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Kemper County School District

Audited Financial Statements
For the Year Ended June 30, 2022

Fortenberry & Ballard, PC
Certified Public Accountants

**Kemper County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Kemper 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 Kemper 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 Kemper 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 Kemper 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*, 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 Kemper 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.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, the school district implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022.

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

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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 Kemper 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 Kemper 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 Kemper 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 Kemper 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 May 11, 2023, on our consideration of the Kemper 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 Kemper 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 Kemper County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 11, 2023

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The following discussion and analysis of Kemper 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 \$735,447, including a prior period adjustment of (\$54,680), which represents a 15% increase from fiscal year 2021. Total net position for 2021 increased \$944,344, which represents a 16% increase from fiscal year 2020.
- General revenues amounted to \$13,186,217 and \$13,612,399, or 73% and 81% 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 \$4,817,413, or 27% of total revenues for 2022, and \$3,211,388, or 19% of total revenues for 2021.
- The District had \$17,213,503 and \$15,879,443 in expenses for fiscal years 2022 and 2021; only \$4,817,413 for 2022 and \$3,211,388 for 2021 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,186,217 for 2022 and \$13,612,399 for 2021 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$12,770,754 in revenues and \$12,949,753 in expenditures for 2022, and \$12,913,854 in revenues and \$10,903,369 in expenditures for 2021. The General Fund's fund balance decreased by \$630,248, including a prior period adjustment of \$16,680, from 2021 to 2022, and increased by \$1,435,805 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$1,928,969, including a prior period adjustment of \$39,206, for 2022 and decreased by \$395,241 for 2021. The increase for 2022 was due primarily to the additions to land, construction in progress, mobile equipment and furniture and equipment during the year.
- Long-term debt increased by \$2,655,653 for 2022 and decreased by \$627,407 for 2021. This increase for 2022 was due primarily to the installment purchase loan issued during the year in the amount of \$3,300,000. The liability for compensated absences decreased by \$8,542 for 2022 and increased by \$1,415 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.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Government-wide Financial Statements

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

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

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 categorized as governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Certain other outflows 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.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,284,039 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.

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

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 13,025,388	10,658,001	22%
Restricted assets	1,711,846	1,711,788	0%
Capital assets, net	7,128,683	5,199,714	37%
Total assets	21,865,917	17,569,503	24%
 Deferred outflows of resources	 5,190,454	 3,941,340	 32%
Current liabilities	1,227,317	686,159	79%
Long-term debt outstanding	4,016,013	1,368,902	193%
Net OPEB Liability	1,108,133	1,264,283	(12)%
Net pension liability	17,168,808	21,437,009	(20)%
Total liabilities	23,520,271	24,756,353	(5)%
 Deferred inflows of resources	 7,820,139	 1,773,976	 341%
 Net position:			
Net investment in capital assets	5,301,203	5,199,714	2%
Restricted	2,769,245	2,360,701	17%
Unrestricted	(12,354,487)	(12,579,901)	2%
Total net position (deficit)	\$ (4,284,039)	(5,019,486)	15%

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)	\$ (12,354,487)
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	<u>20,220,589</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 7,866,102</u>

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

- Increase in net capital assets in the amount of \$1,928,969.
- The principal retirement of \$644,347 of long-term debt.
- The issuance of an installment purchase loan in the amount of \$3,300,000.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$18,003,630 and \$16,823,787, respectively. The total cost of all programs and services was \$17,213,503 for 2022 and \$15,879,443 for 2021.

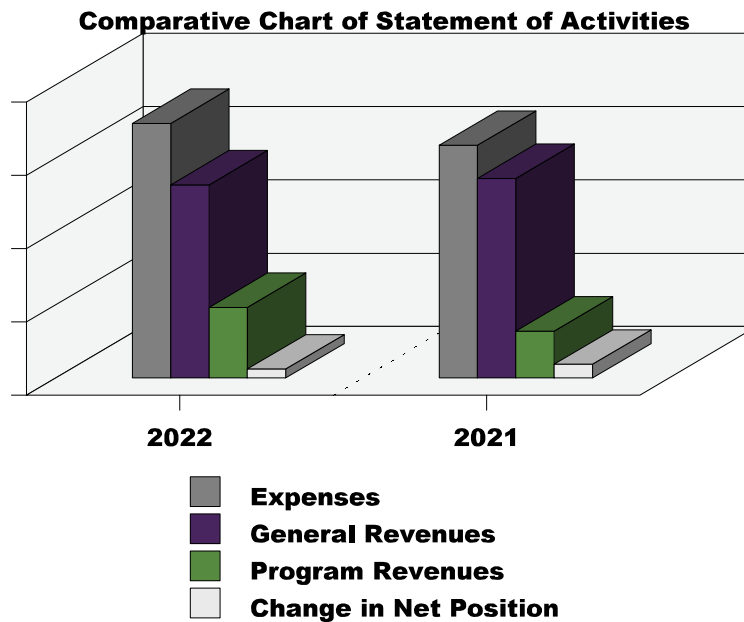
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 324,458	189,929	71%
Operating grants and contributions	4,492,955	3,021,459	49%
General Revenues:			
Property taxes	7,709,356	7,852,324	(2)%
Grants and contributions not restricted	4,971,496	5,156,357	(4)%
Unrestricted investment earnings	7,903	185,169	(96)%
Sixteenth section sources	449,247	380,809	18%
Other	48,215	37,740	28%
Total revenues	18,003,630	16,823,787	7%
Expenses:			
Instruction	7,411,664	6,450,450	15%
Support services	7,757,205	6,559,326	18%
Non-instructional	682,341	597,313	14%
Sixteenth section	123,782	56,325	120%
Pension expense	1,271,862	2,132,044	(40)%
OPEB expense	(60,600)	14,998	(504)%
Interest on long-term liabilities	27,249	68,987	(61)%
Total expenses	17,213,503	15,879,443	8%
Increase (Decrease) in net position	790,127	944,344	(16)%
Net Position (Deficit), July 1, as previously reported	(5,019,486)	(5,963,830)	16%
Prior Period Adjustment	(54,680)		N/A
Net Position (Deficit), July 1, as restated	(5,074,166)	(5,963,830)	15%
Net Position (Deficit), June 30	\$ (4,284,039)	(5,019,486)	15%

