

Local sources:

Taxes	\$ 320,446
Unrestricted Investment Income	767
Total Local Sources	<u>321,213</u>

State sources:

MS Adequate Education Program	274,451
Vocational Salary Reimbursement	235,458
Total State Sources	<u>509,909</u>
Total Revenues	<u>831,122</u>

**Expenditures**

Salaries	509,099
Employee Benefits	175,697
Purchased Professional and Technical Services	46,128
Other Purchased Services	15,013
Supplies	18,433
Property	4,945
Total Expenditures	<u>769,315</u>

Net Change in Fund Balance	<u>61,807</u>
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Fund Balance:

July 1, 2020	<u>159,928</u>
June 30, 2021	<u>\$ 221,735</u>

**Note 18: 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 South Tippah School District evaluated the activity of the district through December 15, 2021, (the date the financial statements were available to be issued) and determined no subsequent events have occurred requiring disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH TIPPAH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,443,369	5,179,325	5,179,325	(264,044)	-0-
State sources	15,621,070	15,675,310	15,675,310	54,240	-0-
Federal sources	239,000	108,861	143,703	(130,139)	34,842
Total Reveues	21,303,439	20,963,496	20,998,338	(339,943)	34,842
Expenditures:					
Instruction	13,300,644	12,905,782	12,884,069	394,862	21,713
Support services	7,613,966	7,356,304	7,338,655	257,662	17,649
Noninstructional services	432,700	140,775	140,775	291,925	-0-
Facilities acquisition and construction	-0-	17,717	4,717	(17,717)	13,000
Debt service:					
Principal	53,655	-0-	-0-	53,655	-0-
Interest	4,292	-0-	-0-	4,292	-0-
Total Expenditures	21,405,257	20,420,578	20,368,216	984,679	52,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(101,818)	542,918	630,122	644,736	87,204
Other Financing Sources (Uses):					
Insurance loss recoveries	-0-	2,948	2,948	2,948	-0-
Operating transfers in	255,844	413,333	118,211	157,489	(295,122)
Operating transfers out	(362,830)	(412,294)	(117,172)	(49,464)	295,122
Total Other Financing Sources (Uses)	(106,986)	3,987	3,987	110,973	-0-
Net Change in Fund Balance	(208,804)	546,905	634,109	755,709	87,204
Fund Balance					
July 1, 2020, as previously reported	2,766,853	3,044,005	3,005,253	277,152	(38,752)
Prior period adjustments	-0-	(2,208)	18,717	(2,208)	20,925
July 1, 2020, as restated	2,766,853	3,041,797	3,023,970	274,944	(17,827)
June 30, 2021	\$ 2,558,049	3,588,702	3,658,079	1,030,653	69,377

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

**SOUTH TIPPAH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – ESSER I FUND  
FOR YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 668,980	668,980	443,863	-0-	(225,117)
Total Revenues	668,980	668,980	443,863	-0-	(225,117)
Expenditures:					
Instruction	310,641	162,899	161,919	147,742	980
Support services	157,010	247,656	209,249	(90,646)	38,407
Noninstructional services	201,329	25,000	23,959	176,329	1,041
Total Expenditures	668,980	435,555	395,127	233,425	40,428
Excess (Deficiency) of Revenues Over Expenditures	-0-	233,425	48,736	233,425	(184,689)
Other Financing Sources (Uses):					
Operating transfers out	-0-	(50,902)	(48,736)	(50,902)	2,166
Total Other Financing Sources (Uses)	-0-	(50,902)	(48,736)	(50,902)	2,166
Net Change in Fund Balance	-0-	182,523	-0-	182,523	(182,523)
Fund Balance					
July 1, 2020	-0-	-0-	-0-	-0-	-0-
June 30, 2021	\$ -0-	182,523	-0-	182,523	(182,523)

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



**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
LAST TEN 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	%	0.228121%	0.222449%	0.218708%	0.216599%	0.216317%	0.208027%	0.203408%
District's proportionate share of the net pension liability	\$	44,161,574	39,133,168	36,377,638	36,006,105	38,639,618	32,156,872	24,690,007
District's covered payroll		15,190,069	13,113,707	13,966,603	13,894,921	13,838,324	12,996,343	12,429,257
District's proportionate share of the net pension liability as a percentage of its covered payroll		290.73%	298.41%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability		58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 06/30 of the prior year to the fiscal year presented.

