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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT

Unaudited Financial Statements
For the Year Ended June 30, 2022

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Interim Superintendent
Holmes County Consolidated School District

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Holmes County Consolidated School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Holmes County Consolidated School District's basic financial statements as listed in the table of contents.

Because of the significance of the matters described in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information – Basis for Disclaimer - Unaudited Entity and Funds" paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, each Major Fund, and aggregate Remaining Fund Information. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds

Basis for Disclaimer - Unaudited Entity and Funds

The Holmes County Consolidated School District does not maintain adequate and complete accounting records to provide sufficient information for the fair presentation of the basic financial statements. Since the school district does not have adequate and complete records, we were not able to apply other auditing procedures to satisfy ourselves as to the fair presentation of the financial statements.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Holmes County Consolidated School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to conduct an audit of Holmes County Consolidated School District's financial statements in accordance with GAAS and Government Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of Holmes County Consolidated School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and 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 33 - 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 were unable to apply certain limited procedures to the budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) in accordance with auditing standards generally accepted in the United States of America. Due to the matters described in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds" paragraphs we were not able to audit the information and we do not express an opinion or provide any assurance on the information.

Omission of Required Supplementary Information

Holmes County Consolidated School District's, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

Supplementary Information

We were engaged to conduct our audit for the purpose of forming opinions on the financial statements that collectively comprise the Holmes County Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures that would have been 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. Because of the significance of the matters described above in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds" paragraphs, we were not able to audit the basic financial statements. Therefore, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph above we were not able to obtain sufficient evidence to provide a basis for an opinion on the

basic financial statements, and we do not express an opinion on the other information referred to above.

In connection with our engagement to audit the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2023, on our consideration of the Holmes County Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Holmes County Consolidated School District's internal control over financial reporting or on compliance. That report is an integral part of an engagement to perform an audit in accordance with Government Auditing Standards in considering Holmes County Consolidated School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Madison, Mississippi
April 21, 2023

McKenzie CPA, PLLC

UNAUDITED
FINANCIAL STATEMENTS

Note: The following financial statements presented are unaudited and are not complete.

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT

**Statement of Net Position
June 30, 2022****Exhibit A**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 20,015,449
Cash with fiscal agents	27,146
Investments	2,301,546
Due from other governments	6,968,670
Accrued interest receivable	2,493
Inventories	70,678
Prepaid items	71,804
Capital assets, non-depreciable:	
Land	295,058
Capital assets, net of accumulated depreciation:	
Buildings	15,090,889
Building improvements	358,140
Improvements other than buildings	1,061,643
Mobile equipment	1,255,982
Furniture and equipment	(121,371)
Total Assets	<u>47,398,127</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,924,925
Deferred outflows - OPEB	445,230
Total Deferred Outflows of Resources	<u>6,370,155</u>
Liabilities	
Accounts payable and accrued liabilities	2,981,738
Long-term liabilities, due within one year:	
Capital related liabilities	95,000
Net OPEB liability	86,988
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,200,000
Non-capital related liabilities	40,140
Net pension liability	32,227,118
Net OPEB liability	2,048,794
Total Liabilities	<u>40,679,778</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	10,712,266
Deferred inflows - OPEB	996,649
Total Deferred Inflows of Resources	<u>11,708,915</u>
Net Position	
Net investment in capital assets	14,645,341
Restricted for:	
Expendable:	
School-based activities	5,917,244
Debt service	2,278,092
Forestry improvements	75,332
Unemployment benefits	113,604
Non-expendable:	
Sixteenth section	39,208
Unrestricted	(20,800,876)
Total Net Position (deficit)	<u>\$ 2,267,945</u>

UNAUDITED**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT****Statement of Activities****Exhibit B****For the Year Ended June 30, 2022**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 15,456,365	\$ 95,924	\$ 7,040,496	\$ -	\$ (8,319,945)
Support services	17,131,378	-	9,462,803	-	(7,668,575)
Non-instructional	2,207,368	81,172	3,310,276	-	1,184,080
Sixteenth section	58,531	14,952	-	-	(43,579)
Pension expense	2,032,047	-	-	-	(2,032,047)
OPEB expense	(188,370)	-	-	-	188,370
Interest on long-term liabilities	144,271	-	-	-	(144,271)
Total Governmental Activities	<u>\$ 36,841,590</u>	<u>\$ 192,048</u>	<u>\$ 19,813,575</u>	<u>\$ -</u>	<u>\$ (16,835,967)</u>
General Revenues:					
Taxes:					
General purpose levies					6,095,727
Debt purpose levies					272,766
Unrestricted grants and contributions:					
State					15,206,156
Federal					1,290,530
Unrestricted investment earnings					40,663
Sixteenth section sources					687,005
Other					67,748
Total General Revenues					<u>23,660,595</u>
Change in Net Position					<u>6,824,628</u>
Net Position - Beginning, as previously reported					(3,414,724)
Prior Period Adjustments					<u>26,673</u>
Net Position - Beginning, as restated					<u>(3,388,051)</u>
Net Position (deficit) - Ending					\$ 3,436,577

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

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2022

Exhibit C

	Major Funds						
	General Fund	ESSER II Fund	ESSER III Fund	Emergency Connectivity Fund	Other Governmental Funds	Total Governmental Funds	
Assets							
Cash and cash equivalents	\$ 15,664,159	\$	\$	\$	\$ 4,351,290	\$ 20,015,449	
Cash with fiscal agents					27,146	27,146	
Investments					2,301,546	2,301,546	
Due from other governments	634,563	1,550,644	2,775,855	1,207,500	800,108	6,968,670	
Accrued interest receivable					2,493	2,493	
Due from other funds	3,240,650				392,188	3,632,838	
Inventories					70,678	70,678	
Prepaid items	71,804					71,804	
Total assets	\$ 19,611,176	\$ 1,550,644	\$ 2,775,855	\$ 1,207,500	\$ 7,945,449	\$ 33,090,624	
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 2,879,236	\$ 12,455	\$ 50,400	\$	\$ 39,647	\$ 2,981,738	
Due to other funds	351,887	1,538,189	1,725,455	1,207,487	516,611	5,339,629	
Advances from other funds	848,154					848,154	
Total Liabilities	4,079,277	1,550,644	1,775,855	1,207,487	556,258	9,169,521	
Fund Balances:							
Nonspendable:							
Inventory					79,248	79,248	
Permanent fund principal					39,208	39,208	
Restricted:							
Debt service					2,278,092	2,278,092	
Forestry improvement purposes					75,332	75,332	
Grant activities				13	5,934,557	5,934,570	
Unemployment benefits					113,604	113,604	
Other purposes					731,709	731,709	
Assigned:							
School Activities	33,704					33,704	
Unassigned	18,940,924				-	18,940,924	
Total Fund Balances	18,974,628	-	-	13	9,251,750	28,226,391	
Total Liabilities and Fund Balances	\$ 23,053,905	\$ 1,550,644	\$ 1,775,855	\$ 1,207,500	\$ 9,808,008	\$ 37,395,912	