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022



Governmental activities

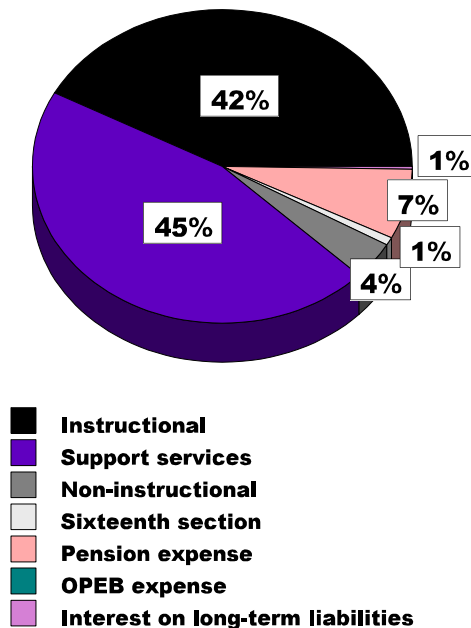
The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB expense and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges 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

	<u>Total Expenses</u>		Percentage Change
	2022	2021	
Instruction	\$ 7,411,664	6,450,450	15%
Support services	7,757,205	6,559,326	18%
Non-instructional	682,341	597,313	14%
Sixteenth section	123,782	56,325	120%
Pension expense	1,271,862	2,132,044	(40)%
OPEB expense	(60,600)	14,998	(504)%
Interest on long-term liabilities	27,249	68,987	(61)%
Total expenses	\$ 17,213,503	15,879,443	8%

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

	Net (Expense) Revenue		
	2022	2021	Percentage Change
Instruction	\$ (5,625,753)	(5,338,734)	(5)%
Support services	(5,706,073)	(5,006,937)	(14)%
Non-instructional	243,036	(92,028)	364%
Sixteenth section	(68,789)	(14,327)	(380)%
Pension expense	(1,271,862)	(2,132,044)	40%
OPEB expense	60,600	(14,998)	504%
Interest on long-term liabilities	(27,249)	(68,987)	61%
Total net (expense) revenue	\$ (12,396,090)	(12,668,055)	2%



- Net cost of governmental activities (\$12,396,090 for 2022 and \$12,668,055 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$7,709,356 for 2022 and \$7,852,324 for 2021) and state and federal revenues (\$4,971,496 for 2022 and \$5,156,357 for 2021). In addition, there was \$449,247 and \$380,809 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$7,903 for 2022 and \$185,169 for 2021.

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,842,312, an increase of \$1,132,234, which includes a prior period adjustment of (\$93,886) and an increase in inventory of \$4,147. \$8,616,101 or 67% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$4,226,211 or 33% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$630,248, including a prior period adjustment of \$16,680. The fund balance of Other Governmental Funds showed an increase in the amount of \$289,107 including a prior period adjustment of (\$110,566) and an increase in inventory of \$4,147. The increase (decrease) in the fund balance of the other major fund was as follow:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER II Fund	No increase or decrease
Lease Purchase Debt Fund	\$ 1,472,520
Sixteenth Section Principal Fund	\$ 855

BUDGETARY HIGHLIGHTS

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

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

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$12,867,216, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,030,793, including a prior period adjustment of \$39,206, from 2021. Total accumulated depreciation as of June 30, 2022, was \$5,738,533, and total depreciation expense for the year was \$407,119, resulting in total net capital assets of \$7,128,683.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 171,010	25,410	573%
Construction in progress	2,012,377		N/A
Buildings	3,072,880	3,161,582	(3)%
Building improvements	461,177	461,177	0%
Improvements other than buildings	146,701	146,701	0%
Mobile equipment	1,096,012	1,269,772	(14)%
Furniture and equipment	168,526	135,072	25%
Total	<u>\$ 7,128,683</u>	<u>5,199,714</u>	<u>37%</u>

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 \$4,016,013 in outstanding long-term debt, of which \$767,820 is due within one year. The liability for compensated absences decreased \$8,542 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Shortfall mill notes payable	\$ 661,746	1,306,093	(49)%
Installment purchase loan payable	3,300,000		N/A
Compensated absences payable	54,267	62,809	(14)%
Total	<u>\$ 4,016,013</u>	<u>1,368,902</u>	<u>193%</u>

Kemper County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

CURRENT ISSUES

The Kemper 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.

Enrollment for the 2021 - 2022 year decreased by 1% to 918 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Kemper County School District, P.O. Box 219, DeKalb, MS 39328.

FINANCIAL STATEMENTS

KEMPER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,869,397
Cash with fiscal agents	1,624,321
Due from other governments	827,792
Lease receivable	686,037
Inventories	17,841
Restricted assets	1,711,846
Capital assets, non-depreciable:	
Land	171,010
Construction in progress	2,012,377
Capital assets, net of accumulated depreciation:	
Buildings	3,072,880
Building improvements	461,177
Improvements other than buildings	146,701
Mobile equipment	1,096,012
Furniture and equipment	168,526
Total Assets	<u>21,865,917</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,876,042
Deferred outflows - OPEB	314,412
Total Deferred Outflows of Resources	<u>5,190,454</u>
Liabilities	
Accounts payable and accrued liabilities	1,208,885
Interest payable on long-term liabilities	18,432
Long-term liabilities (due within one year):	
Capital related liabilities	106,074
Non-capital related liabilities	661,746
Net OPEB liability	43,737
Long-term liabilities (due beyond one year):	
Capital related liabilities	3,193,926
Non-capital related liabilities	54,267
Net OPEB liability	1,064,396
Net pension liability	17,168,808
Total Liabilities	<u>23,520,271</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	6,662,158
Deferred inflows - OPEB	471,944
Deferred inflows - leases	686,037
Total Deferred Inflows of Resources	<u>7,820,139</u>
Net Position:	
Net Investment in Capital Assets	5,301,203
Restricted For:	
Expendable:	
School-based activities	695,308
Debt service	204,104
Forestry escrow	120,639
Unemployment benefits	37,348
Nonexpendable:	
Sixteenth section	1,711,846
Unrestricted	(12,354,487)
Total Net Position (Deficit)	<u>\$ (4,284,039)</u>

The accompanying notes are an integral part of this statement.

