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HUMPHREYS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

HUMPHREYS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	15
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	16
Exhibit B – Statement of Activities	17
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	18
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	20
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	46
Budgetary Comparison Schedule – General Fund	47
Budgetary Comparison Schedule – Title I Fund	48
Budgetary Comparison Schedule – ESSER II Fund	49
Schedule of the District's Proportionate Share of the Net Pension Liability	50
Schedule of the District Contributions (PERS)	51
Schedule of the District's Proportionate Share of the Net OPEB Liability	52
Schedule of District Contributions (OPEB)	53
Notes to the Required Supplementary Information	54
SUPPLEMENTARY INFORMATION	58
Schedule of Expenditures of Federal Awards	59
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	61
OTHER INFORMATION	62
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	63
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	64
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	65
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 <i>Government Auditing Standards</i>	66
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	70
AUDITEE'S CORRECTIVE ACTION PLAN/ AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS	75

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent of the Achievement School District
Humphreys County School District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Humphreys County School District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Humphreys County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Humphreys County 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Humphreys County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humphreys County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB), 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humphreys County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of 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 19, 2024, on our consideration of the Humphreys County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Humphreys County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humphreys County School District's internal control over financial reporting and compliance.

Brown CPA, PLLC
Madison, Mississippi
April 19, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The following discussion and analysis of Humphreys County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2022 increased \$425,521, including a prior period adjustment of \$203,357, which represents a 26% increase from fiscal year 2021. Total net position for 2021 decreased \$1,440,952, including a prior period adjustment of \$558,429, and which represents 47% decrease from fiscal year 2020.
- General revenues amounted to \$11,087,160 and \$12,277,429, or 67% and 69% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,537,206, or 33% of total revenues for 2022, and \$5,636,884, or 31% of total revenues for 2021.
- The District had \$16,402,202 and \$19,913,694 in expenses for fiscal years 2022 and 2021; only \$5,537,206 for 2022 and \$5,636,884 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,087,160 for 2022 were adequate to provide for these programs. General revenues of \$12,277,429 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$11,252,511 in revenues and \$11,143,570 in expenditures for 2022, and \$12,146,555 in revenues and \$12,684,162 in expenditures for 2021. The General Fund's fund balance increased by \$713,458, including a prior period adjustment of \$255,874, from 2021 to 2022, and decreased by \$1,077,161, including a prior period adjustment of \$51,636, from 2020 to 2021.
- Capital assets, net of accumulated depreciation, decreased by \$142,549, including a prior period adjustment of (\$35,519), for 2022 and increased by \$36,236, including a prior period adjustment of \$506,793, for 2021. The decrease for 2022 was due primarily to the increase in accumulated depreciation and prior period adjustments.
- Long-term debt, including compensated absences, increased by \$506,269 for 2022 and had no change for 2021. The increase for 2022 was due primarily to the issuance of a lease obligation in the amount of \$101,409 and an installment purchase loan in the amount of \$445,500. The liability for compensated absences decreased by \$22,615 for 2022 and decreased by \$42,997 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,042,605 as of June 30, 2022.

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 1 presents a summary of the District's net position at June 30, 2022 and June 30, 2021.

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 17,305,255	\$ 15,801,788	9.51 %
Restricted assets	1,509,575	1,420,557	6.27 %
Capital assets, net	10,708,645	10,851,194	(1.31) %
Total assets	29,523,475	28,073,539	5.16 %
 Deferred outflows of resources	 4,674,799	 3,921,090	 19.22 %
 Current liabilities	 605,811	 1,009,801	 (40.01) %
Long-term debt outstanding	2,124,022	1,617,753	31.29 %
Net OPEB liability	1,297,566	1,622,254	(20.01) %
Net pension liability	19,919,595	25,359,691	(21.45) %
Total liabilities	23,946,994	29,609,499	(19.12) %
 Deferred inflows of resources	 8,208,675	 768,046	 968.77 %
 Net position:			
Net investment in capital assets	8,679,761	9,351,194	(7.18) %
Restricted	3,618,425	2,694,577	34.29 %
Unrestricted	(10,255,581)	(10,428,687)	1.66 %
Total net position	\$ 2,042,605	\$ 1,617,084	26.31 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (10,255,581)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	23,438,597
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 13,183,016</u>

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

- Decrease in net capital assets in the amount of \$142,549.
- The principal retirement of \$40,640 of long-term debt.
- Issuance of a lease obligation in the amount of \$101,409.
- Issuance of an installment purchases loan in the amount of \$445,500.

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$16,624,366 and \$17,914,313, respectively. The total cost of all programs and services was \$16,402,202 for 2022 and \$19,913,694 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 242,692	\$ 15,961	1,420.53 %
Operating grants and contributions	5,294,514	5,620,923	(5.81) %
General revenues:			
Property taxes	2,940,485	3,198,832	(8.08) %
Grants and contributions not restricted	7,530,819	7,890,766	(4.56) %
Investment earnings	124,496	246,217	(49.44) %
Sixteenth section	430,676	630,196	(31.66) %
Other	60,684	311,418	(80.51) %
Total revenues	16,624,366	17,914,313	(7.20) %
Expenses:			
Instruction	7,331,012	8,135,854	(9.89) %
Support services	6,380,274	7,839,722	(18.62) %
Non-instructional	1,442,749	1,499,147	(3.76) %
Sixteenth section	41,269	6,356	549.29 %
Pension expense	1,253,846	2,374,114	(47.19) %
OPEB expense	(71,189)	45,651	(255.94) %
Interest on long-term liabilities	24,241	12,850	88.65 %
Total expenses	16,402,202	19,913,694	(17.63) %
Increase (Decrease) in net position	222,164	(1,999,381)	111.11 %
Net Position, July 1, as previously reported	1,617,084	3,058,036	(47.12) %
Prior Period Adjustment	203,357	558,429	(63.58) %
Net Position, July 1, as restated	1,820,441	3,616,465	(49.66) %
Net Position, June 30	\$ 2,042,605	\$ 1,617,084	26.31 %

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 7,331,012	\$ 8,135,854	(9.89) %
Support services	6,380,274	7,839,722	(18.62) %
Non-instructional	1,442,749	1,499,147	(3.76) %
Sixteenth section	41,269	6,356	549.29 %
Pension Expense	1,253,846	2,374,114	(47.19) %
OPEB Expense	(71,189)	45,651	(255.94) %
Interest on long-term liabilities	24,241	12,850	88.65 %
Total expenses	\$ 16,402,202	\$ 19,913,694	(17.63) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (5,165,265)	\$ (6,132,115)	15.77 %
Support services	(4,533,084)	(6,179,895)	26.65 %
Non-instructional	81,520	474,171	(82.81) %
Sixteenth section	(41,269)	(6,356)	(549.29) %
Pension Expense	(1,253,846)	(2,374,114)	47.19 %
OPEB Expense	71,189	(45,651)	255.94 %
Interest on long-term liabilities	(24,241)	(12,850)	(88.65) %
Total net (expense) revenue	\$ (10,864,996)	\$ (14,276,810)	23.90 %