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

UNAUDITED

**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022**

Exhibit C-1

Total fund balances for governmental funds \$ 27,364,404

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	\$ 295,058	
Buildings	24,869,085	
Building improvements	1,257,449	
Improvements other than buildings	2,787,616	
Mobile equipment	4,576,668	
Furniture and equipment	2,212,607	
Accumulated depreciation	(18,058,142)	17,940,341

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

Net pension liability	(32,227,118)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	5,924,925	
Deferred inflows of resources related to pensions	(10,712,266)	(37,014,459)

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

Net OPEB liability	(2,135,782)	
--------------------	-------------	--

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

Deferred outflows of resources related to OPEB	445,230	
Deferred inflows of resources related to OPEB	(996,649)	(2,687,201)

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

General obligation bonds	(95,000)	
Other bonds payable	(3,200,000)	
Compensated absences	(40,140)	(3,335,140)

Net Position of governmental activities \$ 2,267,945

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

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

Exhibit D

	Major Funds				Other	Total
	General	ESSER II	ESSER III	Emergency	Governmental	Governmental
	Fund	Fund	Fund	Connectivity	Funds	Funds
				Fund		
Revenues:						
Local sources	\$ 6,317,808	\$	\$	\$	\$ 291,271	\$ 6,609,079
State sources	15,487,088				545,639	16,032,727
Federal sources	138,691	5,467,608	5,929,912	1,207,500	7,542,798	20,286,509
Sixteenth section sources	680,417				44,986	725,403
Total Revenues	22,624,004	5,467,608	5,929,912	1,207,500	8,424,694	43,653,718
Expenditures:						
Instruction	11,303,729	2,806,147	329,691		2,254,897	16,694,464
Support services	11,213,318	1,656,744	1,297,693	1,207,500	2,832,354	18,207,609
Noninstructional services	2,270	51,562	394,536		1,804,802	2,253,170
Sixteenth section	10,349				48,182	58,531
Facilities acquisition and construction	25,100	496,102	3,715,928			4,237,130
Debt service:						
Principal					95,000	95,000
Interest					140,065	140,065
Other					4,206	4,206
Total Expenditures	22,554,766	5,010,555	5,737,848	1,207,500	7,179,506	41,690,175
Excess (Deficiency) of Revenues over (under) Expenditures	69,238	457,053	192,064	-	1,245,188	1,963,543
Other Financing Sources (Uses):						
Insurance recovery	2,712					2,712
Payment to refunded bond escrow agent					(247,685)	(247,685)
Sale of transportation equipment	9,788					9,788
Operating transfers in	700,284				2,267,131	2,967,415
Operating transfers out	(1,014,383)	(457,053)	(192,064)		(2,837,533)	(4,501,033)
Other financing uses	(8,223)					(8,223)
Total Other Financing Sources (Uses)	(309,822)	(457,053)	(192,064)	-	(818,087)	(1,777,026)
Net Change in Fund Balances	(240,584)	-	-	-	427,101	186,517
Fund Balances:						
July 1, 2021, as previously reported	19,188,539	-	-	13	8,824,077	28,012,629
Prior period adjustments	26,673					26,673
July 1, 2021, as restated	19,215,212	-	-	13	8,824,077	28,039,302
Increase (Decrease) in inventory					572	572
June 30, 2022	\$ 18,974,628	\$ -	\$ -	\$ 13	\$ 9,251,750	\$ 28,226,391

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

UNAUDITED**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT****Governmental Funds****Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022****Exhibit D-1****Net change in fund balances - total governmental funds** **\$ 186,517**

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	\$ 422,048	
	Depreciation expense	<u>(1,015,097)</u>	(593,049)
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(52,508)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	95,000	
	Payments to refunded bond escrow agent	<u>(247,685)</u>	(152,685)
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	Pension expense	(2,032,047)	
	Contributions subsequent to the measurement date	<u>2,919,723</u>	887,676
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	OPEB expense	(188,370)	
	Contributions subsequent to the measurement date	<u>69,953</u>	(118,417)
6.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	5,653	
	Change in inventory	<u>572</u>	6,225
Change in Net Position of governmental activities			<u>\$ 163,759</u>

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

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district. Due to a state of emergency declared by the governor of Mississippi the boards control was removed and the State Board of Education became the governing body in August of 2021.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

ESSER II Fund – This is a special revenue fund that accounts for the revenues and expenditures from the federal grant ESSER II grant.

ESSER III Fund – This is a special revenue fund that accounts for the revenues and expenditures from the federal grant ESSER III grant.

Emergency Connectivity Fund – This is a special revenue fund that accounts for the revenues and expenditures from the federal grant Emergency Connectivity grant.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are

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collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

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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.

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical

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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 the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

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

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

See Note 14 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

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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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was not implemented during fiscal year 2022.

10. Long-term Liabilities and Bond Discounts/Premiums

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

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

11. 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.

12. Postemployment Benefits Other than Pensions (OPEB)

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

13. 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.

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

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

GASB 87, Leases, was not implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$20,015,449. Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2022-001.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$27,146. Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2022-001.

Investments

As of June 30, 2022, the district reported \$2,301,546 in investments. Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2022-001.

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

Due from/to other funds are out of balance. See disclaimer of opinion on financial statements and Finding 2022-001.

B. Advances To/From Other Funds

Advances to/from other funds are out of balance. See disclaimer of opinion on financial statements and Finding 2022-001.

C. Inter-fund Transfers

Transfers in and out are out of balance. See disclaimer of opinion on financial statements and Finding 2022-001.

Note 4 – Restricted Assets

The restricted assets were not presented on the financial statements.

Amounts presented on the financial statements were disclaimed by the auditor. See disclaimer of opinion on financial statements and Finding 2022-001.

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Notes to the Financial Statements
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Note 5 – Capital Assets

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

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 295,058	\$	\$	\$ 295,058
Total non-depreciable capital assets	295,058	-	-	295,058
 <u>Depreciable capital assets:</u>				
Buildings	24,869,085			24,869,085
Building improvements	1,257,449			1,257,449
Improvements other than buildings	2,787,616			2,787,616
Mobile equipment	4,583,215	343,875	350,422	4,576,668
Furniture and equipment	2,236,703	78,173	102,269	2,212,607
Total depreciable capital assets	35,734,068	422,048	452,691	35,703,425
 <u>Less accumulated depreciation for:</u>				
Buildings	9,343,918	434,278		9,778,196
Building improvements	855,286	44,023		899,309
Improvements other than buildings	1,628,042	97,931		1,725,973
Mobile equipment	3,399,638	219,985	298,937	3,320,686
Furniture and equipment	2,216,344	218,880	101,246	2,333,978
Total accumulated depreciation	17,443,228	1,015,097	400,183	18,058,142
Total depreciable capital assets, net	18,290,840	(593,049)	52,508	17,645,283
 Governmental activities capital assets, net	\$ 18,585,898	\$ (593,049)	\$ 52,508	\$ 17,940,341

See disclaimer of opinion on financial statements and Finding 2022-001.