KEMPER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental Activities:				
Instruction	7,411,664	218,109	1,567,802	(5,625,753)
Support services	7,757,205	--	2,051,132	(5,706,073)
Noninstructional services	682,341	51,356	874,021	243,036
Sixteenth section	123,782	54,993	--	(68,789)
Pension expense	1,271,862	--	--	(1,271,862)
OPEB expense	(60,600)	--	--	60,600
Interest on long-term liabilities	27,249	--	--	(27,249)
Total Governmental Activities	<u>\$ 17,213,503</u>	<u>\$ 324,458</u>	<u>\$ 4,492,955</u>	<u>(12,396,090)</u>
General Revenues:				
Taxes:				
General purpose levies				6,890,542
Debt purpose levies				818,814
Unrestricted grants and contributions:				
State				4,838,081
Federal				133,415
Unrestricted investment earnings				7,903
Sixteenth section sources				449,247
Other				48,215
Total General Revenues				<u>13,186,217</u>
Change in Net Position				<u>790,127</u>
Net Position (Deficit) - Beginning, as previously reported				(5,019,486)
Prior Period Adjustment				(54,680)
Net Position (Deficit) - Beginning, as restated				<u>(5,074,166)</u>
Net Position (Deficit) - Ending				<u>\$ (4,284,039)</u>

The accompanying notes are an integral part of this statement.

KEMPER COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	ESSER II Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 8,950,115	\$ --
Cash with fiscal agents	--	--
Due from other governments	93,235	427,510
Lease receivable	--	--
Due from other funds	665,073	--
Inventories	--	--
Total Assets	<u>\$ 9,708,423</u>	<u>\$ 427,510</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,015,742	\$ --
Due to other funds	--	427,510
Total Liabilities	<u>1,015,742</u>	<u>427,510</u>
Deferred Inflows of Resources:		
Lease	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>
Fund Balances:		
Nonspendable:		
Permanent fund principal	--	--
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvement purposes	--	--
Debt service	--	--
Grant activities	--	--
Food Service	--	--
Assigned:		
School activity funds	72,804	--
Alternative education	3,600	--
Special education	176	--
Unassigned	<u>8,616,101</u>	<u>--</u>
Total Fund Balances	<u>8,692,681</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,708,423</u>	<u>\$ 427,510</u>

The accompanying notes are an integral part of this statement.

Lease Purchase Debt Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,711,846	\$ 919,282	\$ 11,581,243
1,624,321	--	--	1,624,321
--	--	307,047	827,792
--	686,037	--	686,037
--	--	13,637	678,710
--	--	17,841	17,841
<u>\$ 1,624,321</u>	<u>\$ 2,397,883</u>	<u>\$ 1,257,807</u>	<u>\$ 15,415,944</u>
\$ 151,801	\$ --	\$ 41,342	\$ 1,208,885
--	--	251,200	678,710
<u>151,801</u>	<u>--</u>	<u>292,542</u>	<u>1,887,595</u>
--	686,037	--	686,037
<u>--</u>	<u>686,037</u>	<u>--</u>	<u>686,037</u>
--	1,711,846	--	1,711,846
--	--	17,841	17,841
--	--	37,348	37,348
--	--	120,639	120,639
1,472,520	--	222,536	1,695,056
--	--	264,277	264,277
--	--	302,624	302,624
--	--	--	72,804
--	--	--	3,600
--	--	--	176
--	--	--	8,616,101
<u>1,472,520</u>	<u>1,711,846</u>	<u>965,265</u>	<u>12,842,312</u>
<u>\$ 1,624,321</u>	<u>\$ 2,397,883</u>	<u>\$ 1,257,807</u>	<u>\$ 15,415,944</u>

KEMPER COUNTY SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2022*

Total fund balances for governmental funds	\$ 12,842,312
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,128,683
Liabilities due in one year are not recognized in the funds.	(811,557)
Payables for installment purchase loan which are not due in the current period are not reported in the funds.	(3,193,926)
Payables for debt interest which are not due in the current period are not reported in the funds.	(18,432)
Payables for compensated absences not due in the current period are not reported in the funds.	(54,267)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(17,168,808)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(6,662,158)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	4,876,042
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,064,396)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(471,944)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	314,412
Net position of governmental activities	\$ <u>(4,284,039)</u>

The accompanying notes are an integral part of this statement.

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KEMPER COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	ESSER II Fund
Revenues:		
Local sources	\$ 7,151,742	\$ --
State sources	4,999,145	--
Federal sources	131,558	1,553,008
Sixteenth section sources	488,309	--
Total Revenues	<u>12,770,754</u>	<u>1,553,008</u>
Expenditures:		
Instruction	5,998,988	737,857
Support services	6,592,064	581,965
Noninstructional services	1,810	--
Sixteenth section	21,466	--
Facilities acquisition and construction	335,425	--
Debt service:		
Principal	--	--
Interest	--	--
Total Expenditures	<u>12,949,753</u>	<u>1,319,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,999)	233,186
Other Financing Sources (Uses):		
Proceeds of loan	--	--
Insurance recovery	43,729	--
Transfers in	285,108	--
Transfers out	(796,766)	(233,186)
Total Other Financing Sources (Uses)	<u>(467,929)</u>	<u>(233,186)</u>
Net Change in Fund Balances	(646,928)	--
Fund Balances:		
July 1, 2021, as previously reported	9,322,929	--
Prior period adjustments	16,680	--
July 1, 2021, as restated	<u>9,339,609</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2022	<u>\$ 8,692,681</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Lease Purchase Debt Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 72	\$ --	\$ 832,965	\$ 7,984,779
--	--	346,700	5,345,845
--	--	2,436,408	4,120,974
--	855	19,139	508,303
<u>72</u>	<u>855</u>	<u>3,635,212</u>	<u>17,959,901</u>
--	--	1,283,287	8,020,132
--	--	1,230,868	8,404,897
--	--	688,447	690,257
--	--	102,316	123,782
1,827,552	--	--	2,162,977
--	--	644,347	644,347
--	--	35,265	35,265
<u>1,827,552</u>	<u>--</u>	<u>3,984,530</u>	<u>20,081,657</u>
(1,827,480)	855	(349,318)	(2,121,756)
3,300,000	--	--	3,300,000
--	--	--	43,729
--	--	868,711	1,153,819
--	--	(123,867)	(1,153,819)
<u>3,300,000</u>	<u>--</u>	<u>744,844</u>	<u>3,343,729</u>
1,472,520	855	395,526	1,221,973
--	1,710,991	676,158	11,710,078
--	--	(110,566)	(93,886)
<u>--</u>	<u>1,710,991</u>	<u>565,592</u>	<u>11,616,192</u>
--	--	4,147	4,147
<u>\$ 1,472,520</u>	<u>\$ 1,711,846</u>	<u>\$ 965,265</u>	<u>\$ 12,842,312</u>