- Net cost of governmental activities (\$10,864,996 for 2022 and \$14,276,810 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$2,940,485 for 2022 and \$3,198,832 for 2021) and state and federal revenues (\$7,530,819 for 2022 and \$7,890,766 for 2021). In addition, there was \$430,676 and \$630,196 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$124,496 for 2022 and \$246,217 for 2021.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$16,913,859, an increase of \$693,148, which includes a prior period adjustment of \$238,876 and a decrease in inventory of (\$7,098). \$13,278,154, or 79% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$3,635,705, or 21% is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$713,458, including a prior period adjustment of \$255,874. The fund balance of Other Governmental Funds showed a decrease in the amount of \$20,310, which includes a prior period adjustment of (\$16,998) and a decrease in inventory of \$7,098. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
ESSER III Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared to the total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$25,926,609, including land, school buildings, building improvements and other improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment and intangible assets. This amount represents an increase of \$245,067 from 2021. Total accumulated depreciation as of June 30, 2022, was \$15,217,964, and total depreciation expense for the year was \$653,939, resulting in total net capital assets of \$10,708,645.

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 68,107	\$ 68,107	- %
Buildings	7,730,131	7,971,537	(3.03) %
Building improvements	1,036,701	1,139,393	(9.01) %
Improvements other than buildings	389,366	413,708	(5.88) %
Mobile equipment	1,239,101	1,047,907	18.25 %
Furniture and equipment	162,844	210,542	(22.65) %
Intangible assets	82,395	-	N/A %
Total	\$ 10,708,645	\$ 10,851,194	(1.31) %

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

Debt Administration. At June 30, 2022, the District had \$2,124,022 in outstanding long-term debt, of which \$114,380 is due within one year. During the fiscal year, the District made principal payments totaling \$18,025 on outstanding long-term debt. The liability for compensated absences decreased \$22,615 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2022	June 30, 2021	Percentage Change
Lease obligations payable	\$ 83,384	\$ -	N/A %
Installment purchases loans payable	445,500	-	N/A %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	95,138	117,753	(19.21) %
Total	\$ 2,124,022	\$ 1,617,753	31.29 %

Additional information on the District's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

The Humphreys County School District is financially stable. The District is proud of its community support of the public schools.

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

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Humphreys County School District, 1133 Canton Avenue, Yazoo City, MS 39194.

FINANCIAL STATEMENTS

Humphreys County School District

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,804,248
Due from other governments	1,344,492
Accrued interest receivable	7,134
Other receivables, net	50
Lease receivable	1,101,809
Inventories	14,843
Prepaid items	32,679
Restricted assets	1,509,575
Capital assets, non-depreciable:	
Land	68,107
Capital assets, net of accumulated depreciation:	
Buildings	7,730,131
Building improvements	1,036,701
Improvements other than buildings	389,366
Mobile equipment	1,239,101
Furniture and equipment	162,844
Intangible assets	82,395
Total Assets	<u>29,523,475</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,365,274
Deferred outflows - OPEB	309,525
Total Deferred Outflows of Resources	<u>4,674,799</u>
Liabilities	
Accounts payable and accrued liabilities	577,464
Unearned revenue	11,067
Interest payable on long-term liabilities	17,280
Long-term liabilities, due within one year:	
Lease payable	24,726
Capital related liabilities	84,897
Non-capital related liabilities	4,757
Net OPEB liability	50,878
Long-term liabilities, due beyond one year:	
Lease payable	58,658
Capital related liabilities	1,860,603
Non-capital related liabilities	90,381
Net pension liability	19,919,595
Net OPEB liability	1,246,688
Total Liabilities	<u>23,946,994</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	6,387,717
Deferred inflows - OPEB	508,518
Deferred inflows - leases	1,312,440
Total Deferred Inflows of Resources	<u>8,208,675</u>
Net Position	
Net investment in capital assets	8,679,761
Restricted for:	
Expendable:	
School-based activities	1,161,020
Debt service	1,277,288
Capital improvements	833,832
Forestry improvements	103,264
Unemployment benefits	20,880
Non-expendable:	
Sixteenth section	222,141
Unrestricted	(10,255,581)
Total Net Position	<u>\$ 2,042,605</u>

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

Humphreys County School District

Statement of Activities For the Year Ended June 30, 2022

Exhibit B

of the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 7,331,012	\$ 74,560	\$ 2,091,187	\$ (5,165,265)
Support services	6,380,274	116,517	1,730,673	(4,533,084)
Non-instructional	1,442,749	51,615	1,472,654	81,520
Sixteenth section	41,269	-	-	(41,269)
Pension expense	1,253,846	-	-	(1,253,846)
OPEB expense	(71,189)	-	-	71,189
Interest on long-term liabilities	24,241	-	-	(24,241)
Total Governmental Activities	<u>\$ 16,402,202</u>	<u>\$ 242,692</u>	<u>\$ 5,294,514</u>	<u>\$ (10,864,996)</u>
General Revenues:				
Taxes:				
General purpose levies				2,940,485
Unrestricted grants and contributions:				
State				7,530,819
Unrestricted investment earnings				124,496
Sixteenth section sources				430,676
Other				60,684
Total General Revenues				<u>11,087,160</u>
Total General Revenues				<u>11,087,160</u>
Change in Net Position				<u>222,164</u>
Net Position - Beginning, as previously reported				1,617,084
Prior Period Adjustments				<u>203,357</u>
Net Position - Beginning, as restated				<u>1,820,441</u>
Net Position - Ending				<u>\$ 2,042,605</u>