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Note 6 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. General obligation bonds payable	\$ 190,000	\$	\$ 95,000	\$ 95,000	\$ 95,000
B. Qualified School Construction Bonds payable	3,200,000		-	3,200,000	-
C. Compensated absences payable	45,793		5,653	40,140	2,007
Total	<u>\$ 3,435,793</u>	<u>\$ -</u>	<u>\$ 100,653</u>	<u>\$ 3,335,140</u>	<u>\$ 97,007</u>

See disclaimer of opinion on financial statements and Finding 2022-001.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
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Note 7 – Defined Benefit Pension Plan**General Information about the Pension Plan**

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 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, 2022, 2021 and 2020 were \$2,919,723, \$2,522,543 and \$2,601,350, 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, 2022, the school district reported a liability of \$32,227,117 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022 net pension liability was 0.218039 percent, which was based on a measurement date of June 30, 2021. This was a decrease of 0.006482 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

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For the year ended June 30, 2022, the District recognized pension expense of \$2,032,047. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 521,910	\$
Net difference between projected and actual earnings on pension plan investments		10,617,901
Changes of assumptions	2,483,291	
Changes in proportion and differences between District contributions and proportionate share of contributions		94,365
District contributions subsequent to the measurement date	2,919,723	
Total	\$ <u>5,924,925</u>	\$ <u>10,712,266</u>

\$2,919,723 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2023	\$ (1,542,591)
2024	(1,480,753)
2025	(1,791,554)
2026	(2,892,166)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 45,641,153	\$ 32,227,117	\$ 21,172,884

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

See disclaimer of opinion on financial statements and Finding 2022-001.

Note 8 – Other Postemployment Benefits (OPEB)**General Information about the OPEB Plan.**

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$85,845 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$2,135,782 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

of June 30, 2021, the District's proportion was .33180696 percent. This was a decrease of 0.00714709 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$188,370). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,323	\$ 667,831
Changes of assumptions	345,905	72,234
Net difference between projected and actual earnings on OPEB plan investments	100	
Changes in proportion and differences between District contributions and proportionate share of contributions	26,949	256,584
District contributions subsequent to the measurement date	69,953	
Total	\$ 445,230	\$ 996,649

\$69,953 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2023	\$ (164,201)
2024	(150,451)
2025	(117,526)
2026	(128,887)
2027	(60,307)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	

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For the Year Ended June 30, 2022

Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 2,364,005	\$ 2,135,782	\$ 1,941,187

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Notes to the Financial Statements
For the Year Ended June 30, 2022

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,978,286	\$ 2,135,782	\$ 2,314,015

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/>.

See disclaimer of opinion on financial statements and Finding 2022-001.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases. A schedule was not be prepared. See disclaimer of opinion on financial statements and Finding 2022-001.

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credits 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.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credits 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. See disclaimer of opinion on financial statements and Finding 2022-001.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$20,800,876) 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 pensions in the amount of \$2,919,723 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$3,005,202 balance of deferred outflow of resources related to pensions at June 30, 2022, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$20,800,876) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$10,712,266 balance of deferred inflow of resources related to pensions at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$20,800,876) 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 \$69,953 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$375,277 balance of deferred outflow of resources related to OPEB at June 30, 2022, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$20,800,876) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$996,649 balance of deferred inflow of resources related to OPEB at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

See disclaimer of opinion on financial statements and Finding 2022-001.

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 14 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Increase or a decrease of a revenue or expenditure	\$ 26,673
Total	<u>\$ 26,673</u>

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

Fund	Explanation	Amount
General Fund	Increase or decrease of a revenue or expenditure	\$ 26,673
Total		<u>\$ 26,673</u>

See disclaimer of opinion on financial statements and Finding 2022-001.

Note 15 – State Conservatorship

On August 5, 2021 the governor of Mississippi declared a state of emergency within the Holmes County Consolidated School District. This approved the State Board of Education to take over the school district and remove the school board. As of the report date, the district is still under control of the Mississippi Department of Education.

Note 16 - 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 Holmes County Consolidated School District evaluated the activity of the district through April 21, 2023, (the date the financial statements were available to be issued), and determined that there was no subsequent event that has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UNAUDITED**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information****Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,052,442	\$ 6,317,808	\$ 6,317,808	\$ 265,366	\$ -
State sources	15,366,274	15,487,088	15,487,088	120,814	-
Federal sources	121,014	138,691	138,691	17,677	-
Sixteenth section sources	814,114	680,417	680,417	(133,697)	-
Total Revenues	22,353,844	22,624,004	22,624,004	270,160	-
Expenditures:					
Instruction	11,636,925	11,303,729	11,303,729	333,196	-
Support services	12,021,692	11,213,319	11,213,318	808,373	1
Noninstructional services	447	2,270	2,270	(1,823)	-
Sixteenth section	34,000	10,348	10,349	23,652	(1)
Facilities acquisition and construction	-	25,100	25,100	(25,100)	-
Total Expenditures	23,693,064	22,554,766	22,554,766	1,138,298	-
Excess (Deficiency) of Revenues over (under) Expenditures	(1,339,220)	69,238	69,238	1,408,458	-
Other Financing Sources (Uses):					
Insurance recovery	-	2,712	2,712	2,712	-
Sale of transportation equipment	-	9,788	9,788	9,788	-
Operating transfers in	3,207,895	5,266,809	700,284	2,058,914	(4,566,525)
Operating transfers out	(1,780,940)	(5,580,908)	(1,014,383)	(3,799,968)	4,566,525
Other financing uses		(8,224)	(8,223)	(8,224)	1
Total Other Financing Sources (Uses)	1,426,955	(309,823)	(309,822)	(1,736,778)	1
Net Change in Fund Balances	87,735	(240,585)	(240,584)	(328,320)	1
Fund Balances:					
July 1, 2021, as previously reported	19,188,540	19,188,540	19,188,539	-	(1)
Fund reclassification		500		500	(500)
Prior period adjustments			26,673	-	26,673
July 1, 2021, as restated	19,188,540	19,189,040	19,215,212	500	26,172
June 30, 2022	\$ 19,276,275	\$ 18,948,455	\$ 18,974,628	\$ (327,820)	\$ 26,173

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

See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information****Budgetary Comparison Schedule****ESSER II Fund****For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 5,030,027	\$ 5,467,608	\$ 5,030,027	\$ 437,581
Total Revenues	-	5,030,027	5,467,608	5,030,027	437,581
Expenditures:					
Instruction	67,016	3,275,919	2,806,147	(3,208,903)	469,772
Support services	1,563,039	3,809,861	1,656,744	(2,246,822)	2,153,117
Noninstructional services	30,000	109,071	51,562	(79,071)	57,509
Facilities acquisition and construction		496,102	496,102	(496,102)	-
Total Expenditures	1,660,055	7,690,953	5,010,555	(6,030,898)	2,680,398
Excess (Deficiency) of Revenues over (under) Expenditures	(1,660,055)	(2,660,926)	457,053	(1,000,871)	3,117,979
Other Financing Sources (Uses):					
Operating transfers in				-	-
Operating transfers out	-	(457,053)	(457,053)	(457,053)	-
Total Other Financing Sources (Uses)	-	(457,053)	(457,053)	(457,053)	-
Net Change in Fund Balances	(1,660,055)	(3,117,979)	-	(1,457,924)	3,117,979
Fund Balances:					
July 1, 2021, as previously reported				-	-
Prior period adjustments				-	-
July 1, 2021, as restated	-	-	-	-	-
June 30, 2022	\$ (1,660,055)	\$ (3,117,979)	\$ -	\$ (1,457,924)	\$ 3,117,979