KEMPER COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022*

Net change in fund balances - total governmental funds	\$ 1,221,973
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,296,882
The depreciation of capital assets used in governmental activities is not reported in the funds.	(407,119)
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	644,347
(Increase) decrease in accrued interest from beginning of period to end of period.	8,016
Change in inventory affects fund balance in the funds but expense in the SOA.	4,147
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	8,542
Installment purchase loan do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,300,000)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,488,350
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(1,271,862)
Implicit Rate Subsidy fluctuation.	(14)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	36,265
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	60,600
Change in net position of governmental activities - Statement of Activities	\$ <u>790,127</u>

The accompanying notes are an integral part of this statement.

Kemper County School District

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

Kemper 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." The school district is governed by a five member board to which each board member is elected by the citizens of each defined county district.

For financial reporting purposes, Kemper 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.

Kemper County School District

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

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

Lease Purchase Debt Fund - This is a debt service fund that accounts for the finance purchase with Entegrity.

Sixteenth Section Principal Fund - This is a permanent fund consisting of funds derived from certain uses which shall be invested and only the interest and income derived from such funds shall be expended by the school district.

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:

Kemper County School District

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

Kemper County School District

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

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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Encumbrances

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

Kemper 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

Kemper County School District

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

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. The unexpended lease proceeds of long-term debt is classified as restricted assets. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as

Kemper County School District

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 12 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

Kemper County School District

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

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.

The school district uses 4.00% to calculate the present value of lease payments when the school district is the lessor in leases involving 16th Section lands. See Note 6 for details.

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

Kemper County School District

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

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

12. Postemployment Benefits Other Than Pensions (OPEB)

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

13. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the school board. Currently there is no committed fund balance for this school district.

Kemper County School District

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

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

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 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 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.

The goal of the District is to maintain an unassigned fund balance in the General Fund of at least 7% at fiscal year end of its general fund revenues or expenditures.

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 and Cash with Fiscal Agents

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

Kemper County School District

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$11,581,243.

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 \$12,640,608 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,624,321.

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	ESSER II Fund	\$ 427,510
	Other Governmental Funds	237,563
Other Governmental Funds	Other Governmental Funds	13,637
Total		\$ 678,710

Kemper County School District

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

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	ESSER II Fund	\$ 233,186
	Other Governmental Funds	51,922
Other Governmental Funds	General Fund	796,766
	Other Governmental Funds	71,945
Total		\$ <u>1,153,819</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$1,711,846 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program.

Kemper 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:

	Balance 7-1-2021	Additions	Adjustments	Balance 6-30-2022
<u>Non-depreciable capital assets:</u>				
Land	\$ 25,410	150,600	(5,000)	171,010
Construction in progress		2,012,377		2,012,377
Total non-depreciable capital assets	25,410	2,162,977	(5,000)	2,183,387
<u>Depreciable capital assets:</u>				
Buildings	6,427,498			6,427,498
Building improvements	576,472			576,472
Improvements other than buildings	221,341			221,341
Mobile equipment	2,912,993	109,482	(146,672)	2,875,803
Furniture and equipment	672,709	24,423	(114,417)	582,715
Total depreciable capital assets	10,811,013	133,905	(261,089)	10,683,829
<u>Less accumulated depreciation for:</u>				
Buildings	3,265,916	88,702		3,354,618
Building improvements	115,295	23,059	(23,059)	115,295
Improvements other than buildings	74,640	7,317	(7,317)	74,640
Mobile equipment	1,643,221	219,023	(82,453)	1,779,791
Furniture and equipment	537,637	69,018	(192,466)	414,189
Total accumulated depreciation	5,636,709	407,119	(305,295)	5,738,533
Total depreciable capital assets, net	5,174,304	(273,214)	44,206	4,945,296
Governmental activities capital assets, net	\$ 5,199,714	1,889,763	39,206	7,128,683

Adjustments were made to properly present capital assets at year end. These adjustments are a result of the transfer of the capital asset subsidiary ledger from an excel spreadsheet to the District's software.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 284,983
Support services	81,424
Non-instructional	40,712
Total depreciation expense	\$ 407,119

Kemper County School District

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

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

	Spent to <u>June 30, 2022</u>	Remaining <u>Commitment</u>
Governmental Activities:		
Entegrity EE Safety Security Upgrades	\$ 1,827,552	4,258,823
Kemper County Elementary School	184,825	19,000,000
KCUE and Stennis Vocational Re-roofing	<u>0</u>	<u>582,570</u>
Total governmental activities	\$ <u>2,012,377</u>	<u>23,841,393</u>

Construction projects included in governmental activities are funded with District Maintenance Fund.

Note 6 - Leases

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 assure 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% interest to calculate the present value of sixteenth section lease rental payments. The school 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 school district.