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

**Humphreys County School District
Governmental Funds**

**Balance Sheet
June 30, 2022**

Exhibit C

	Major Funds			Other	Total
	General	Title I	ESSER III	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 13,497,650	-	-	1,604,783	\$ 15,102,433
Cash with fiscal agents	-	-	-	112,435	112,435
Investments	-	-	-	1,098,955	1,098,955
Due from other governments	108,121	354,077	467,795	414,499	1,344,492
Accrued interest receivable	-	-	-	7,134	7,134
Other receivables, net	50	-	-	-	50
Lease receivable	1,101,809	-	-	-	1,101,809
Due from other funds	1,356,798	-	-	1,917	1,358,715
Inventories	-	-	-	14,843	14,843
Prepaid items	32,679	-	-	-	32,679
Total assets	\$ 16,097,107	\$ 354,077	\$ 467,795	\$ 3,254,566	\$ 20,173,545
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 553,241	-	-	24,223	\$ 577,464
Due to other funds	-	354,077	467,795	536,843	1,358,715
Unavailable revenue - federal programs	-	-	-	11,067	11,067
Total Liabilities	553,241	354,077	467,795	572,133	1,947,246
Deferred Inflows of Resources					
Leases	1,312,440	-	-	-	1,312,440
Total deferred inflows of resources	1,312,440	-	-	-	1,312,440
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	14,843	14,843
Permanent fund principal	-	-	-	222,141	222,141
Prepaid items	32,679	-	-	-	32,679
Restricted:					
Debt service	-	-	-	1,294,568	1,294,568
Forestry improvement purposes	-	-	-	103,264	103,264
Unemployment benefits	-	-	-	20,880	20,880
Grant activities	-	-	-	1,026,737	1,026,737
Assigned:					
Capital improvements	833,832	-	-	-	833,832
Student activities	86,761	-	-	-	86,761
Unassigned					
	13,278,154	-	-	-	13,278,154
Total Fund Balances	14,231,426	-	-	2,682,433	16,913,859
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,097,107	\$ 354,077	\$ 467,795	\$ 3,254,566	\$ 20,173,545

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

**Humphreys County 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	\$	16,913,859
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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	\$	68,107	
Buildings		16,045,831	
Building improvements		2,670,388	
Improvements other than buildings		860,768	
Mobile equipment		2,875,870	
Furniture and equipment		3,304,236	
Intangible assets		101,409	
Accumulated depreciation		<u>(15,217,964)</u>	10,708,645

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

Net pension liability		(19,919,595)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions		4,365,274	
Deferred inflows of resources related to pensions		<u>(6,387,717)</u>	(21,942,038)

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

Net OPEB liability		(1,297,566)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB		309,525	
Deferred inflows of resources related to OPEB		<u>(508,518)</u>	(1,496,559)

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:

Other bonds payable		(1,500,000)	
Installment purchase loans payable		(445,500)	
Lease obligations payable		(83,384)	
Compensated absences		(95,138)	
Accrued interest payable		<u>(17,280)</u>	(2,141,302)

Net Position of governmental activities	\$	<u>2,042,605</u>
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The notes to the financial statements are an integral part of this statement.

**Humphreys County 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 Fund	Title I Fund	ESSER III Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 3,187,343	-	-	168,489	\$ 3,355,832
State sources	7,631,287	-	-	435,623	8,066,910
Federal sources	-	1,245,888	467,795	3,050,008	4,763,691
Sixteenth section sources	433,881	-	-	3,620	437,501
Total Revenues	11,252,511	1,245,888	467,795	3,657,740	16,623,934
Expenditures:					
Instruction	5,464,015	374,592	386,282	1,514,253	7,739,142
Support services	5,634,933	687,932	73,705	1,023,568	7,420,138
Noninstructional services	432	97,931	-	1,377,836	1,476,199
Sixteenth section	36,803	-	-	4,466	41,269
Debt service:					
Principal	6,558	10,685	-	782	18,025
Interest	829	1,350	-	10,449	12,628
Other	-	-	-	2,500	2,500
Total Expenditures	11,143,570	1,172,490	459,987	3,933,854	16,709,901
Excess (Deficiency) of Revenues over (under) Expenditures	108,941	73,398	7,808	(276,114)	(85,967)
Other Financing Sources (Uses):					
Intallment purchase loan issued	445,500	-	-	-	445,500
Leases issued	36,893	60,115	-	4,401	101,409
Insurance recovery	432	-	-	-	432
Payments held by escrow agent	-	-	-	66,026	66,026
Payment to QSCB escrow agent	-	-	-	(66,026)	(66,026)
Operating transfers in	377,539	-	-	802,755	1,180,294
Operating transfers out	(511,717)	(133,513)	(7,808)	(527,256)	(1,180,294)
Other financing uses	(4)	-	-	-	(4)
Total Other Financing Sources (Uses)	348,643	(73,398)	(7,808)	279,900	547,337
Net Change in Fund Balances	457,584	-	-	3,786	461,370
Fund Balances:					
July 1, 2021, as previously reported	13,517,968	-	-	2,702,743	16,220,711
Prior period adjustments	255,874	-	-	(16,998)	238,876
July 1, 2021, as restated	13,773,842	-	-	2,685,745	16,459,587
Increase (Decrease) in inventory				(7,098)	(7,098)
June 30, 2022	\$ 14,231,426	\$ -	\$ -	2,682,433	\$ 16,913,859

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

**Humphreys County School District
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022**

Exhibit D-1

Net change in fund balances - total governmental funds	\$	461,370
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	\$ 546,909	
Depreciation expense	<u>(653,939)</u>	(107,030)
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(445,500)	
Leases issued	(101,409)	
Payments of debt principal	18,025	
Accrued interest payable	<u>(9,113)</u>	(537,997)
3. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
Pension expense	(1,253,846)	
Contributions subsequent to the measurement date	<u>1,537,161</u>	283,315
4. 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	71,189	
Contributions subsequent to the measurement date	<u>35,800</u>	106,989
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	22,615	
Change in inventory	<u>(7,098)</u>	15,517
Change in Net Position of governmental activities	\$	<u>222,164</u>

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

HUMPHREYS COUNTY 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." A state law enacted in 2016 requires the Mississippi State Board of Education (SBE) to intervene in persistently failing school districts by placing the districts in a state-run Achievement School District (ASD). Districts that are rated "F" for two consecutive years or two out of three consecutive years, encompass 50% or more F-rated schools and/or have 50% or more of their students attending F-rated schools are subject to inclusion in the ASD.

The SBE selected Humphreys County School District and Yazoo City School District to form the first Achievement School District. Beginning July 1, 2019, the Humphreys County School District is now operating under this Achievement School District.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund – This is the school district's federal reimbursable fund that serves to fund educational services to low-income, program eligible students.

ESSER III Fund - This is a special revenue fund that accounts for the expenditures and revenues of the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund under the American Rescue Plan (ARP) Act of 2021, Public Law 117-2, enacted on March 11, 2021. The ARP ESSER III funding from the ARP Act provides support for K-12 schools to help safely open and sustain the safe operations of schools and address the impacts of the coronavirus pandemic on the nation's students.

