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PONTOTOC CITY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

M. M. WINKLER & ASSOCIATES, PLLC
Certified Public Accountants
Tupelo, Mississippi

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PONTOTOC CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

M. M. WINKLER & ASSOCIATES, PLLC

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Pontotoc City 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 Pontotoc City School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pontotoc City 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 Pontotoc City School District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pontotoc City 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.

INDEPENDENT AUDITOR'S REPORT

-Continued-

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 Pontotoc City 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 Pontotoc City 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.

INDEPENDENT AUDITOR'S REPORT

-Continued-

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 11-20 and 61-71, respectively, 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 Pontotoc City 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 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.

INDEPENDENT AUDITOR'S REPORT

-Continued-

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 March 30, 2023, on our consideration of the Pontotoc City 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 Pontotoc City 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 Pontotoc City School District's internal control over financial reporting and compliance.

M. M. Winkler & Associates, PLLC

Tupelo, MS
March 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Pontotoc City 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 \$2,185,277, which represents a 13.56% increase from fiscal year 2021. Total net position for 2021 decreased \$1,570,949, which represents a 10.80% decrease from fiscal year 2020.
- General revenues amounted to \$17,723,727 and \$17,449,558, or 69.13% and 76.37% 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 \$7,916,211, or 30.87% of total revenues for 2022, and \$5,398,758, or 23.63% of total revenues for 2021.
- The District had \$23,454,661 and \$24,419,265 in expenses for fiscal years 2022 and 2021; only \$7,916,211 for 2022 and \$5,398,758 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,723,727 for 2022 were adequate to provide for these programs and \$17,449,558 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$18,616,229 in revenues and \$18,339,501 in expenditures for 2022, and \$17,663,657 in revenues and \$17,353,735 in expenditures in 2021. The General Fund's fund balance increased by \$351,203 from 2021 to 2022 and increased by \$238,151 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$1,999,273 for 2022 and decreased by \$578,347 for 2021. The increase for 2022 was due primarily to the construction in progress.
- Long-term debt increased by \$1,324,320 for 2022 and increased by \$140,187 for 2021. This increase for 2022 was due primarily to issuance of \$142,196 shortfall note and \$1,216,745 energy efficiency loan. The liability for compensated absences increased by \$6,635 for 2022 and increased by \$13,299 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.

Management's Discussion and Analysis

-Continued-

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, 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 governmental funds.

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

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

Management's Discussion and Analysis

-Continued-

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.

Management's Discussion and Analysis

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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 \$13,931,850 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.

Management's Discussion and Analysis

-Continued-

Table 1
Condensed Statement of Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Current assets	\$ 6,959,949	\$ 4,664,624	49.21 %
Restricted assets	2,677,006	2,593,703	3.21 %
Capital assets, net	16,209,642	14,210,369	14.07 %
Total assets	\$ 25,846,597	\$ 21,468,696	20.39 %
 Deferred outflows of resources	 \$ 7,302,952	 \$ 7,374,935	 (0.98) %
Current liabilities	\$ 2,713,528	\$ 1,620,297	67.47 %
Long-term debt outstanding	4,634,950	3,310,630	40.00 %
Leases payable	46,765	-	N/A %
Net OPEB liability	1,749,064	2,016,429	(13.26) %
Net pension liability	28,674,048	36,975,381	(22.45) %
Total liabilities	\$ 37,818,355	\$ 43,922,737	(13.90) %
 Deferred inflows of resources	 \$ 9,263,044	 \$ 1,038,021	 792.38 %
 Net position			
Net investment in capital assets	\$ 11,946,132	\$ 11,210,369	6.56 %
Restricted	5,088,065	4,112,045	23.74 %
Unrestricted	(30,966,047)	(31,439,541)	1.51 %
Total net position	\$ (13,931,850)	\$ (16,117,127)	13.56 %

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)	\$ (30,966,047)
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	32,383,204
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,417,157</u>

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

- Increase in restricted assets primarily due to QSCB Common Trust Fund required annual deposit of \$217,000.
- Increase in net capital assets in the amount of \$1,999,273, mainly due to construction projects in progress of \$2,310,132.
- Increase in long-term debt is due to shortfall note of \$142,196, energy efficiency loan of \$1,216,745 and increase in compensated absences of \$6,635.
- Decrease of \$271,692 in net pension and OPEB liability and related deferrals.
- Increase in leases payable with copier lease of \$46,765.