The school district, acting as lessor, has entered into 74 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are for a term that corresponds with state law in accordance with the type of lease executed. The total amount of inflows recognized in the reporting period from these leases is \$686,037. The school district has included in its financial statements at year end the net present value of future lease payments as a lease receivable and as deferred inflows of resources. In fiscal year 2022, the school district recognized \$130,884 in revenue related to Sixteenth section land leases.

Kemper County School District

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

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. Shortfall notes payable	\$ 1,306,093		644,347	661,746	661,746
B. Installment purchase loan payable		3,300,000		3,300,000	106,074
C. Compensated absences payable	62,809		8,542	54,267	
Total	\$ 1,368,902	3,300,000	652,889	4,016,013	767,820

A. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2019	2.70%	09-04-19	04-01-23	\$ 1,933,500	661,746

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 661,746	17,867	679,613

This debt will be retired from the Ad valorem Tax Shortfall Debt Fund.

B. Installment purchase loan payable

The school district has entered into an installment purchase agreement as listed below. Property under this installment purchase agreement is composed of the following:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Agreement - Building improvements	2.722%	05-26-22	11-26-38	\$ 3,300,000	3,300,000

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

Kemper County School District

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

Year Ending June 30		Principal	Interest	Total
2023	\$	106,074	89,826	195,900
2024		111,261	86,939	198,200
2025		116,590	83,910	200,500
2026		122,163	80,737	202,900
2027		127,989	77,411	205,400
2028 - 2032		735,293	331,407	1,066,700
2033 - 2037		1,121,877	221,829	1,343,706
2038 - 2039		858,753	29,360	888,113
Total	\$	<u>3,300,000</u>	<u>1,001,419</u>	<u>4,301,419</u>

This debt will be retired from the Lease Purchase Debt Fund.

C. 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

Kemper County School District

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

to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2022, 2021, and 2020, were \$1,488,350, \$1,343,866, and \$1,283,004, 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 \$17,168,808 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 0.116159 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.005424 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 \$1,271,862. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Kemper County School District

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 269,009	\$
Net difference between projected and actual earnings on pension plan investments		5,506,197
Changes of assumptions	1,266,810	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,851,873	1,155,961
District contributions subsequent to the measurement date	1,488,350	
Total	<u>\$ 4,876,042</u>	<u>\$ 6,662,158</u>

\$1,488,350 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	\$ (742,658)
2024	(403,603)
2025	(587,419)
2026	(1,540,786)
Total	<u>\$ (3,274,466)</u>

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

Kemper County School District

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00%	4.60%
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	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 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 lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

Kemper County School District

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

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ <u>24,315,057</u>	\$ <u>17,168,808</u>	\$ <u>11,279,730</u>

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

Kemper County School District

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

participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$36,265 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 \$1,108,133 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 0.17215536 percent. This was an increase of 0.00969454 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 (\$60,600). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Kemper County School District

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

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	1,205	\$ 346,499
Changes of assumptions		179,470	37,478
Net difference between projected and actual earnings on OPEB plan investments		52	
Changes in proportion and differences between District contributions and proportionate share of contributions		97,420	87,967
District contributions subsequent to the measurement date		36,265	
Total	\$	<u>314,412</u>	<u>\$ 471,944</u>

\$36,265 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	\$	(48,046)
2024		(44,663)
2025		(40,254)
2026		(46,404)
2027		<u>(14,430)</u>
Total	\$	<u>(193,797)</u>

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

Kemper 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 percent for 2022 decreasing to an
Pre-Medicare	ultimate rate of 4.50% by 2030

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

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of an 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

Kemper County School District

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

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 Buyer 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%)	Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$	1,226,545	\$ 1,108,133	\$ 1,007,169

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	\$	1,026,418	\$ 1,108,133	\$ 1,200,608

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 - Risk Management

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 52

Kemper County School District

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

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

Note 11 - Contingencies

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

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

Note 12 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$15,654,487) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,488,350 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$3,387,692 balance of deferred outflow of resources, 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 amount of (\$15,654,487) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$6,662,158 balance of deferred inflow of resources, at June 30, 2022 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Kemper County School District

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

The unrestricted net position amount of (\$15,654,487) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$36,265 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$278,147 balance of deferred outflow of resources, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$15,654,487) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$471,944 balance of deferred inflow of resources at June 30, 2022 will be recognized as a revenue and will increase the unrestricted net position over the next 5 years.

Note 13 - Insurance Loss Recoveries

The Kemper County School received \$43,729 in insurance loss recoveries related to storm damage during the 2021-2022 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the expense function noninstructional services.

Note 14 - Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

Note 15 - Fee In Lieu Agreement

On October 3, 2016, Kemper County School District (“the District”) and the Kemper County Board of Supervisors (“the Board”) agreed to send one-third of in-lieu collections received from Mississippi Power. The agreement starting in tax year 2016 is for ten years between the aforementioned parties per the Fee In Lieu agreement. The Kemper County Tax Assessor/Collector forwards the in lieu collection to the Board upon receipt who then prepares the calculation and forwards the District’s share subsequently.

The information below represents a summary of what the school district has received up to the end of the fiscal year ended June 30, 2022:

Kemper County School District

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

<u>Date</u>	<u>Amount</u>
03-22-17	\$ 5,966,075
03-20-18	6,218,496
02-19-19	3,000,000
02-20-20	4,243,694
03-19-21	5,016,556
03-17-22	5,605,889
Total	\$ 30,050,710

Note 16 - Prior Period Adjustment

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustments were made to properly present capital assets at fiscal year end.	\$ 39,206
See explanations below.	(93,886)
Total	\$ (54,680)

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

General Fund	Prior year correction of cash.	\$ (6,308)
General Fund	To record payment for taxes that were due in prior year.	(21,484)
General Fund	To correct coding for balance sheet.	60,412
General Fund	To adjust prior year assets and liabilities.	(15,940)
Other Governmental Funds	To adjust prior year assets and liabilities.	(120,824)
Other Governmental Funds	To correct coding for balance sheet.	10,258
Total		\$ (93,886)