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

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

provider have been met.

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental 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
Intangible assets	**	**

(**) The estimated useful life for each right to use asset (intangible asset) is the number of years of the lease which is represented by each right to use asset.

The term 'depreciation' includes the amortization of the intangible assets.

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 reports \$4,365,274 of deferred outflows related to its pension plan and \$309,525 related to its OPEB plan.

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)

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

and so will not be recognized as an inflow of resources (revenue) until that time. The school district reports \$6,387,717 of deferred inflows related to its pension plan, \$508,518 related to its OPEB plan, and \$1,312,440 of deferred inflows related leases.

See Note 15 for further details.

8. Compensated Absences

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

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

9. 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 implemented during fiscal year 2022.

When acting as lessor for the leasing of sixteenth section trust lands, the school district uses the minimum of 4% interest required by Mississippi statute for sixteenth section loans to calculate the net present value of future sixteenth section lease payments. When acting as lessee, the school district uses its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known. See Note 6 for more information regarding leases.

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 7 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.

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

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.

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. Currently there is no committed fund balance for this Humphreys County School District.

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

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

14. Accounting Standards Update

GASB 87, *Leases*, was 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.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$15,102,433.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2022, none of the district's bank balance of \$15,958,445 was exposed to custodial credit risk.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$112,435.

Investments

As of June 30, 2022, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AA+	1 - 5 years	\$ 1,098,955
Total			<u>\$ 1,098,955</u>

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

The district has the following recurring fair value measurements as of June 30, 2022:

- U.S Government Securities of \$1,098,955 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2022, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2022, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	\$ 1,098,955	100%

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 354,077
	ESSER III Fund	467,795
	Other Governmental Funds	534,926
Other Governmental Funds	Other Governmental Funds	1,917
Total		<u>\$ 1,358,715</u>

The primary reason for the inter-fund loans was to eliminate deficit cash balances in certain federal program funds as part of routine year end closing adjustments.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I Fund	\$ 133,513
	ESSER III Fund	7,808
	Other Governmental Funds	236,218
Other Governmental Funds	General Fund	511,717
	Other Governmental Funds	291,038
Total		<u>\$ 1,180,294</u>

Operating transfers were primarily for the following: indirect cost transfers, cost pool transfers, debt service transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$222,141, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance and investment balance, totaling \$112,435, and \$1,098,955, respectively, of the qualified school construction bond sinking fund.

In addition, the restricted assets represent the cash balance, totaling \$76,044 of other debt services funds whose assets are restricted for future debt service requirements.

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

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities: Adjustments were made to properly present capital assets at the fiscal year end.

	Balance 7/1/2021	Increases	Adjustments	Balance 6/30/2022
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 68,107	\$ -	\$ -	\$ 68,107
Total non-depreciable capital assets	68,107	-	-	68,107
<u>Depreciable capital assets:</u>				
Buildings	16,045,832	-	(1)	16,045,831
Building improvements	2,670,388	-		2,670,388
Improvements other than buildings	867,268	-	(6,500)	860,768
Mobile equipment	2,517,768	445,500	(87,398)	2,875,870
Furniture and equipment	3,512,179	-	(207,943)	3,304,236
Intangible assets		101,409		101,409
Total depreciable capital assets	25,613,435	546,909	(301,842)	25,858,502
<u>Less accumulated depreciation for:</u>				
Buildings	8,074,295	241,404	1	8,315,700
Building improvements	1,530,995	102,691	1	1,633,687
Improvements other than buildings	453,560	19,207	(1,365)	471,402
Mobile equipment	1,469,861	230,561	(63,653)	1,636,769
Furniture and equipment	3,301,637	41,062	(201,307)	3,141,392
Intangible assets		19,014	-	19,014
Total accumulated depreciation	14,830,348	653,939	(266,323)	15,217,964
Total depreciable capital assets, net	10,783,087	(107,030)	(35,519)	10,640,538
Governmental activities capital assets, net	\$ 10,851,194	\$ (107,030)	\$ (35,519)	\$ 10,708,645
Total capital assets, net excluding intangible right to use assets				10,626,250
Intangible right to use assets, net				82,395
Total capital assets, net as reported in the statement of net position				10,708,645

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 492,600
Support services	105,177
Non-instructional	56,162
Total depreciation expense	\$ 653,939

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

Note 6 – Leases

As Lessee:

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses its estimated borrowing rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The school district, acting as lessee, has entered into one (1) lease for equipment. Details of the lease obligation can be found in Note 7.

As Lessor:

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 ensure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The school district uses the rate of 4% minimum interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 27 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the net present value of future lease payments of \$1,101,809 as a lease receivable and \$1,312,440 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The total amount of inflows of resources related to sixteenth section land leases recognized during the current fiscal year is \$432,709.

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

The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Principal	Interest	Total Payments
2023	\$ 446,471	\$ 44,072	\$ 490,543
2024	391,307	26,214	417,521
2025	162,062	10,561	172,623
2026	95,240	4,079	99,319
2027	31	269	300
2028 – 2032	174	1,326	1,500
2033 – 2037	211	1,289	1,500
2038 – 2042	257	1,243	1,500
2043 – 2047	313	1,187	1,500
2048 – 2052	381	1,119	1,500
Thereafter	5,362	4,238	9,600
Total	<u>\$ 1,101,809</u>	<u>\$ 95,597</u>	<u>\$ 1,197,406</u>

Note 7 – 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. Lease obligations payable	\$ -	\$ 101,409	\$ 18,025	\$ 83,384	\$ 24,726
B. Installment purchases loans payable	-	445,500	-	445,500	84,897
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	117,753	-	22,615	95,138	4,757
Total	<u>\$ 1,617,753</u>	<u>\$ 546,909</u>	<u>\$ 40,640</u>	<u>\$ 2,124,022</u>	<u>\$ 114,380</u>

A. Lease obligations payables

The school district has entered into a lease agreement as lessee.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Copiers	3.25%	10/1/2021	9/30/2025	\$ 101,409	\$ 83,384
Total				<u>\$ 101,409</u>	<u>\$ 83,384</u>

Note: Issue date reflects the actual lease commencement date.