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

See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information****Budgetary Comparison Schedule
ESSER III Fund
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 5,721,048	\$ 5,929,912	\$ 5,721,048	\$ 208,864
Total Revenues	-	5,721,048	5,929,912	5,721,048	208,864
Expenditures:					
Instruction	-	348,267	329,691	(348,267)	18,576
Support services	-	1,297,693	1,297,693	(1,297,693)	-
Noninstructional services	-	394,536	394,536	(394,536)	-
Facilities acquisition and construction	-	3,715,928	3,715,928	(3,715,928)	-
Total Expenditures	-	5,756,424	5,737,848	(5,756,424)	18,576
Excess (Deficiency) of Revenues over (under) Expenditures	-	(35,376)	192,064	(35,376)	227,440
Other Financing Sources (Uses):					
Operating transfers out		(192,064)		(192,064)	192,064
Total Other Financing Sources (Uses)	-	(192,064)	-	(192,064)	192,064
Net Change in Fund Balances	-	(227,440)	192,064	(227,440)	419,504
Fund Balances:					
July 1, 2021				-	-
June 30, 2022	\$ -	\$ (227,440)	\$ 192,064	\$ (227,440)	\$ 419,504

The notes to the required supplementary information are an integral part of this statement.
See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED**HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information****Budgetary Comparison Schedule
EMERGENCY CONNECTIVITY FUND
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 1,207,500	\$ 1,207,500	\$ 1,207,500	\$ -
Total Revenues	-	1,207,500	1,207,500	1,207,500	-
Expenditures:					
Support services	-	1,207,500	1,207,500	(1,207,500)	-
Total Expenditures	-	1,207,500	1,207,500	(1,207,500)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers out				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2021, as previously reported	13	13	13	-	-
Prior period adjustments				-	-
July 1, 2021, as restated	13	13	13	-	-
June 30, 2022	\$ 13	\$ 13	\$ 13	\$ -	\$ -

The notes to the required supplementary information are an integral part of this statement.
See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED

**Holmes County Consolidated School District
Required Supplementary Information**

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

PERS

Last 10 Fiscal Years*

	2022	2021	2020	2019
District's proportion of the net pension liability	0.218039%	0.224521%	0.225384%	0.247475%
District's proportionate share of the net pension liability	\$ 32,227,117	\$ 43,464,657	\$ 39,649,492	\$ 41,162,445
District's covered payroll	14,497,374	14,950,287	14,678,654	15,803,651
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.2962%	290.7279%	270.1167%	260.4616%
Plan fiduciary net position as a percentage of the total pension liability	70%	59%	62%	63%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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.

See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED

**Holmes County Consolidated School District
Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years**

	2022	2021	2020	2019
Contractually required contribution	\$ 2,919,723	\$ 2,522,543	\$ 2,601,350	\$ 2,311,888
Contributions in relation to the contractually required contribution	\$ 2,919,723	\$ 2,522,543	\$ 2,601,350	\$ 2,311,888
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered payroll	\$ 16,780,017	\$ 14,497,374	\$ 14,950,287	\$ 14,678,654
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	15.75%

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

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

See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED

**Holmes County Consolidated School District
Required Supplementary Information**

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

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019
District's proportion of the net OPEB liability	0.33180696%	0.33895405%	0.36217258%	0.37109320%
District's proportionate share of the net OPEB liability	\$ 2,135,782	\$ 2,637,768	\$ 3,073,183	\$ 2,870,591
District's covered-employee payroll	15,774,760	16,335,402	16,585,425	16,784,293
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.54%	16.15%	18.53%	17.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

See disclaimer of opinion on financial statements and Finding 2022-001.

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**Holmes County Consolidated School District
Required Supplementary Information**

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2022	2021	2020	2019
Actuarially determined contribution	\$ 69,953	\$ 85,845	\$ 105,194	\$ 123,183
Contributions in relation to the actuarially determined contribution	69,953	85,845	105,194	123,183
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	16,780,017	14,497,374	14,950,287	11,310,533
Contributions as a percentage of covered-employee payroll	0.42%	0.59%	0.70%	1.09%

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

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

See disclaimer of opinion on financial statements and Finding 2022-001.

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

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%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In

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HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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	2.19%

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SUPPLEMENTARY INFORMATION

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**Holmes County Consolidated School District
Supplementary Information**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 1,329,677
National school lunch program	10.555	215MS326N1099	\$ 175,971
Summer Food Service Program for Children	10.559	215MS326N1099	382,524
Total child nutrition cluster			1,888,172
Total passed-through Mississippi Department of Education			1,888,172
Total U.S. Department of Agriculture			1,888,172
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX	N/A	55,661
Total U.S. Department of Defense			55,661
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	2,581,436
Career and technical education - basic grants to states	84.048	V048A200024	45,816
Twenty-first Century Community Learning Centers	84.287	S287C200024	40,846
Rural Education	84.358	S3588200024	6,809
Supporting Effective Instruction State Grants	84.367	S367A200023	213,086
Student Support and Academic Enrichment Program	84.424A	S424A200025	52,172
Subtotal			2,940,165
Special education cluster:			
Special education - grants to states	84.027	H027A200108	901,028
Special education - preschool grants	84.173	H173A200113	19,409
Total special education cluster			920,437
COVID - 19 - Education Stabilization Fund (ESSER)			
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	221,654
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	5,467,608
Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	5,929,912
ESSER II - CTE Equipment	84.425D	S425D210031	900
ARP ESSER - ARP Learn More	84.425U	S425U210031	177,463
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			11,797,537
Total passed-through Mississippi Department of Education			15,658,139
Total U.S. Department of Education			15,658,139
<u>Federal Communications Commission</u>			
Direct Program:			
Emergency Connectivity Fund	32.009	N/A	1,207,500
Total Federal Communications Commission			1,207,500
<u>U.S. Department of Social Security</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security disability insurance	96.001	04-19-04MSD100	756
Total passed-through Mississippi Department of Rehabilitation Services			756
Total U.S. Department of Social Security			756
Total for All Federal Awards			\$ 18,810,228

The notes to the Supplementary Information are an integral part of this schedule.

See Disclaimer of opinion on the financial statements and Finding 2022-001

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT

Notes to the Supplementary Information

For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Holmes County Consolidated School District under programs of the federal government for the year ended June 30, 2022. 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 Holmes County Consolidated School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Holmes County Consolidated School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

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**Holmes County Consolidated School District
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2022**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 24,530,619	16,717,777	1,614,024	1,665,841	4,532,977
Other	17,159,555	5,273,331	1,311,230	7,015	10,567,979
Total	<u>\$ 41,690,174</u>	<u>21,991,108</u>	<u>2,925,254</u>	<u>1,672,856</u>	<u>15,100,956</u>
Total number of students *	<u>2,246</u>				
Cost per student	<u>\$ 18,561</u>	<u>9,791</u>	<u>1,302</u>	<u>745</u>	<u>6,723</u>

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

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

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

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

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

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

See disclaimer of opinion on financial statements and Finding 2022-001.