Note 17 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 19, 1994, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann.(1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Newton Municipal School District, Forest Municipal School District, Scott County School District, Kemper County School District, Philadelphia Public School District and Enterprise Municipal School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as

Kemper County School District

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

the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

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 Kemper County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined the following subsequent event has occurred requiring disclosure in the notes to the financial statement:

On September 1, 2022, the District has authorized the issuance of (a) a general obligation bond, Series 2022A in the principal amount of \$3,000,000 and (b) a taxable general obligation bond, Series 2022B in the principal amount of \$9,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2022

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,164,365	7,151,741	7,151,742	(12,624)	1
State sources	4,809,232	4,999,146	4,999,145	189,914	(1)
Federal sources	160,700	131,558	131,558	(29,142)	-
Sixteenth section sources	198,000	488,309	488,309	290,309	-
Total Revenues	12,332,297	12,770,754	12,770,754	438,457	-
Expenditures:					
Instruction	5,919,739	5,998,991	5,998,988	(79,252)	3
Support services	5,879,072	6,592,062	6,592,064	(712,990)	(2)
Noninstructional services	31,399	1,810	1,810	29,589	-
Sixteenth section		21,466	21,466	(21,466)	-
Facilities acquisition and construction	6,900	335,425	335,425	(328,525)	-
Total Expenditures	11,837,110	12,949,754	12,949,753	(1,112,644)	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	495,187	(179,000)	(178,999)	(674,187)	1
Other Financing Sources (Uses):					
Insurance recovery		43,729	43,729	43,729	-
Sale of transportation equipment				-	-
Operating transfers in	1,828,309	1,571,665	285,108	(256,644)	(1,286,557)
Operating transfers out	(1,918,829)	(2,083,323)	(796,766)	(164,494)	1,286,557
Other financing uses	(7,408)			7,408	-
Total Other Financing Sources (Uses)	(97,928)	(467,929)	(467,929)	(370,001)	-
Net Change in Fund Balances	397,259	(646,929)	(646,928)	(1,044,188)	1
Fund Balances:					
July 1, 2021, as previously reported	9,164,943	9,306,991	9,322,929	142,048	15,938
Prior period adjustments	(10,000)	32,620	16,680	42,620	(15,940)
July 1, 2021, as restated	9,154,943	9,339,611	9,339,609	184,668	(2)
June 30, 2022	\$ 9,552,202	8,692,682	8,692,681	(859,520)	(1)

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

KEMPER COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

ESSER II Fund

For the Year Ended June 30, 2022

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,306,603	3,117,609	1,553,008	811,006	(1,564,601)
Total Revenues	<u>2,306,603</u>	<u>3,117,609</u>	<u>1,553,008</u>	<u>811,006</u>	<u>(1,564,601)</u>
Expenditures:					
Instruction	229,192	1,282,495	737,857	(1,053,303)	544,638
Support services	1,245,000	1,502,693	581,965	(257,693)	920,728
Facilities acquisition and construction	<u>500,000</u>			<u>500,000</u>	<u>-</u>
Total Expenditures	<u>1,974,192</u>	<u>2,785,188</u>	<u>1,319,822</u>	<u>(810,996)</u>	<u>1,465,366</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>332,411</u>	<u>332,421</u>	<u>233,186</u>	<u>10</u>	<u>(99,235)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(332,421)</u>	<u>(332,421)</u>	<u>(233,186)</u>	<u>-</u>	<u>99,235</u>
Total Other Financing Sources (Uses)	<u>(332,421)</u>	<u>(332,421)</u>	<u>(233,186)</u>	<u>-</u>	<u>99,235</u>
Net Change in Fund Balances	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>
Fund Balances:					
July 1, 2021	10	-	-	(10)	-
June 30, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Kemper 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 proportionate share of the net pension liability	\$ 17,168,808	21,437,009	19,700,195	20,108,098	17,489,473	19,857,738	17,482,875	12,372,921
District's proportion of the net pension liability	0.116159%	0.110735%	0.111984%	0.120893%	0.105210%	0.111170%	0.113099%	0.101934%
District's covered payroll	7,723,368	7,373,586	6,601,638	7,720,171	6,749,302	7,111,841	7,065,803	6,225,835
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	298.41%	260.46%	259.13%	279.22%	247.43%	198.74%
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.

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

		2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	1,488,350	1,343,866	1,283,004	1,148,685	1,215,927	1,063,015	1,120,115	1,112,864
Contributions in relation to the contractually required contribution		1,488,350	1,343,866	1,283,004	1,148,685	1,215,927	1,063,015	1,120,115	1,112,864
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-	-
District's covered payroll	\$	8,553,736	7,723,368	7,373,586	7,293,238	7,720,171	6,749,302	7,111,841	7,065,803
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.

Kemper 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 proportionate share of the net OPEB liability	\$ 1,108,133	1,264,283	1,460,687	1,391,013	1,335,549
District's proportion of the net OPEB liability	0.17215536%	0.16246082%	0.17214098%	0.17982193%	0.17021841%
District's covered-employee payroll	8,184,607	7,829,565	7,883,069	8,133,224	7,647,445 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.54%	16.15%	18.53%	17.10%	17.46%
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.

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

* 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 report(s).

Kemper County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	
Actuarially determined contribution	\$ 36,265	44,540	50,419	58,549	56,936	**
Contributions in relation to the actuarially determined contribution	36,265	44,540	50,419	58,549	56,936	**
Contribution deficiency (excess)	\$ -	-	-	-	-	
District's covered-employee payroll	\$ 8,782,125	6,872,086	6,785,162	5,532,620	7,351,153	
Contributions as a percentage of covered-employee payroll	0.41%	0.65%	0.74%	1.06%	0.77%	

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 report(s).

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Kemper County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(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%.

Kemper County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

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

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

2019:

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%.

Kemper County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

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%.

(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.

Kemper County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

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 deductions 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.