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

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 24,726	\$ 2,344	\$ 27,070
2024	25,542	1,528	27,070
2025	26,384	686	27,070
2026	6,732	36	6,768
Total	<u>\$ 83,384</u>	<u>\$ 4,594</u>	<u>\$ 87,978</u>

B. Installment purchases loans payable

The school district has entered into an installment purchases agreement as listed below. Property under the installment purchases agreement is composed of the following:
Five (5) passenger school buses.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 Intallment Purchas Loan (Buses)	2.39%	8/25/2021	8/25/2026	\$ 445,500	\$ 445,500
Total				<u>\$ 445,500</u>	<u>\$ 445,500</u>

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 84,897	\$ 10,765	\$ 95,662
2024	86,948	8,714	95,662
2025	89,049	6,613	95,662
2026	91,200	4,462	95,662
2027	93,406	2,256	95,662
Total	<u>\$ 445,500</u>	<u>\$ 32,810</u>	<u>\$ 478,310</u>

This debt will be retired from the district maintenance fund.

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

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction					
Bonds	0.69%	12/23/2009	9/15/2024	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Year Ending June 30	Principal	Interest	Total
2023	\$ -	\$ 10,350	\$ 10,350
2024	-	10,350	10,350
2025	1,500,000	10,350	1,510,350
Total	<u>\$ 1,500,000</u>	<u>\$ 31,050</u>	<u>\$ 1,531,050</u>

This debt will be retired from the QSCB sinking debt service fund.

D. Compensated absences payable

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65,

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

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 \$1,537,161, \$1,559,188, and \$1,517,774, 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 \$19,919,595 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 0.1347700 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.003772 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.

For the year ended June 30, 2022, the District recognized pension expense of \$1,253,846. 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	\$ 527,899	\$
Net difference between projected and actual earnings on pension plan investments		6,143,607
Changes of assumptions	62,074	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,238,140	244,110
District contributions subsequent to the measurement date	1,537,161	
Total	\$ <u>4,365,274</u>	\$ <u>6,387,717</u>

\$1,537,161 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	\$ (392,532)
2024	(593,661)
2025	(785,762)

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

2026 (1,787,649)

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.

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	<u>100 %</u>	

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

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

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:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 28,210,817	\$ 19,919,595	\$ 13,086,969

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for

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

retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$35,800 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 \$1,297,566 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 of June 30, 2021, the District's proportion was 0.20158493 percent. This was a decrease of 0.00687519 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 (\$71,189). 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	\$ 1,411	\$ 405,732
Changes of assumptions	210,150	43,885
Net difference between projected and actual earnings on OPEB plan investments	60	
Changes in proportion and differences between District contributions and proportionate share of contributions	62,104	58,901
District contributions subsequent to the measurement date	35,800	
Total	\$ 309,525	\$ 508,518

\$35,800 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	\$ (56,490)
2024	(51,387)
2025	(38,687)
2026	(48,405)
2027	(39,824)

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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

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

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	\$ 1,436,220	\$ 1,297,566	\$ 1,179,342

HUMPHREYS COUNTY SCHOOL DISTRICT
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	\$ 1,201,882	\$ 1,297,556	\$ 1,405,849

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

Note 10 – 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 Humphreys County School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The Humphreys County School District is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 52 School Districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member School Districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

HUMPHREYS COUNTY 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 credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2022, the district did not receive a subsidy payment.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2022 was \$1,211,390. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending		Amount
June 30		
2023	\$	104,000
2024		104,000
2025		102,000
Total	\$	310,000

Note 13 – Insurance Loss Recoveries

The Humphreys County School District received \$432 in insurance loss recoveries related to storm damage. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to support services.

Note 14 - Juvenile Detention Center Education Program

The Humphreys County School District entered into an agreement dated August 6, 2018 creating the Leflore County Juvenile Detention Center. This program was in accordance with Section 43-21-321, Miss. Code Ann. (1972) which states a sponsoring school district must provide educational services to youths detained in juvenile detention centers. It was approved by the Mississippi Department of Education and includes the Attala County School District, Carroll County School District, Coffeeville School District, Clarksdale Municipal School District, Coahoma Agricultural High School, Coahoma County School District, East Tallahatchie School District, Holmes County Consolidated School District, Humphreys County School District, Kosciusko School District, North Panola School District, Senatobia Municipal School District, South Panola School District, Sunflower County Consolidated School District, Tate County School District, Tunica County School District, Water Valley School District, West Tallahatchie Consolidated School District, Winona-Montgomery Consolidated School District and Greenwood Leflore Consolidated School District.

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

The school board of the school district designated by the agreement as the lead district will serve as the governing board of the program. The Greenwood Leflore Consolidated School District has been designated as the lead school district for the Leflore County Juvenile Detention Center and the operations of the program are included in its financial statements.

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$10,255,581) 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 \$1,537,161 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 \$2,828,113 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 3 years.

The unrestricted net position (deficit) amount of (\$10,255,581) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$6,387,717 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 (deficit) amount of (\$10,255,581) 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 \$35,800 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 \$273,725 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 (deficit) amount of (\$10,255,581) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$508,518 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.

The unrestricted net position amount of (\$10,255,581) includes the effect of deferring recognition of revenue resulting from a deferred inflow from leases. The \$1,312,440 balance of deferred inflow of resources related to leases at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 63 years.

Note 16 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Adjustments were made to properly present capital assets at fiscal year end.	\$ (35,519)
2. To correct beginning fund balances.	(8,484)
3. To correct out of balance amount on Exh C and due to due froms.	(3,626)
4. To correct balances to PY audit and to properly show escrow payment.	12,710
5. To correct a prior period error in recording an asset.	238,276
Total	<u>\$ 203,357</u>

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

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

Fund	Explanation	Amount
General Fund	To correct a prior period error in recording an asset.	\$ 238,276
General Fund	To correct beginning fund balances.	21,224
General Fund	To correct out of balance amount on Exh C and due to due froms.	(3,626)
Other Governmental Funds	To correct balances to PY audit and to properly show escrow payment.	12,710
Other Governmental Funds	To correct beginning fund balances.	(29,708)
	Total	<u>\$ 238,876</u>