OTHER INFORMATION

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances**General Fund****Last Four Years****UNAUDITED**

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 6,317,808	\$ 6,780,673	\$ 6,507,309	\$ 6,271,597
State sources	15,487,088	15,280,182	16,159,435	15,521,707
Federal sources	138,691	24,953	49,662	57,581
Sixteenth section sources	680,417	639,775	241,218	950,299
Total Revenues	22,624,004	22,725,583	22,957,624	22,801,184
Expenditures:				
Instruction	11,303,729	10,845,588	10,302,267	10,812,701
Support services	11,213,318	10,145,919	9,521,253	10,593,157
Noninstructional services	2,270	388	7,384	15,602
Sixteenth section	10,349	58,346	7,604	26,773
Facilities acquisition and construction	25,100			
Total Expenditures	22,554,766	21,050,241	19,838,508	21,448,233
Excess (Deficiency) of Revenues over (under) Expenditures	69,238	1,675,342	3,119,116	1,352,951
Other Financing Sources (Uses):				
Insurance Recovery	2,712			5,752
Sale of transportation equipment	9,788			
Operating transfers in	700,284	1,224,071	7,055	167,319
Operating transfers out	(1,014,383)	(1,366,613)	(2,108,216)	(198,929)
Other financing uses	(8,223)			
Total Other Financing Sources (Uses)	(309,822)	(142,542)	(2,101,161)	(25,858)
Net Change in Fund Balances	(240,584)	1,532,800	1,017,955	1,327,093
Fund Balances:				
Beginning of period, as originally reported	19,188,539	10,092,197	8,866,261	7,539,168
Fund Reclassification		54		
Prior period adjustments	26,673	7,563,450	207,981	
Beginning of period, restated	19,215,212	17,655,701	9,074,242	7,539,168
End of Period	\$ 18,974,628	\$ 19,188,501	\$ 10,092,197	\$ 8,866,261

*SOURCE - PRIOR YEAR AUDIT REPORTS

UNAUDITED

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances**All Governmental Funds****Last Four Years****UNAUDITED**

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 6,609,079	\$ 6,900,495	\$ 6,833,510	\$ 6,484,931
Increase in fair market value				32,884
State sources	16,032,727	16,310,289	17,159,881	16,922,529
Federal sources	20,286,509	7,695,441	7,122,632	6,587,977
Sixteenth section sources	725,403	912,284	284,624	1,099,694
Total Revenues	43,653,718	31,818,509	31,400,647	31,128,015
Expenditures:				
Instruction	16,694,464	14,704,791	14,037,012	13,899,432
Support services	18,207,609	13,585,607	11,869,702	13,995,496
Noninstructional services	2,253,170	1,611,291	2,138,255	2,429,808
Sixteenth section	58,531	98,023	21,772	62,718
Facilities acquisition and construction	4,237,130			
Debt service:				
Principal	95,000	90,000		80,000
Interest	140,065	142,390	132,728	151,238
Other	4,206	6,605	2,722	11,241
Total Expenditures	41,690,175	30,238,707	28,202,191	30,629,933
Excess (Deficiency) of Revenues over (under) Expenditures	1,963,543	1,579,802	3,198,456	498,082
Other Financing Sources (Uses):				
Insurance Recovery	2,712			7,495,039
Payments held by escrow agent			10,082	3,140
Payment to QZAB and QSCB escrow agent	(247,685)	(242,918)	(397,910)	(624,345)
Sale of transportation equipment	9,788			
Operating transfers in	2,967,415	5,757,801	2,408,981	414,252
Operating transfers out	(4,501,033)	(2,482,406)	(2,517,320)	(414,252)
Other financing uses	(8,223)			
Total Other Financing Sources (Uses)	(1,777,026)	3,032,477	(496,167)	6,873,834
Net Change in Fund Balances	186,517	4,612,279	2,702,289	7,371,916
Fund Balances:				
Beginning of period, as originally reported	28,012,629	23,402,678	20,556,252	13,192,906
Fund Reclassification		54		
Prior period adjustments	26,673	(2,382)	144,137	
Beginning of period, restated	28,039,302	23,400,350	20,700,389	13,192,906
Increase (Decrease) in reserve for inventory	572	-	-	(8,570)
End of Period	\$ 28,226,391	\$ 28,012,629	\$ 23,402,678	\$ 20,556,252

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Interim Superintendent
Holmes County Consolidated School District

We were engaged to audit, 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 Holmes County Consolidated School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Holmes County Consolidated School District's basic financial statements, and have issued our report thereon dated April 21, 2023. Our report disclaims opinions on such financial statements, because of the materiality and pervasiveness of the inadequacies in the accounting and financial reporting systems and the significance of inevitable uncertainties. We were unable to rely on the basic accounting systems and were not able to apply other auditing procedures to satisfy ourselves as to the fair presentation of the financial statements.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the school district's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness as **Finding 2022-001**.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of Holmes County Consolidated School District, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Holmes County Consolidated School District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Holmes County Consolidated School District's response to the finding identified in our engagement and described in the accompanying schedule of findings and questioned costs. The Holmes County Consolidated School District's response was not subjected to the other auditing procedures that would have been applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

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 engagement to perform an audit 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.

McKenzie CPA, PLLC
Madison, Mississippi
April 21, 2023

McKenzie CPA, PLLC



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Interim Superintendent
Holmes County Consolidated School District

Report on Compliance for Each Major Federal Program Disclaimer of Opinion

We were engaged to audit Holmes County Consolidated School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Holmes County Consolidated School District's major federal programs for the year ended June 30, 2022. Holmes County Consolidated School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

We do not express an opinion on Holmes County Consolidated School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Holmes County Consolidated School District's major federal programs for the year ended June 30, 2022. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Each Major Federal program section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each major federal program.

Basis of Disclaimer of Opinion on Each Major Federal Program

Because of the materiality and pervasiveness of the inadequacies in the accounting and financial reporting systems and the significance of inevitable uncertainties and, because we were unable to rely on the basic accounting systems and were not able to apply other auditing procedures to satisfy ourselves, the scope of our work was insufficient and we were unable to determine whether the district complied with the requirements applicable to each of the district's major federal programs for the year ended June 30, 2022.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Holmes County Consolidated School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to conduct an audit of compliance in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on Each Major Federal Program section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of Holmes County Consolidated School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Findings 2022-002, 2022-003, and 2022-004**.