(3) *Methods and assumptions used in calculation 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

Kemper County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

Price Inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.00%
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	4.75%
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

SUPPLEMENTARY INFORMATION

KEMPER COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Numbers	Assistance Listing Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	225MS326N1099	10.553	\$ 275,331
National School Lunch Program	225MS326N1099	10.555	677,547
Summer Food Service Program for Children	225MS326N1099	10.559	25,534
Total child nutrition cluster			978,412
Total passed-through the Mississippi Department of Education			978,412
Total U.S. Department of Agriculture			978,412
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	N/A	12.xxx	85,440
Total U.S. Department of Defense			85,440
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	S010A210024	84.010	784,954
Career and Technical Education - Basic Grants to States	V048A210024	84.048	18,178
Twenty-First Century Community Learning Centers	S287C210024	84.287	32,408
Rural Education	S358B210024	84.358	24,280
Supporting Effective Instruction State Grants	S367A210023	84.367	54,697
School Improvement Grants	S377A160025	84.377	6,168
Student Support and Academic Enrichment Program	S424A210025	84.424	65,278
Subtotal			985,963
Special Education Cluster:			
State Grants - B(611)	H027A190108	84.027	235,473
Positive Behavior Specialists	H027X210108	84.027A	41,047
COVID-19 - IDEA, Part B ARP Grant	H027A190108	84.027X	8,556
Special Education - Preschool Grants	H173A190113	84.173	2,925
COVID-19 - IDEA, Part B Preschool ARP Grant	H173X210113	84.173X	4,356
Total Special Education Cluster			292,357
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I & II)	S425D210031	84.425D	1,653,360
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ARP III)	S425U210031	84.425U	23,120
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			1,676,480
Total passed-through the Mississippi Department of Education			2,954,800
Total U.S. Department of Education			2,954,800
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	2005MS5ADM	93.778	5,665
Total passed-through the Mississippi Department of Education			5,665
Total U.S. Department of Health and Human Services			5,665
<u>Social Security Administration</u>			
Passed-through Mississippi Department of Rehabilitation Services			
Social Security Disability Insurance	04-22-04MSD100	96.001	9,216
Total passed-through the Mississippi Department of Rehabilitation Services			9,216
Total Social Security Administration			9,216
Total for All Federal Awards			\$ 4,033,533

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Kemper County School District

Notes to the Schedule of Expenditures of Federal Awards
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 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented 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 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 of \$43,390 are included in the National School Lunch Program.

KEMPER COUNTY SCHOOL DISTRICT

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 \$	12,070,110	8,357,747	799,567	1,071,256	1,841,540
Other	8,011,547	1,626,149	1,072,228	106,016	5,207,154
Total	\$ <u>20,081,657</u>	<u>9,983,896</u>	<u>1,871,795</u>	<u>1,177,272</u>	<u>7,048,694</u>
Total number of students *	<u>918</u>				
Cost per student	\$ <u>21,875</u>	<u>10,876</u>	<u>2,039</u>	<u>1,282</u>	<u>7,678</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 functions: 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

KEMPER COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 7,151,742	7,350,114	6,802,310	4,883,906
State sources	4,999,145	4,921,421	5,130,253	5,120,734
Federal sources	131,558	230,435	145,918	108,221
Sixteenth section sources	488,309	411,884	253,493	116,625
Total Revenues	<u>12,770,754</u>	<u>12,913,854</u>	<u>12,331,974</u>	<u>10,229,486</u>
Expenditures:				
Instruction	5,998,988	5,865,209	6,143,285	5,924,895
Support services	6,592,064	5,006,262	4,885,973	5,229,421
Noninstructional services	1,810	-	-	4,602
Sixteenth section	21,466	31,898	12,654	14,925
Facilities acquisition and construction	335,425	-	-	-
Total Expenditures	<u>12,949,753</u>	<u>10,903,369</u>	<u>11,041,912</u>	<u>11,173,843</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(178,999)</u>	<u>2,010,485</u>	<u>1,290,062</u>	<u>(944,357)</u>
Other Financing Sources (Uses):				
Notes issued	-	-	1,933,500	1,933,500
Insurance recovery	43,729	-	56,273	28,392
Sale of transportation equipment	-	2,886	-	-
Operating transfers in	285,108	-	39,430	1,796,501
Operating transfers out	(796,766)	(577,566)	(450,451)	(607,156)
Total Other Financing Sources (Uses)	<u>(467,929)</u>	<u>(574,680)</u>	<u>1,578,752</u>	<u>3,151,237</u>
Net Change in Fund Balances	(646,928)	1,435,805	2,868,814	2,206,880
Fund Balances:				
Beginning of period, as previously reported	9,322,929	7,887,124	6,916,785	4,706,130
Prior period adjustment	16,680	-	(1,898,475)	3,775
Beginning of period, as restated	<u>9,339,609</u>	<u>7,887,124</u>	<u>5,018,310</u>	<u>4,709,905</u>
End of period	<u>\$ 8,692,681</u>	<u>9,322,929</u>	<u>7,887,124</u>	<u>6,916,785</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