Note 17 – State Compliance Testing

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

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Humphreys County School District evaluated the activity of the district through April 19, 2024, and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Humphreys County 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	\$ 3,403,344	3,187,295	3,187,343	\$ (216,049)	\$ 48
State sources	7,823,695	7,631,287	7,631,287	(192,408)	-
Federal sources	1,100	37	-	(1,063)	(37)
Sixteenth section sources	742,850	644,512	433,881	(98,338)	(210,631)
Total Revenues	11,970,989	11,463,131	11,252,511	(507,858)	(210,620)
Expenditures:					
Instruction	6,155,858	5,488,853	5,464,015	667,005	24,838
Support services	5,972,359	5,293,279	5,634,933	679,080	(341,654)
Noninstructional services	750	432	432	318	-
Sixteenth section	42,156	36,803	36,803	5,353	-
Facilities acquisition and construction	-	120,000	-	(120,000)	120,000
Debt service:					
Principal	-	-	6,558	-	(6,558)
Interest	-	-	829	-	(829)
Total Expenditures	12,171,123	10,939,367	11,143,570	1,231,756	(204,203)
Excess (Deficiency) of Revenues					
over (under) Expenditures	(200,134)	523,764	108,941	723,898	(414,823)
Other Financing Sources (Uses):					
Installment purchase loan issued	-	-	445,500	-	445,500
Leases issued	-	-	36,893	-	36,893
Insurance recovery	-	432	432	432	-
Operating transfers in	2,439,938	1,745,273	377,539	(694,665)	(1,367,734)
Other financing sources				-	-
Operating transfers out	(3,089,846)	(1,879,456)	(511,717)	1,210,390	1,367,739
Other financing uses	-	-	(4)	-	(4)
Total Other Financing Sources (Uses)	(649,908)	(133,751)	348,643	516,157	482,394
Net Change in Fund Balances	(850,042)	390,013	457,584	1,240,055	67,571
Fund Balances:					
July 1, 2021, as previously reported	13,169,941	13,539,193	13,517,968	369,252	(21,225)
Prior period adjustments	(50)	239,889	255,874	239,939	15,985
July 1, 2021, as restated	13,169,891	13,779,082	13,773,842	609,191	(5,240)
June 30, 2022	\$ 12,319,849	\$ 14,169,095	\$ 14,231,426	\$ 1,849,246	\$ 62,331

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

**Humphreys County School District
Required Supplementary Information**

**Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Federal sources	\$ 2,061,536	\$ 1,245,888	\$ 1,245,888	\$ (815,648)	\$ -
Total Revenues	2,061,536	1,245,888	1,245,888	(815,648)	-
Expenditures:					
Instruction	258,542	374,722	374,592	(116,180)	130
Support services	1,627,291	639,851	687,932	987,440	(48,081)
Noninstructional services	31,677	101,927	97,931	(70,250)	3,996
Debt service:					
Principal	-	-	10,685	-	(10,685)
Interest	-	-	1,350	-	(1,350)
Total Expenditures	1,917,510	1,116,500	1,172,490	801,010	(55,990)
Excess (Deficiency) of Revenues over (under) Expenditures	144,026	129,388	73,398	(14,638)	(55,990)
Other Financing Sources (Uses):					
Leases issued	-	-	60,115	-	60,115
Operating transfers out	(31,590)	(133,513)	(133,513)	(101,923)	-
Total Other Financing Sources (Uses)	(31,590)	(133,513)	(73,398)	(101,923)	60,115
Net Change in Fund Balances	112,436	(4,125)	-	(116,561)	4,125
Fund Balances:					
July 1, 2021,	(39,185)	-	-	39,185	-
June 30, 2022	\$ 73,251	\$ (4,125)	\$ -	\$ (77,376)	\$ 4,125

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

**Humphreys County 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	\$ 10,582,702	\$ 467,795	\$ 467,795	\$ (10,114,907)	\$ -
Total Revenues	10,582,702	467,795	467,795	(10,114,907)	-
Expenditures:					
Instruction	-	386,282	386,282	(386,282)	-
Support services	10,582,702	73,705	73,705	10,508,997	-
Total Expenditures	10,582,702	459,987	459,987	10,122,715	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	7,808	7,808	7,808	-
Other Financing Sources (Uses):					
Operating transfers out	-	(7,808)	(7,808)	(7,808)	-
Total Other Financing Sources (Uses)	-	(7,808)	(7,808)	(7,808)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2021,	-	-	-	-	-
June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -

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

Humphreys County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.134770%	0.130998%	0.132740%	0.125628%	0.130000%	0.130000%	0.130000%	0.130000%
District's proportionate share of the net pension liability \$	19,919,595	25,359,691	23,351,585	20,895,669	21,610,415	23,221,246	20,095,436	15,779,619
District's covered payroll	8,960,851	8,722,839	8,644,990	8,022,533	8,316,501	8,635,492	8,149,213	7,801,333
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	270.12%	260.46%	259.85%	268.90%	246.59%	202.27%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 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.

Humphreys County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

		2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	1,537,161	1,559,188	1,517,774	1,361,586	1,263,549	1,309,848	1,360,090	1,283,501
Contributions in relation to the contractually required contribution		1,537,161	1,559,188	1,517,774	1,361,586	1,263,549	1,309,848	1,360,090	1,283,501
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-	-
District's covered payroll	\$	8,834,259	8,960,851	8,722,839	8,644,990	8,022,533	8,316,495	8,635,492	8,149,213
Contributions as a percentage of covered payroll		17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 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.

Humphreys County School District

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.20158493%	0.20846012%	0.20010449%	0.20167295%	0.19672300%
District's proportionate share of the net OPEB liability	\$ 1,297,566	1,622,254	1,697,969	1,560,041	1,543,505
District's covered - employee payroll	9,583,747	8,722,839	8,644,990	8,022,515	8,316,473
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	13.54%	18.60%	19.64%	19.45%	18.56%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

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

Humphreys County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 35,800	52,138	64,695	68,060	65,802
Contributions in relation to the actuarially determined contribution	35,800	52,138	64,695	68,060	65,802
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered - employee payroll	\$ 8,834,259	8,960,851	8,722,839	8,644,990	8,022,533
Contributions as a percentage of covered - employee payroll	0.41%	0.58%	0.74%	0.79%	0.82%

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

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

HUMPHREYS COUNTY 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%.

HUMPHREYS COUNTY 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%.