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

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PERS  
LAST TEN 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	\$ 2,610,524	2,643,072	2,281,785	2,199,740	2,188,450	2,179,536	2,046,924
Contributions in relation to the contractually required contribution	(2,610,524)	(2,643,072)	(2,281,785)	(2,199,740)	(2,188,450)	(2,179,536)	(2,046,924)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
District's covered payroll	15,003,011	15,190,069	14,487,524	13,966,603	13,894,921	13,838,324	12,996,343
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 06/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
LAST TEN FISCAL YEARS\***

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	%	0.32409620%	0.32428654%	0.32200323%	0.32041112%
District's proportionate share of the net OPEB liability	\$	2,522,143	2,751,704	2,490,856	2,513,974
District's covered-employee payroll	\$	15,619,350	14,850,462	14,563,987	14,395,190
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.13%	0.12%	0.13%	0.00%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 06/30 of the prior year to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**SOUTH TIPPAAH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
OPEB  
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 85,174	100,583	110,297	107,174
Contributions in relation to the actuarially determined contributions	(85,174)	(100,583)	(110,297)	(107,174)
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
 District's covered-employee payroll	 15,003,011	 14,004,425	 14,979,385	 14,565,531
Contributions as a percentage of covered-employee payroll	0.57%	0.72%	0.74%	0.74%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 06/30/18, 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 report(s).

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2021**

**Budgetary Comparison Schedules**

**Note 1: Basis of Presentation**

The Budgetary Comparison Schedules present 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.

**Note 2: Budget Amendments and Revisions**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

**Pension Schedules**

**Note 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%.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2021**

**Pension Schedules (Continued)**

**Note 1: Changes of Assumptions (Continued)**

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%.

**Note 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.

**Note 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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2021**

**OPEB Schedules**

**Note 1: Changes of Assumptions**

2017:

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

2018:

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

2019:

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

2020:

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

**Note 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.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2021**

**OPEB Schedules (Continued)**

**Note 3: Method 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**

**SOUTH TIPPAAH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed-through Mississippi Department of Education:</i>			
Child Nutrition Cluster:			
School breakfast program	10.553	215MS326N1099	\$ 465,848
National school lunch program	10.555	215MS326N1099	1,050,069
Summer food service program for children	10.559	215MS326N1099	63,247
Child Nutrition Discretionary Grants Limited Availability	10.579	215MS350N8103	25,619
Total child nutrition cluster			1,604,783
<i>Total passed-through Mississippi Department of Education</i>			1,604,783
<b>Total U.S. Department of Agriculture</b>			1,604,783
<b><u>Federal Communications Commission</u></b>			
<i>Administered through the Universal Service Administrative Company:</i>			
The schools and libraries program of the universal service fund	32.004	N/A	34,842
<b>Total Federal Communications Commission</b>			34,842
<b><u>U.S. Department of Education</u></b>			
<i>Passed-through Mississippi Department of Education:</i>			
Title I grants to local educational agencies	84.010	S010A200024	963,181
Career and technical education - basic grants to states	84.048	V048A200024	25,740
Rural education	84.358	S358B200024	100,122
English language acquisition grants	84.365	S365A200024	28,254
Supporting effective instruction state grants	84.367	S367A200023	113,692
Student support and academic enrichment program	84.424	S424A200025	107,690
Subtotal			1,338,679
Special Education Cluster:			
Special education - grants to states	84.027	H027A200108	610,759
Special education - preschool grants	84.173	H173A200113	30,856
Total special education cluster			641,615
Elementary and secondary school emergency relief fund I	84.425D	S425D200031	1,478,277
Elementary and secondary school emergency relief fund II	84.425D	S425D210031	29,038
Elementary and secondary school emergency relief fund ARP III	84.425U	S425U210031	137,701
COVID-19 - education stabilization fund (ESSER) subtotal			1,645,016
<i>Total passed-through Mississippi Department of Education</i>			3,625,310
<i>Passed-through Mississippi Department of Rehabilitation Services:</i>			
Rehabilitation services vocational rehabilitation grants to states	84.126	H126A210034	88,687
<i>Total passed-through Mississippi Department of Rehabilitation Services</i>			88,687
<b>Total U.S. Department of Education</b>			3,713,997
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed-through Mississippi Department of Education:</i>			
Medicaid cluster:			
Medical assistance program	93.778	2005MS5ADM	20,448
Total medicaid cluster			20,448
<i>Total passed-through Mississippi Department of Education</i>			20,448
<b>Total U.S. Department of Health and Human Services</b>			20,448
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed-through Mississippi Department of Transportation:</i>			
Highway planning and construction	20.205	N/A	8,863
<i>Total passed-through Mississippi Department of Transportation</i>			8,863
<b>Total U.S. Department of Transportation</b>			8,863
<b>Total for All Federal Awards</b>			\$ 5,382,933