Management's Discussion and Analysis

-Continued-

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$25,639,938 and \$22,848,316, respectively. The total cost of all programs and services was \$23,454,661 for 2022 and \$24,419,265 for 2021.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 681,297	\$ 370,923	83.68 %
Operating grants and contributions	5,501,746	4,932,871	11.53 %
Capital Grants and Contributions	1,733,168	94,964	1,725.08 %
General revenues:			
Property taxes	4,004,907	3,836,972	4.38 %
Grants and contributions not restricted	13,515,556	13,370,306	1.09 %
Investment earnings	115,295	82,208	40.25 %
Other	87,969	160,072	(45.04) %
Total revenues	\$ 25,639,938	\$ 22,848,316	12.22 %
Expenses:			
Instruction	\$ 12,459,532	\$ 12,010,301	3.74 %
Support services	7,296,302	7,434,303	(1.86) %
Non-instructional	1,326,059	1,133,482	16.99 %
Pension expense	2,186,229	3,718,461	(41.21) %
OPEB expense	(49,668)	73,811	(167.29) %
Interest on long-term liabilities	236,207	48,907	382.97 %
Total expenses	\$ 23,454,661	\$ 24,419,265	(3.95) %
Increase (Decrease) in net position	\$ 2,185,277	\$ (1,570,949)	239.11 %
Net Position - beginning	(16,117,127)	(14,546,178)	(10.80) %
Net Position - ending	\$ (13,931,850)	\$ (16,117,127)	13.56 %

Governmental activities

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

Management's Discussion and Analysis

-Continued-

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 12,459,532	\$ 12,010,301	3.74 %
Support services	7,296,302	7,434,303	(1.86) %
Non-instructional	1,326,059	1,133,482	16.99 %
Pension Expense	2,186,229	3,718,461	(41.21) %
OPEB Expense	(49,688)	73,811	(167.32) %
Interest on long-term liabilities	236,207	48,907	382.97 %
Total expenses	\$ 23,454,641	\$ 24,419,265	(3.95) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (9,234,993)	\$ (9,505,552)	2.85 %
Support services	(4,622,211)	(5,901,766)	21.68 %
Non-instructional	691,522	227,990	203.31 %
Pension Expense	(2,186,229)	(3,718,461)	41.21 %
OPEB Expense	49,668	(73,811)	167.29 %
Interest on long-term liabilities	(236,207)	(48,907)	(382.97) %
Total net (expense) revenue	\$ (15,538,450)	\$ (19,020,507)	18.31 %

- Net cost of governmental activities (\$15,538,450 for 2022 and \$19,020,507 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$4,004,907 for 2022 and \$3,836,972 for 2021) and state and federal revenues (\$13,515,556 for 2022 and \$13,370,306 for 2021).
- Investment earnings amounted to \$115,295 for 2022 and \$82,208 for 2021.

Management's Discussion and Analysis

-Continued-

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,961,949, a increase of \$1,301,367, which includes an decrease in inventory of \$19,295. \$1,835,362 or 26.36% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$5,126,587 or 73.64% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$351,203. The fund balance of Other Governmental Funds showed an increase in the amount of \$904,185, which includes an decrease of inventory of \$19,295. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
ESSER II Fund	\$	-
QSCB Debt Retirement Fund	\$	45,979

BUDGETARY HIGHLIGHTS

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

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

Management's Discussion and Analysis

-Continued-

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$30,457,492, including land, construction-in-progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and intangible assets. This amount represents an increase of \$2,600,160 from 2021. Total accumulated depreciation as of June 30, 2022, was \$14,247,850, and total depreciation expense for the year was \$618,487, resulting in total net capital assets of \$16,209,642.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 909,770	\$ 909,770	0.00 %
Construction in Progress	2,310,132	-	N/A %
Buildings	10,577,516	10,947,673	(3.38) %
Building improvements	1,174,064	1,110,477	5.73 %
Improvements other than buildings	389,311	408,402	(4.67) %
Mobile equipment	581,618	564,097	3.11 %
Furniture and equipment	221,152	269,950	(18.08) %
Intangible right to use equipment	46,079	-	N/A %
Total	\$ 16,209,642	\$ 14,210,369	14.07 %

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 \$4,634,950 in outstanding long-term debt, of which \$156,739 is due within one year. The liability for compensated absences increased \$6,635 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2022	June 30, 2021	Percentage Change
Shortfall notes payable	\$ 227,828	\$ 126,888	79.55 %
Energy efficiency loan	1,216,745	-	N/A
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	190,377	183,742	3.61 %
Total	\$ 4,634,950	\$ 3,310,630	40.00 %

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

Management's Discussion and Analysis

-Continued-

CURRENT ISSUES

The Pontotoc City 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 an internal financial control 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pontotoc City School District, 140 Education Drive, Pontotoc, MS 38863.