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 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%

SUPPLEMENTARY INFORMATION

HUMPHREYS COUNTY SCHOOL DISTRICT
Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program or Cluster 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	225MS326N1099	\$ 365,266
National school lunch program	10.555	225MS326N1099	1,123,294
Summer food service program for children	10.559	225MS326N1099	84,147
Fresh Fruit and Vegetable Program	10.582	225MS326L1603	60,803
Total child nutrition cluster			<u>1,633,510</u>
Total passed-through Mississippi Department of Education			<u>1,633,510</u>
Total U.S. Department of Agriculture			<u><u>1,633,510</u></u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A210024	1,448,266
Career and technical education - basic grants to states	84.048	V048A210024	15,611
Education for homeless children and youth	84.196	S196A210025	60,172
Rural education	84.358	S358B210024	16,164
Supporting Effective Instruction State Grants	84.367	S367A210025	155,551
School Improvement Grant	84.377	S377A160025	8,116
Student Support and Academic Enrichment Program	84.424	S424A210025	90,093
Subtotal			<u>1,793,973</u>
Special education cluster:			
Special education - grants to states	84.027	H027A210108	469,185
IDEA, Part B ARP Grant	84.027X	H027X210108	21,309
Total special education - grants to states			<u>490,494</u>
Special education - preschool grants	84.173	H173A210113	28,088
Total special education cluster			<u>518,582</u>
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	28,314
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D200031	448,043
CTE ESSER Grant	84.425D	S425D200031	3,150
Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	467,795
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			<u>947,302</u>
Total passed-through Mississippi Department of Education			<u>3,259,857</u>
Total U.S. Department of Education			<u><u>3,259,857</u></u>
Total for All Federal Awards			<u><u>\$ 4,893,367</u></u>

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

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

HUMPHREYS COUNTY 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	\$ 12,154,285	8,040,135	895,891	979,555	2,238,704
Other	4,555,616	1,639,390	175,053	17,827	2,723,346
Total	<u>\$ 16,709,901</u>	<u>9,679,525</u>	<u>1,070,944</u>	<u>997,382</u>	<u>4,962,050</u>
Total number of students *	<u>1,260</u>				
Cost per student	<u>\$ 13,262</u>	<u>7,682</u>	<u>850</u>	<u>792</u>	<u>3,938</u>

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

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

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

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

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

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

OTHER INFORMATION

HUMPHREYS COUNTY 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	\$ 3,187,343	\$ 3,522,228	\$ 2,959,693	\$ 2,634,860
State sources	7,631,287	7,866,931	8,306,244	8,207,300
Federal sources		252	59,961	4,005
Sixteenth section sources	433,881	757,144	716,728	913,253
Total Revenues	11,252,511	12,146,555	12,042,626	11,759,418
Expenditures:				
Instruction	5,464,015	6,388,075	6,461,529	5,813,813
Support services	5,634,933	6,289,731	6,296,432	5,294,101
Noninstructional services	432	-	-	-
Sixteenth section	36,803	6,356	36,612	21,720
Facilities acquisition and construction	-	-	-	33,953
Debt service:				
Principal	6,558	-	-	-
Interest	829	-	-	-
Total Expenditures	11,143,570	12,684,162	12,794,573	11,163,587
Excess (Deficiency) of Revenues over (under) Expenditures	108,941	(537,607)	(751,947)	595,831
Other Financing Sources (Uses):				
Installment purchase loan Issued	445,500	-	-	-
Leases issued	36,893	-	-	-
Insurance recovery	432	81,478	-	-
Sale of transportation equipment	-	-	-	3,700
Operating transfers in	377,539	166,706	93,582	87,862
Operating transfers out	(511,717)	(839,374)	(850,339)	(566,035)
Other financing uses	(4)	-	-	(12,044)
Total Other Financing Sources (Uses)	348,643	(591,190)	(756,757)	(486,517)
Net Change in Fund Balances	457,584	(1,128,797)	(1,508,704)	109,314
Fund Balances:				
Beginning of period, as previously reported	13,517,968	14,595,129	16,103,833	15,994,519
Prior period adjustments	255,874	51,636	-	-
Beginning of period, as restated	13,773,842	14,646,765	16,103,833	15,994,519
End of Period	\$ 14,231,426	\$ 13,517,968	\$ 14,595,129	\$ 16,103,833

*SOURCE - PRIOR YEAR AUDIT REPORTS

HUMPHREYS COUNTY 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	\$ 3,355,832	\$ 3,560,241	\$ 3,101,625	\$ 2,787,548
State sources	8,066,910	8,320,417	8,646,118	8,730,596
Federal sources	4,763,691	5,191,272	3,784,153	3,858,863
Sixteenth section sources	437,501	762,024	721,563	914,065
Total Revenues	16,623,934	17,833,954	16,253,459	16,291,072
Expenditures:				
Instruction	7,739,142	8,775,231	8,264,181	7,243,601
Support services	7,420,138	8,294,433	8,169,289	7,159,183
Noninstructional services	1,476,199	1,595,388	1,390,027	1,429,946
Sixteenth section	41,269	6,356	40,327	23,334
Facilities acquisition and construction	-	-	-	33,953
Debt service:				
Principal	18,025	-	-	-
Interest	12,628	12,850	10,350	10,350
Other	2,500	-	2,263	1,977
Total Expenditures	16,709,901	18,684,258	17,876,437	15,902,344
Excess (Deficiency) of Revenues over (under) Expenditures	(85,967)	(850,304)	(1,622,978)	388,728
Other Financing Sources (Uses):				
Installment purchase loan Issued	445,500	-	-	-
Leases issued	101,409	-	-	-
Insurance recovery	432	81,478	-	-
Sale of transportation equipment	-	-	-	3,700
Payments held by QSCB escrow agent	66,026	-	-	-
Payment to QSCB debt escrow agent	(66,026)	-	-	-
Operating transfers in	1,180,294	1,189,596	1,189,469	818,026
Operating transfers out	(1,180,294)	(1,189,596)	(1,189,469)	(818,026)
Other financing uses	(4)	(1,119)	(9,276)	(12,072)
Total Other Financing Sources (Uses)	547,337	80,359	(9,276)	(8,372)
Net Change in Fund Balances	461,370	(769,945)	(1,632,254)	380,356
Fund Balances:				
Beginning of period, as previously reported	16,220,711	16,932,457	18,556,575	18,268,905
Prior period adjustments	238,876	51,636		(96,547)
Beginning of period, as restated	16,459,587	16,984,093	18,556,575	18,172,358
Increase (Decrease) in reserve for inventory	(7,098)	6,563	8,136	3,861
End of Period	\$ 16,913,859	\$ 16,220,711	\$ 16,932,457	\$ 18,556,575

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent of the Achievement School District
Humphreys County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Humphreys County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Humphreys County School District's basic financial statements, and have issued our report thereon dated April 19, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, as items **2022-001, 2022-002, 2022-003, and 2022-004** that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humphreys County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2022-001, 2022-002, 2022-003, and 2022-004**, that we consider to be immaterial noncompliance.

Humphreys County School District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Humphreys County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Humphreys County School District's response was not subjected to the other auditing procedures applied in the audit of 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 audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown CPA, PLLC
Madison, Mississippi
April 19, 2024



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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

Superintendent of the Achievement School District
Humphreys County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Humphreys County 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 Humphreys County School District's major federal programs for the year ended June 30, 2022. The Humphreys County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Humphreys County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Humphreys County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Humphreys County School District's compliance with the compliance requirements referred to above.