Government Auditing Standards requires the auditor to perform limited procedures on Holmes County Consolidated School District's responses to the noncompliance findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. Holmes County Consolidated School District's responses were not subjected to other auditing procedures that would have been applied in the engagement to audit compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, as described in the schedule of findings and questioned costs as **Findings 2022-002, 2022-003, and 2022-004**, to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Governmental Auditing Standards requires the auditor to perform limited procedures on the Holmes County Consolidated School District's responses to the findings identified in our engagement and described in the accompanying schedule of findings and questioned cost. Holmes County Consolidated School District's responses were not subjected to the other auditing procedures applied in the engagement to audit compliance and, accordingly, we express no opinion on the responses.

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

McKenzie CPA, PLLC
Madison, Mississippi
April 21, 2023

McKenzie CPA, PLLC

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



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

Interim Superintendent
Holmes County Consolidated School District

We were engaged to audit the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Holmes County Consolidated School District as of and for the year ended June 30, 2022, which collectively comprise Holmes County Consolidated School District's basic financial statements and have issued our report thereon dated April 21, 2023. We were engaged to conduct 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. Our report differed from the standard report because of a scope limitation due to lack of adequate documentation and support provided by the district.

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 engagement to audit the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

State Legal Finding 01 – The school district should strengthen Internal controls over bank reconciliations.

Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect of recording outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of

the District to what is recorded at the bank. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board states, "...Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the District's general ledger cash balances in a timely and accurate manner."

Finding Detail: During the review of the School District's bank reconciliations the following issues were noted:

- None of the district's bank statements were reconciled properly and did not agree to the district's financials.
- Some of the district's reconciliation could not be provided for some months.

Failure to record all transactions in the general ledger and properly reconcile bank statements could result in errors, misstatement of the District's financial statements, or fraud occurring without being detected in a timely manner.

Recommendation: The District should implement policies and procedures to ensure all bank statements are reconciled timely and properly to the District's general ledger. We recommend management reconcile bank accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances and comply with the District's policy.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis.

Repeat Finding: Yes

State Legal Finding 02 – The School District Should Strengthen Internal Controls over Cash Receipts and Deposits.

The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Finding Detail: During our testing of twenty – one (21) of Holmes County Consolidated School District's deposits, we noted the following:

- Seven out of the Twenty-one instances tested receipts could not be provided;
- Auditor was unable to trace the majority of the 21 receipts to the bank statements due to deposits being lumped together with inadequate details.

Inadequate internal controls related to revenue collections, proper receipting, and depositing could result in a loss of assets and improper revenue recognition.

Recommendation: The District should strengthen controls and enforce policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the following follow-up will occur: 1) Specific procedures will be created and distributed, and 2) the personnel involved with each of noted findings, to include school level administrators, will receive professional development to ensure future compliance.

Repeat Finding: Yes

State Legal Finding 03 – The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Maintaining Claim Documentation.

The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Management is responsible for properly safeguarding the assets of the School District and ensuring the terms of service contracts are met and adhered to at all times.

Section 37-9-14(7), Mississippi Code Annotated (1972), states, “The superintendent of schools shall maintain as a record in his office a book or a computer printout in which he shall enter all demands, claims and accounts paid from any funds of the school district. The record shall be in a form to be prescribed by the State Auditor. All demands, claims and accounts filed shall be preserved by the superintendent of schools as a public record for a period of five (5) years.”

Board Policy Section D Fiscal Management Policy DJEG Purchase Orders and Contracts and the Accounting Manual of Mississippi Public Schools, requires the District to utilize within its purchase system requisitions, purchase orders, and receiving reports, which should be logged and maintained in its business office.

Finding Detail: During our review of service contracts and claims dockets, we noted the following:

- Three (3) invoices were dated before the purchase orders and requisitions;
- Three (3) purchases were over 45 days after the invoice and one of those was almost an entire year before payment.

Failure to adhere to the state laws and regulations, and Board policy resulted in noncompliance and overpayment of expenses. Inadequate controls over maintaining claim documentation could result in fraud, misappropriation, or loss of public funds.

Recommendation: The School District should ensure compliance with all claims by maintaining all required documents within the District. Also, the School District should ensure all contracts are in adherence to the Board approved amounts and its expenses are documented.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed, and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the District's policies and procedures.

Repeat Finding: Yes

State Legal Finding 04 – The School District Should Ensure Compliance with State Laws over Budgeted Expenditures and Filing of the Amended Budget.

Section 37-61-19, Mississippi Code Annotated (1972), states, “It shall be the duty of the superintendents of school and the school board of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund.”

Finding Detail: During our review of the amended budgets for Holmes County Consolidated School District, we noted the following exceptions:

- The District had a negative fund balance in the following accounts:

2213 - Title I-1003(A) Fund – (\$128,218)
2240 - School Improvement – (\$16,564)
2290 - Consolidated Cost Pool – (\$118,145)
2311 - Rural & Low Income – (\$23,505)
2330 – Title IV Innovative Programs – (\$94,869)
2511 – Title II Improving Teacher – (\$535,135)
2590 – ESSER I – (\$777,596)
2594 – ESSER II – (\$ 3,117,979)
2597 – CTE ESSER Grant – (\$14,228)
2598 – ARP ESSER III – (\$227,440)
2599 – IDEA, Part B ARP Grant – (\$162,311)
2600 – IDEA, Part B Preschool ARP Grant – (\$14,274)
2602 – IDEA, CTE ESSER II – (\$29,980)
2610 – IDEA, Part B – (\$326,056)
2620 – Preschool – (\$54,410)
2812- Twenty-first Century Learning Center – (\$211,111)

Failure for the District to ensure there are resources for all expenditures could result in deficit fund balances.

Recommendation: The School District should ensure compliance with *Sections 37-61-19* by ensuring all funds have available resources before expenditures are approved.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of noted findings will receive professional development to ensure compliance with the district's policies and procedures.

Repeat Finding: Yes

State Legal Finding 05 – The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Section 25-11-127(4), Mississippi Code Annotated. (1972), states, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, “The lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the review of nine (9) Holmes County Consolidated School District's PERS Form 4Bs, we noted the following exceptions:

- All Nine (9) PERS Form 4Bs did not have evidence of being filed within five (5) days of rehire;
- The full-time salary compensation for two (2) retirees were not properly recorded on their PERS Form 4Bs; therefore, the allowed salary could not be accurately calculated; and

Failure to file and complete the Form 4B, and comply with *Section 25-11-127(4)* could result in overpayment of a retiree and the School District being assessed penalties by PERS.

Recommendation: The Payroll Clerk should ensure the School District complies with *Section 25-11-127(4)* and PERS by properly paying employees, completing, and filing Form 4Bs within five (5) days.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the District's policies and procedures.

Repeat Finding: Yes

State Legal Finding 06 – The School District Should Ensure Compliance with State Laws over the Annual Sixteenth Section Schools Trust Land Report.

Section 29-1-3(3), Mississippi Code Annotated (1972), states, "Any state, county or municipal official shall supply annually to the state land commissioner such sixteenth section management information as shall be requested by the commissioner. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights of way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right of way; and the use to be made of each parcel. The applicable public official shall likewise report information requested by the state land commissioner upon principal fund investments. Such information shall include, but not be limited to, the following items: amounts of monies invested; dates of investment; where invested; form of investment; rate of return of each investment; and the amount of revenue earned upon each investment."