FINANCIAL STATEMENTS

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PONTOTOC CITY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,243,130
Due from other governments	1,682,263
Inventories	34,556
Restricted assets	2,677,006
Capital assets, non-depreciable:	
Land	909,770
Construction in progress	2,310,132
Capital assets, net of accumulated depreciation:	
Buildings	10,577,516
Building improvements	1,174,064
Improvements other than buildings	389,311
Mobile equipment	581,618
Furniture and equipment	221,152
Intangible assets	46,079
Total Assets	\$ 25,846,597
Deferred Outflows of Resources	
Deferred outflows - pensions	\$ 6,771,856
Deferred outflows - OPEB	531,096
Total deferred outflows of resources	\$ 7,302,952
Liabilities	
Accounts payable and accrued liabilities	\$ 2,646,524
Unearned revenue	28,482
Interest payable on long-term liabilities	38,522
Long-term liabilities, due within one year:	
Leases Payable	21,207
Capital related liabilities	68,448
Non-capital related liabilities	88,291
Net OPEB liability	68,664
Long-term liabilities, due beyond one year:	
Leases Payable	25,558
Capital related liabilities	4,148,297
Non-capital related liabilities	329,914
Net pension liability	28,674,048
Net OPEB liability	1,680,400
Total Liabilities	\$ 37,818,355
Deferred Inflows of Resources	
Deferred inflows - pensions	\$ 8,656,979
Deferred inflows - OPEB	606,065
Total deferred inflows of resources	\$ 9,263,044
Net Position	
Net investment in capital assets	\$ 11,946,132
Restricted for:	
Expendable:	
School-based activities	1,246,290
Debt service	2,643,177
Capital improvements	1,155,644
Unemployment benefits	42,954
Unrestricted	(30,966,047)
Total Net Position	\$ (13,931,850)

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

PONTOTOC CITY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 12,459,532	\$ 549,939	\$ 2,674,600	\$ -	\$ (9,234,993)
Support services	7,296,302	-	994,738	1,679,353	(4,622,211)
Non-instructional	1,326,059	131,358	1,832,408	53,815	691,522
Pension expense	2,186,229	-	-	-	(2,186,229)
OPEB expense	(49,668)	-	-	-	49,668
Interest on long-term liabilities	236,207	-	-	-	(236,207)
Total Governmental Activities	\$ 23,454,661	\$ 681,297	\$ 5,501,746	\$ 1,733,168	\$ (15,538,450)

General Revenues:

Taxes:

 General purpose levies

\$ 3,834,643

 Debt purpose levies

170,264

Unrestricted grants and contributions:

 State

13,458,852

 Federal

56,704

Unrestricted investment earnings

115,295

Other

87,969

Total General Revenues

\$ 17,723,727

Change in Net Position

\$ 2,185,277

Net Position - Beginning

\$ (16,117,127)

Net Position - Ending

\$ (13,931,850)