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2021**

Schedule of Expenditures of Federal Awards

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity of the South Tippah 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 South Tippah School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the South Tippah School District.

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

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

**Note 4: Other Items**

Donated commodities of \$153,191 are included in the National School Lunch Program.

**SOUTH TIPPAAH SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND  
OTHER EXPENDITURES – GOVERNMENTAL FUNDS  
FOR 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	\$ 21,071,012	16,478,906	1,092,344	1,325,443	2,174,319
Other	<u>6,527,759</u>	<u>2,788,237</u>	<u>199,166</u>	<u>68,231</u>	<u>3,472,125</u>
Total	\$ <u>27,598,771</u>	<u>19,267,143</u>	<u>1,291,510</u>	<u>1,393,674</u>	<u>5,646,444</u>
Total number of students *	2,535				
Cost per student	\$ <u><u>10,886</u></u>	<u><u>7,600</u></u>	<u><u>509</u></u>	<u><u>550</u></u>	<u><u>2,227</u></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 - (all the 1000, 2100, & 2200 functional codes.)

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s).

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

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

## **OTHER INFORMATION**

**SOUTH TIPPAH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GENERAL FUND  
LAST FOUR YEARS**

		"UNAUDITED"		
	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 5,179,325	5,059,288	5,137,051	4,972,652
State sources	15,675,310	15,860,876	15,072,150	14,975,822
Federal sources	143,703	73,858	276,070	206,898
Total Revenues	<u>20,998,338</u>	<u>20,994,022</u>	<u>20,485,271</u>	<u>20,155,372</u>
<b>Expenditures:</b>				
Instruction	12,884,069	13,412,790	12,741,407	12,218,358
Support services	7,338,655	7,449,582	7,913,726	7,123,369
Noninstructional services	140,775	283,641	348,806	324,900
Facilities acquisition and construction	4,717	-0-	37,218	-0-
Debt service:				
Principal	-0-	53,655	-0-	-0-
Interest	-0-	5,366	-0-	-0-
Total Expenditures	<u>20,368,216</u>	<u>21,205,034</u>	<u>21,041,157</u>	<u>19,666,627</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>630,122</u>	<u>(211,012)</u>	<u>(555,886)</u>	<u>488,745</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-0-	-0-	-0-	52,121
Capital leases issued	-0-	-0-	268,275	-0-
Insurance loss recoveries	2,948	-0-	-0-	-0-
Sale of transportation equipment	-0-	-0-	3,454	5,511
Sale of other property	-0-	2,354	-0-	-0-
Operating transfers in	118,211	709	522	6,461
Operating transfers out	(117,172)	(28,936)	(370,028)	(166,784)
Total Other Financing Sources (Uses)	<u>3,987</u>	<u>(25,873)</u>	<u>(97,777)</u>	<u>(102,691)</u>
Net Change in Fund Balances	<u>634,109</u>	<u>(236,885)</u>	<u>(653,663)</u>	<u>386,054</u>
<b>Fund Balance:</b>				
Beginning of period, as previously reported	3,005,253	3,242,519	3,896,182	3,421,791
Prior period adjustments	18,717	(381)	-0-	88,337
Beginning of period, as restated	<u>3,023,970</u>	<u>3,242,138</u>	<u>3,896,182</u>	<u>3,510,128</u>
End of period	<u>\$ 3,658,079</u>	<u>3,005,253</u>	<u>3,242,519</u>	<u>3,896,182</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**SOUTH TIPPAAH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS  
LAST FOUR YEARS**