Finding Detail: During our review of Holmes County Consolidated School District's 2022 sixteenth section school trust report, we noted the District did not file multiple reports timely with the Mississippi Secretary of State's Office. Please see the following details:

- The schedule of revenue submitted 12/20/2022 which was due on October 31, 2022
- The list of leases was submitted on 10/03/2022 which was due on September 30, 2022
- The Litigation report was submitted on 9/09/2022 which was due on August 8, 2022.
- The School District contacts submitted on 8/08/2022 which was due on August 1, 2022.
- The principal fund report was submitted on 01/02/2023 which was due on October 31, 2022.

Failure to file the 2022 sixteenth section school trust reports as required by the Mississippi Secretary of State resulted in the District's noncompliance with *Mississippi Code Section 29-1-3(3)*.

Recommendation: The School District should ensure the District's annual sixteenth section school trust land report is filed with the Mississippi Secretary of State by the specified date, as required by state law.

District's Response: The District acknowledges this finding and will implement procedures to ensure that

compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the district's policies and procedures.

Repeat Finding: Yes

State Legal Finding 07 – The School District Should Ensure Compliance with State Laws over Sixteenth Section Educable Child Lists.

Section 29-3-121, Mississippi Code Annotated (1972), states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

Finding Detail: During our review of Holmes County Consolidated School District's educable child lists, we noted for the 2021-2022 school years, lists were not filed until February 23, 2022.

Failure to file the educable child lists with the custodial district could result in forfeiting funds that the District would otherwise be entitled to.

Recommendation: The Superintendent and management should implement controls, policies, and procedures to ensure all lists are prepared and filed with the Superintendents of custodial district by December 31st of each year, in accordance with *Section 29-3-121, Mississippi Code Annotated (1972)*.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The district has implemented procedures to ensure that it is not repeated. Beginning in September 2021, the district employs a 16th Section liaison, whose responsibility is to ensure compliance of 16th section lands, to include shared township.

Repeat Finding: Yes.

State Legal Finding 08 – The School District Should Ensure Compliance with State Laws over Sixteenth Section Taxes, Payments, Deposits, and Appraisals.

Section 29-3-57, Mississippi Code Annotated (1972), states, "The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

Section 29-3-65, Mississippi Code Annotated (1972), states, "One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*."

Finding Detail: During our review of Holmes County Consolidated School District, we noted the following exceptions over the District's Sixteenth Section leases:

- Seven (7) lease payments were paid more than sixty (60) days late; however, the lease agreements were not cancelled.

Failure to terminate lease agreements due to non-payment of rental payments, receipt rental payments, and appoint appraisers resulted in noncompliance with state laws and regulations.

Recommendation: We recommend the School Board should ensure lease payments are made within sixty (60) days, and an appraisal is appointed one (1) year before the rental of sixteenth section land, as required by laws and regulations.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the district's policies and procedures.

Repeat Finding: Yes.

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

The Holmes County Consolidated School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

McKenzie CPA, PLLC
Madison, Mississippi
April 21, 2023



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-------------------------------------------------------|-----------------------|
| 1. | Type of auditor's report issued: | Disclaimer of opinion |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|----------------------------------------------------------------------------------------------------|-----------------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Disclaimer of opinion |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

7. Identification of major programs:

<u>ALN Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
10.553;10.555; 10.559	Child Nutrition Cluster
84.010	Title I grants to local educational agencies
84.425D	Education Stabilization Fund (ESSER I)
84.425D	Education Stabilization Fund (ESSER II)
84.425U	Education Stabilization Fund (ESSER ARP III)
84.425D	ESSER II – CTE Equipment
84.425U	ARP ESSER – ARP Learn More
32.009	Emergency Connectivity Fund

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

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II: Financial Statement Findings

Material Weakness

Finding 2022-001 /Repeat of 2021-001, Repeat of 2020-001, and 2019-001

Weaknesses in controls surrounding financial accountability and safeguarding of assets.

Criteria:

An effective system of internal controls is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Condition:

During the course of our audit we found multiple discrepancies with the information provided as supporting documentation for the accounting records and other internal control issues:

- (1) During the test work of cash, we noted that bank accounts had not been reconciled accurately or timely. Failure to prepare accurate bank reconciliations could lead to misappropriation of assets and material misstatements that could go undetected by management.
- (2) During our test of receivables, the school district was unable to provide receipts for funds received after June 30, 2022.
- (3) During our test of accounts payable, the school district was unable to provide supporting documentation.
- (4) During our test of capital assets, we noted that the school district was not maintaining a subsidiary ledger.
- (5) During our test of revenue, the school district was unable to provide supporting documentation for receivables recorded.
- (6) During our test on non-payroll expenditures, the district was unable to provide adequate support for all samples requested.
- (7) During our test on payroll expenditures, the district was unable to provide proper authorizations and reconciliations of payroll expenditures.

Cause:

This is the result of the school district not properly implementing an effective internal control system and maintaining the system.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, the district increases the risk that the financial statements will contain materially misstated accounts. These deficiencies resulted in a disclaimer of opinion on the financial statements.

Recommendation:

The district should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Views of Responsible Officials:

(1) Bank reconciliations are currently being prepared each month and reviewed for accuracy by Chief Financial officer. All efforts will be made to ensure that this is done timely and reports made to upper management. (2) The district acknowledges that receipts were not being prepared and/or not completed properly. Training has been done with the responsible staff to ensure that this process is done to accurately reflect all funds coming into the district. (3) Training has been done with the staff explaining the importance of supporting documentation, the necessary documentation required and how to assemble. Supporting documentation is maintained electronically in the accounting system as well as physical copies in files. (4) The district now has appointed Fixed Asset Director. This person is responsible for ensuring that all fixed assets are securely safeguarded and are properly accounted for in the accounting system. Work is currently being done and will be ongoing to update all assets at each location within the district. (5) Going forth the district will reconcile this information to ensure accuracy. (6) Going forth the district will maintain all necessary supporting documentation for all receivables recorded. (7) The district is working to improve controls for non-payroll and payroll expenditures.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III: Federal Award Findings and Questioned Costs

Material Weakness and Noncompliance

Finding 2022-002/ Repeat 2021-003 / Repeat Finding 2020-003

Weaknesses in controls surrounding non-payroll expenditures.

Program: U. S. Department of Education

Passed-through the Mississippi Department of Education
Title I Grants to Local Educational Agencies, ALN# 84.010
Child Nutrition Cluster, ALN # 10.553; 10.555, 10.559
Special Education Cluster, ALN # 84.027; 84.173
Education Stabilization Fund (ESSER I), ALN# 84.425D

Compliance requirement: Allowable Cost/Cost Principles
Questioned Costs: Unknown

Repeat Finding - Yes

Criteria:

Management is responsible for ensuring that all non-payroll expenditures made by the district are adequately documented and approved by the governing board.

Condition:

We noted the following items while testing non-payroll expenditures:

- Several instances of the service being performed before the PO was issued
- Several invoices reviewed were dated before the purchase order date

Context:

During the course of the engagement, we were unable to get adequate support for testing non-payroll expenditures.