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 the Humphreys County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Humphreys County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting

material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Humphreys County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Humphreys County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Humphreys County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Humphreys County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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

Brown CPA, PLLC
Madison, Mississippi
April 19, 2024



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HUMPHREYS COUNTY 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: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified? | None reported |

- | | | |
|----|--|------------|
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

7. Identification of major programs:

<u>ALNs Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559 & 10.582	Child Nutrition Cluster
84.425D	COVID-19 – Elementary & Secondary School Emergency Relief I, II, and CTE Grant (ESSER)
84.425U	COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER)

- | | | |
|-----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit 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 |

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

Section II: Financial Statement Findings

**Significant Deficiencies not considered to be
Material Weaknesses/Immaterial Non-Compliance**

2022-001 Finding

Repeat Finding - 2021-001 and 2020-001

Capital asset testing and internal controls.

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publishes The Internal Control-Integrated Framework that establishes guidance on internal control and fraud deterrence. An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records.

Condition:

During our testing of capital assets, we noted the following exceptions:

1. Expenditures are not being properly capitalized and depreciated.
2. Six (6) assets could not be found out of a sample thirty-two (32) during our testing of inventory.
3. One (1) asset in the sample of thirty-two did not have an asset tag and could not be verified.

Cause:

The cause is a result of not properly implementing the designed system of internal controls and not properly monitoring the recording and maintenance of capital assets.

Effect:

The effect could result in the financial statements being materially misstated and an increased risk of misappropriation of assets.

Recommendation:

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

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 76.

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

2022-002 Finding
Repeat Finding - 2021-003

Reconciliation of bank and investment statements

Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling bank and investment statements to ensure the values are accurate and booked at fair value.

Condition:

We noted the following deficiencies in financial statement preparation and reporting:

1. Investment statements were not reconciled to identify the fair value amounts, and to make the proper adjustments to the financial statements.
2. The district did not provide a bank reconciliation for one of the accounts listed on the cash confirmation. The account balance was immaterial and was not a main operating account.

Cause:

The district did not have the proper controls in place to ensure that all bank and investments statements were being reconciled to show the correct balances.

Effect:

Failures in internal controls over financial statement preparation and reporting could cause misstatements in the financial statements or misappropriation of assets.

Recommendation:

We recommend the district implement policies and procedures to establish an internal control system to ensure proper reconciliation of all bank and investment statements to the underlying accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 76.

2022-003 Finding

Receipt testing and internal controls

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publishes The Internal Control-Integrated Framework that establishes guidance on internal control and fraud deterrence. 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. Management is responsible for ensuring that all funds are properly receipted, timely deposited, and adequately reported.

Condition:

During our testing of receipts, a sample of ten (10) sixteenth section lease payments were chosen. Three (3) in the sample where the district was unable to provide the supporting documentation for the payments related to the audit year. The payments were not received timely, and the documentation was not clear on which fiscal year the payment was for.

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

Cause:

The district did not have the proper controls in place to ensure the proper documentation is being maintained for support.

Effect:

This could cause revenues being misstated and not all revenues being recorded.

Recommendation:

The district should implement stronger internal controls to ensure that all revenues are properly recorded through receipting, recording the deposit, recording to the general ledger, and timely bank reconciliations. All documentation should be maintained for support.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 76.

2022-004 Finding

Deficiencies in controls surrounding year end accruals

Criteria:

In accordance to the General Accepted Accounting Principles (GAAP) and GASB 34, the school district is charged with developing controls surrounding the reconciliation of year end accruals and year-end balance sheet amounts.

Condition:

In our review of the controls surrounding year-end accruals and balance sheet accounts, we noted that management did not properly reconcile receivables. The auditor could not trace the amounts received to the following year for several funds. Overall, the amount is immaterial, and no adjustment was made.

Cause:

The cause is likely an oversight or lack of controls to ensure receivables are properly stated on the financials.

Effect:

This effect could be receivables being overstated or misstatements to revenues on the financials.

Recommendation:

We recommend that the school district review their close out procedures and ensure that year end accruals and balance sheet reconciliations agree.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 76.

Section III: Federal Award Findings and Questioned Costs

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

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



Humphreys Campus
Academics and Operations Center
401 4th Street
Belzoni, MS 39038
Phone: 662-247-6000

Yazoo Campus
Business and Administration Center
1133 Calhoun Avenue
Yazoo City, MS 39194
Phone: 662-746-2125

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The Humphreys County 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>Capital asset testing and internal controls.</p> <p>A. Name of contact person responsible for corrective action: Name: Levette Upshaw Title: Chief Business Officer</p> <p>B. Corrective action planned:</p> <p>The district will implement policies and procedures to establish an internal control system that will ensure strong financials, accountability, and safeguarding of assets.</p> <p>C. Anticipated completion date:</p> <p>Immediately</p>
2022-002	<p>Reconciliation of bank and investment statements.</p> <p>A. Name of contact person responsible for corrective action: Name: Levette Upshaw Title: Chief Business Officer</p> <p>B. Corrective action planned:</p> <p>The district will implement policies and procedures to establish an internal control system that will ensure proper reconciliation of all bank and investment statements to the underlying accounting records.</p> <p>C. Anticipated completion date:</p> <p>Immediately</p>



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401 4th Street
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Yazoo Campus
Business and Administration Center
1133 Calhoun Avenue
Yazoo City, MS 39194
Phone: 662-746-2125

2022-003

Receipt testing and internal controls.

A. Name of contact person responsible for corrective action:

Name: Levette Upshaw

Title: Chief Business Officer

B. Corrective action planned:

The district will implement stronger internal controls to ensure that all revenues are properly recorded through receipting, recording the deposit, recording to the general ledger, and timely bank reconciliations. All documentation will be maintained for adequate support.

C. Anticipated completion date:

Immediately

2022-004

Deficiencies in controls surrounding year end accruals.

A. Name of contact person responsible for corrective action:

Name: Levette Upshaw

Title: Chief Business Officer

B. Corrective action planned:

The district will review our close out procedures and ensure that year end accruals and balance sheet reconciliations agree.

C. Anticipated completion date:

June 30, 2024



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Phone: 662-746-2125

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Uniformed Guidance, the Humphreys County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2022:

<u>Findings</u>	<u>Status</u>
2021-001	Not Corrected; See Finding 2022-001
2021-002	Corrected
2021-003	Not Corrected; See Finding 2022-002