KEMPER COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 7,984,779	8,154,743	6,832,209	4,927,882
State sources	5,345,845	5,243,382	5,468,522	5,594,348
Federal sources	4,120,974	2,937,434	2,053,238	2,406,868
Sixteenth section sources	508,303	485,342	319,606	181,533
Total Revenues	<u>17,959,901</u>	<u>16,820,901</u>	<u>14,673,575</u>	<u>13,110,631</u>
Expenditures:				
Instruction	8,020,132	7,216,365	7,065,515	7,071,961
Support services	8,404,897	6,814,272	6,090,707	6,630,135
Noninstructional services	690,257	520,780	886,326	754,575
Sixteenth section	123,782	56,325	65,242	79,624
Facilities acquisition and construction	2,162,977	-	-	-
Debt service:				
Principal	644,347	627,407	-	-
Interest	35,265	86,691	-	-
Total Expenditures	<u>20,081,657</u>	<u>15,321,840</u>	<u>14,107,790</u>	<u>14,536,295</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,121,756)</u>	<u>1,499,061</u>	<u>565,785</u>	<u>(1,425,664)</u>
Other Financing Sources (Uses):				
Notes issued	-	-	1,933,500	1,933,500
Proceeds of loan	3,300,000	-	-	-
Insurance recovery	43,729	-	56,273	28,392
Sale of transportation equipment	-	2,886	-	-
Operating transfers in	1,153,819	617,567	522,802	2,403,657
Operating transfers out	<u>(1,153,819)</u>	<u>(617,567)</u>	<u>(522,802)</u>	<u>(2,403,657)</u>
Total Other Financing Sources (Uses)	<u>3,343,729</u>	<u>2,886</u>	<u>1,989,773</u>	<u>1,961,892</u>
Net Change in Fund Balances	1,221,973	1,501,947	2,555,558	536,228
Fund Balances:				
Beginning of period, as previously reported	11,710,078	10,255,553	9,575,858	9,054,706
Prior period adjustment	<u>(93,886)</u>	<u>-</u>	<u>(1,928,368)</u>	<u>(12,710)</u>
Beginning of period, as restated	<u>11,616,192</u>	<u>10,255,553</u>	<u>7,647,490</u>	<u>9,041,996</u>
Increase (Decrease) in inventory	<u>4,147</u>	<u>(47,422)</u>	<u>52,505</u>	<u>(2,366)</u>
End of period	<u>\$ 12,842,312</u>	<u>11,710,078</u>	<u>10,255,553</u>	<u>9,575,858</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Kemper 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 Kemper 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 Kemper County School District's basic financial statements, and have issued our report thereon dated May 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kemper 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Kemper County School District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Kemper County School District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Kemper 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 11, 2023

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Kemper County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kemper 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 Kemper County School District's major federal programs for the year ended June 30, 2022. The Kemper 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, Kemper 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Kemper 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 Kemper 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

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requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Kemper 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 Kemper 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 GAAS, *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 Kemper County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Kemper 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 Kemper 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 Kemper 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 the 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 11, 2023

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2022, which collectively comprise Kemper County School District's basic financial statements and have issued our report thereon dated May 11, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

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Finding 1

Criteria:

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

Section 105 of PERS Regulation 34, provides that, “A service retiree re-employment under Section 103 may make one election per fiscal year to either (i) limit the number of days/hours worked for all covered employers to that allowed under Section 103.a. or (ii) limit the amount of compensation that will be earned from all covered employers as provided under Section 103.1.b of this regulation.”

The instructions on the PERS Form 4B, provide that, “A Form 4B, Re-employment of PERS Service Retiree Certification/Acknowledgment, should be submitted each fiscal year (July 1 - June 30) of re-employment.

Regarding compensation of School Board Members, Section 37-6-13, Mississippi Code Annotated (1972) states, “The receipt of the compensation shall not entitle any member of a school board to receive or be eligible for any state employee group insurance, retirement or other fringe benefits.”

Condition:

During the review of the School District’s PERS Form 4Bs, we noted that the School District failed to submit four (4) employees’ PERS Form 4Bs within five (5) days. Additionally, auditors noted that two (2) employees were overpaid for allowable wages.

Cause:

The school district failed to comply with Section 25-11-127(4)(b), Miss. Code Ann. (1972).

Effect:

Failure to file the PERS Form 4Bs as required by the statute provided above could result in overpayments to a retiree and the School District being assessed penalties by PERS.

Recommendation:

The School District should ensure compliance with Section 25-11-127(4)(b) and Section 105 of PERS Regulation 34 by properly completing and filing the Form 4Bs within five (5) days of re-employment and termination. Additionally, retiree’s pay should be monitored to ensure compensation is within limits.

Response:

The district will ensure compliance with Section 25-11-127(4)(b) and Section 105 of PERS Regulation 34 by properly completing and filing the Form 4Bs with five days of re-employment and termination. Additionally, retiree’s pay will be monitored to ensure compensation is within limits.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 11, 2023

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kemper 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 weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

Assistance Listing Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.425D*	COVID-19 - Elementary and Secondary School Emergency Relief Grant (ESSER I & II)
84.425U*	COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP III)

- * Two programs were audited as one major program - Education Stabilization Fund.

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

10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). Yes.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weaknesses

Finding 2022-001

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records. An important aspect of effective internal controls over capital assets owned by the district is the control activity of the timely update of capital assets records to the subsidiary ledger. The district should have a monthly reconciliation of additions and deletions to maintain accurate accounts of all assets. The district should do an annual inventory audit of assets district wide to make sure all assets are counted for, in the proper location, properly tagged, and agree to the accounting records.

Condition:

During our test of internal controls over capital assets we found that:

- (1) One refrigerator, two combi ovens, a two door fridge and a gas oven that had no labels.
- (2) One oven, two fryers and an ice maker had different label numbers that did not match asset numbers from the asset list obtained from the Central Office.

Cause:

These noted areas were caused by lack of controls over assets within the district.

Effect:

Without proper controls to ensure accurate accounting records, the School District's assets may be displaced and increases the risk of theft of physical assets.

Recommendation:

The district should follow up and test that the internal control system has been implemented and is working as designated to ensure accuracy of capital assets records and easy tracking of assets by means of the tagging system.

Response:

The district will ensure accuracy of capital assets records by following up and testing the internal control system. Additionally, using an easy means of tracking of assets with the tagging system.

Section III: Federal Awards 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 AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



KEMPER COUNTY SCHOOLS

Office of the Superintendent of Education

Hilute Hudson, Superintendent

Post Office Box 219

DeKalb, Mississippi 39328

Phone (601) 743-2657

Fax (601) 743-9297

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Kemper 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

a. Name of Contact Person Responsible for Corrective Action

Name: Dr. Matilda Miller

Title: Business Manager

Phone Number: (601) 743-2657

b. Correction Action Planned:

The district will ensure accuracy of capital assets records by following up and testing the internal control system. Additionally, using an easy means of tracking of assets with the tagging system.

c. Anticipated Completion Date:

Procedures are currently in place.



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SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOLLOW UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Kemper County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2022:

<u>Finding</u>	<u>Status</u>
2021-001	Corrected
2021-002	Corrected