Cause:

The district did not have the proper controls and procedures in place to ensure non-payroll expenditures and applicable processes are properly board approved. Controls were also not in place to ensure that all approvals were properly recorded accurately in the minutes.

Effect:

Omitting documentation of approval or receipt of items could result in payments of unauthorized amounts to vendors without receiving the requested goods.

Recommendation:

We recommend the district implement procedures and internal controls to ensure that all invoices are properly canceled and that higher quotes be approved by the school board.

Views of Responsible Officials

The district will implement controls to ensure that all invoices are canceled and higher quotes are approved and documented within the board minutes.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding 2022-003/ Repeat Finding 2021-004 / Repeat Finding 2020-004

Weakness in controls surrounding payroll expenditures.

Programs:

Child Nutrition Cluster, ALN #10.553; 10.555; 10.559

Title I grants to local educational agencies, ALN #84.010

Supporting Effective instruction state grants, ALN # 84.367

Special Education Cluster, ALN # 84.027; 84.173

Compliance Requirement: Allowable Cost

Questioned Cost: Unknown

Repeat Finding: Yes

Criteria:

The school district is charged with developing controls surrounding the payroll expenditure cycle that will provide for authorization of pay transactions through school board approval and the existence of time and attendance records. Controls should also include policies and procedures that will ensure compliance with the record-keeping requirements of federal wage and hour law. Finally, assignments for new employees should align to board approved duties and contracted descriptions.

Condition:

In our review of the controls surrounding payroll expenditures, we noted that the school board did not approve several supplemental amounts paid to district employees, including supplements for extra duties assigned. We also noted that employee time sheets were not being reconciled to pay.

Cause:

The cause is likely an oversight or lack of controls to ensure items were reconciled and approved appropriately.

Effect:

The effect is a breakdown in the controls surrounding the payroll expenditure cycle and exposure to risk of noncompliance with federal wage and hour law. Further, employees who are approved for one position are actually serving in a different capacity. When not reconciling to time sheets, employees could be overpaid or underpaid.

Recommendation:

We recommend that the school district comply with the recordkeeping requirements of the federal wage and hour law. We further recommend that all supplemental pay amounts be approved by the school board and that all employees be approved for the position/title that corresponds to their actual work assignments. We recommend the district reconcile to employee time sheets.

View of Responsible Officials:

The district will implement controls to ensure that all payroll expenditures are approved and documented within the board minutes.

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding 2022-004/ Repeat Finding 2021-005

Weaknesses in controls surrounding accounting for federal grants.

Program: U. S. Department of Education

Passed-through the Mississippi Department of Education
Title I Grants to Local Educational Agencies, ALN # 84.010
Rural Education, ALN #84.358
Supporting Effective Instruction State Grants, ALN # 84.367
Student Support and Academic Enrichment Program, ALN # 84.424A
IDEA Part B , ALN# 84.027; IDEA Preschool, ALN # 84.173
Twenty-First Century – ALN# 84.287

Compliance requirement: Cash Management

Criteria:

Management is responsible for establishing a proper internal control system to ensure adequate financial accountability and safeguarding of the federal program assets.

Condition:

During fieldwork, we noted the following fund balances at June 30, 2022 per district's financial statements:

- (1) Title I local grants to educational agencies - \$876,819
- (2) Rural Education - \$83,782
- (3) Supporting Effective Instruction State Grants - \$72,758
- (4) Student Support and Academic Enrichment Program - \$191,022
- (5) IDEA Part B - \$ 430,195
- (6) IDEA Preschool - \$12,109
- (7) Twenty-first Century - \$59,151

Context:

During the course of the audit, we noted that the financials provided by the district showed fund balances in the federal reimbursable grants that should not have a fund balance.

Questioned Costs:

\$540,526.

Cause:

Lack of adequate controls to ensure that the district does not request more funding than what has been expended.

Effect:

As a result, the school district is in noncompliance with the federal regulations and could result in repaying the Mississippi Department of Education for excess funds received during the year.

Recommendation:

HOLMES COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

The school district must develop policies and procedures to ensure that the accounting system reflects the federal budget.

Views of Responsible Officials

The district will ensure that all federal programs are recorded/distinguished by Grant year using a designated 'program code' (ex. 020, 021) in the accounting system. This will allow for proper accounting of each grant received by the district.

AUDITEE'S CORRECTIVE ACTION PLAN/
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Holmes County Consolidated School District
313 Olive Street
Office of the Superintendent
Lexington, Mississippi 39095
Dr. Jennifer Wilson, Interim Superintendent
Michelle Cage, Chief Financial Officer

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The Holmes County Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2022:

Finding	Corrective Action Plan Details
2022-001	<p>Weaknesses in controls surrounding financial accountability and safeguarding of assets.</p> <p>A. Name of contact person responsible for corrective action: Name: Dr. Jennifer Wilson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p style="padding-left: 40px;">District will implement policies and controls to strengthen the financial accountability and safeguarding of assets.</p> <p>C. Anticipated completion date:</p> <p style="padding-left: 40px;">June 30, 2023.</p>
2022-002	<p>Weaknesses in controls surrounding non-payroll expenditures.</p> <p>A. Name of contact person responsible for corrective action: Name: Michelle Cage Title: Chief Financial Officer</p> <p>B. Corrective action planned:</p> <p style="padding-left: 40px;">The business manager will strengthen controls to ensure adequate documentation is provided and approval on purchases.</p> <p>C. Anticipated completion date:</p> <p style="padding-left: 40px;">June 30, 2023</p>

Holmes County Consolidated School District
313 Olive Street
Office of the Superintendent
Lexington, Mississippi 39095
Dr. Jennifer Wilson, Interim Superintendent
Michelle Cage, Chief Financial Officer

2022-003

Deficiencies in controls surrounding payroll expenditures.

- A. Name of contact person responsible for corrective action:

Name: Michelle Cage

Title: Chief Financial Officer

- B. Corrective action planned:

The business manager will strengthen controls to ensure supplemental pay and other pay related items are board approved and recorded by the proper scales or rates. Time sheets will be reconciled to each payroll.

- C. Anticipated completion date:

June 30, 2023

2022-004

Weaknesses in controls surrounding accounting for federal grants.

- A. Name of contact person responsible for corrective action:

Name: Michelle Cage

Title: Chief Financial Officer

- B. Corrective action planned:

The business manager will strengthen controls to ensure the district does not request funds until they have been expended.

- C. Anticipated completion date:

June 30, 2023

**Holmes County Consolidated School District
313 Olive Street
Office of the Superintendent
Lexington, Mississippi 39095
Dr. Jennifer Wilson, Interim Superintendent
Michelle Cage, Chief Financial Officer**

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

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 (UG), the Holmes County Consolidated School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2022:

Finding Status

2021-001	Not Corrected (See Finding 2022-001)
2021-002	Corrected
2021-003	Not Corrected (See Finding 2022-002)
2021-004	Not Corrected (See Finding 2022-003)
2021-005	Not Corrected (See Finding 2022-004)