		"UNAUDITED"			
		2021	2020*	2019*	2018*
<b>Revenues:</b>					
Local sources	\$	5,846,965	5,753,366	5,982,795	5,802,348
State sources		16,910,887	16,912,675	16,068,796	16,176,249
Federal sources		5,642,134	3,493,304	3,639,137	3,344,468
Total Revenues		<u>28,399,986</u>	<u>26,159,345</u>	<u>25,690,728</u>	<u>25,323,065</u>
<b>Expenditures:</b>					
Instruction		15,884,347	15,783,718	14,910,885	14,568,774
Support services		9,529,094	8,662,886	9,173,008	8,649,336
Noninstructional services		1,526,893	1,694,421	1,812,251	1,681,528
Facilities acquisition and construction		488,580	514,102	3,430,280	171,711
Debt service:					
Principal		136,952	134,162	193,705	200,509
Interest		30,405	34,269	4,576	7,544
Other		2,500	2,500	2,500	2,500
Total Expenditures		<u>27,598,771</u>	<u>26,826,058</u>	<u>29,527,205</u>	<u>25,281,902</u>
Excess (Deficiency) of Revenues over (under) Expenditures		<u>801,215</u>	<u>(666,713)</u>	<u>(3,836,477)</u>	<u>41,163</u>
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued		750,000	-0-	750,000	52,121
Capital leases issued		-0-	-0-	268,275	-0-
Payments held by QSCB escrow agent		116,194	116,880	130,847	129,663
Payments to QSCB escrow agent		(116,194)	(116,880)	(130,847)	(129,663)
Insurance loss recoveries		2,948	-0-	2,070,927	1,075,221
Sale of transportation equipment		-0-	-0-	3,454	5,511
Sale of other property		-0-	2,905	-0-	-0-
Operating transfers in		408,297	306,360	394,527	173,245
Operating transfers out		(408,297)	(306,360)	(394,527)	(173,245)
Total Other Financing Sources (Uses)		<u>752,948</u>	<u>2,905</u>	<u>3,092,656</u>	<u>1,132,853</u>
Net Change in Fund Balances		<u>1,554,163</u>	<u>(663,808)</u>	<u>(743,821)</u>	<u>1,174,016</u>
<b>Fund Balance:</b>					
Beginning of period, as previously reported		5,064,876	5,678,610	6,414,939	5,243,318
Prior period adjustments		<u>18,717</u>	<u>(1,213)</u>	<u>-0-</u>	<u>-0-</u>
Beginning of period, as restated		<u>5,083,593</u>	<u>5,677,397</u>	<u>6,414,939</u>	<u>5,243,318</u>
Increase (Decrease) in reserve for inventory		<u>(47,245)</u>	<u>51,287</u>	<u>7,492</u>	<u>(2,395)</u>
End of period	\$	<u><u>6,590,511</u></u>	<u><u>5,064,876</u></u>	<u><u>5,678,610</u></u>	<u><u>6,414,939</u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



**J. E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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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  
South Tippah School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Tippah School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, MS  
December 15, 2021

**J. E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
South Tippah School District

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

We have audited South Tippah School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

Management of the 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 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 District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, MS  
December 15, 2021

**J. E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
South Tippah School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District as of and for the year ended June 30, 2021, which collectively comprise South Tippah School District's basic financial statements and have issued our report thereon dated December 15, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in black ink and is positioned above the date and location text.

Tupelo, MS  
December 15, 2021

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2021**

**Section I: Summary of Auditor's Results**

Financial Statements:

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

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
| a. | Material weakness(es) identified?  | No            |
| b. | Significant deficiency(ies) identified?  | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs:                                  | Unmodified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 7. | Identification of major programs:  |               |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Opinion Issued</u>
84.027, 84.173	Special Education Cluster	Unmodified
84.425D, 84.425U	COVID-19 Education Stabilization Fund (ESSER)	Unmodified

- |     |   |           |
|-----|---|-----------|
| 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 2 CFR 200.511(b)? | No        |

**Section II: Financial Statement Findings**

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

**Section III: Federal Award Findings and Questioned Costs**

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