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

PONTOTOC CITY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2022

	Major Funds					
	General Fund	ESSER II Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds	
Assets						
Cash and cash equivalents	\$ 2,514,729	\$ -	\$ -	\$ 3,062,252	\$ 5,576,981	
Investments	-	-	2,343,155	-	2,343,155	
Due from other governments	468,204	455,612		758,447	1,682,263	
Due from other funds	426,853	-	-	-	426,853	
Inventories	-	-	-	34,556	34,556	
Total assets	<u>\$ 3,409,786</u>	<u>\$ 455,612</u>	<u>\$ 2,343,155</u>	<u>\$ 3,855,255</u>	<u>\$ 10,063,808</u>	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,271,682	\$ 373,368	\$ -	\$ 1,001,474	\$ 2,646,524	
Due to other funds	-	82,244	-	344,609	426,853	
Unavailable revenue - grants	-	-	-	28,482	28,482	
Total Liabilities	<u>\$ 1,271,682</u>	<u>\$ 455,612</u>	<u>\$ -</u>	<u>\$ 1,374,565</u>	<u>\$ 3,101,859</u>	
Fund Balances:						
Nonspendable:						
Inventory	\$ -	\$ -	\$ -	\$ 34,556	\$ 34,556	
Restricted:						
Debt service	-	-	2,343,155	338,544	2,681,699	
Capital projects	-	-	-	1,155,644	1,155,644	
Grant activities	-	-	-	171,530	171,530	
Unemployment benefits	-	-	-	42,954	42,954	
Food services	-	-	-	737,462	737,462	
Assigned:						
Activity funds	302,742	-	-	-	302,742	
Unassigned	1,835,362	-	-	-	1,835,362	
Total Fund Balances	<u>\$ 2,138,104</u>	<u>\$ -</u>	<u>\$ 2,343,155</u>	<u>\$ 2,480,690</u>	<u>\$ 6,961,949</u>	
Total liabilities and fund balances	<u>\$ 3,409,786</u>	<u>\$ 455,612</u>	<u>\$ 2,343,155</u>	<u>\$ 3,855,255</u>	<u>\$ 10,063,808</u>	

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

PONTOTOC CITY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 6,961,949

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 909,770	
Construction in progress	2,310,132	
Buildings	19,629,433	
Building improvements	3,485,627	
Improvements other than buildings	771,708	
Mobile equipment	2,400,218	
Furniture and equipment	883,259	
Intangible assets	67,346	
Accumulated depreciation	<u>(14,247,851)</u>	16,209,642

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

Net pension liability	(28,674,048)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	6,771,856	
Deferred inflows of resources related to pensions	<u>(8,656,979)</u>	(30,559,171)

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

Net OPEB liability	(1,749,064)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	531,096	
Deferred inflows of resources related to OPEB	<u>(606,065)</u>	(1,824,033)

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

Qualified school construction bonds	(3,000,000)	
Shortfall note payable	(227,828)	
Energy efficiency loan	(1,216,745)	
Compensated absences	(190,377)	
Leases Payable	(46,765)	
Accrued interest payable	<u>(38,522)</u>	(4,720,237)

Net Position of governmental activities		<u><u>\$ (13,931,850)</u></u>
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The notes to the financial statements are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2022

	Major Funds				
	General Fund	ESSER II Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 4,586,059	\$ -	\$ -	\$ 418,984	\$ 5,005,043
State sources	13,919,399	-	-	450,917	14,370,316
Federal sources	110,771	1,681,658	-	4,472,151	6,264,580
Total Revenues	<u>\$ 18,616,229</u>	<u>\$ 1,681,658</u>	<u>\$ -</u>	<u>\$ 5,342,052</u>	<u>\$ 25,639,939</u>
Expenditures:					
Instruction	\$ 11,980,455	\$ 247,075	\$ -	\$ 1,732,994	\$ 13,960,524
Support services	6,336,726	1,311,868	-	2,498,384	10,146,978
Noninstructional services	-	-	-	1,369,265	1,369,265
Debt service:					
Principal	20,581	-	-	41,256	61,837
Interest	1,739	-	25,200	3,172	30,111
Other	-	-	172,969	17,157	190,126
Total Expenditures	<u>\$ 18,339,501</u>	<u>\$ 1,558,943</u>	<u>\$ 198,169</u>	<u>\$ 5,662,228</u>	<u>\$ 25,758,841</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 276,728</u>	<u>\$ 122,715</u>	<u>\$ (198,169)</u>	<u>\$ (320,176)</u>	<u>\$ (118,902)</u>
Other Financing Sources (Uses):					
Bonds and notes issued	\$ 142,196	\$ -	\$ -	\$ 1,216,745	\$ 1,358,941
Leases issued	67,346	-	-	-	67,346
Insurance recovery	6,197	-	-	-	6,197
Payments held by QSCB escrow agent	-	-	244,148	-	244,148
Payment to QSCB debt escrow agent	-	-	-	(244,148)	(244,148)
Sale of transportation equipment	7,080	-	-	-	7,080
Operating transfers in	264,797	-	-	556,167	820,964
Operating transfers out	(413,141)	(122,715)	-	(285,108)	(820,964)
Total Other Financing Sources (Uses)	<u>\$ 74,475</u>	<u>\$ (122,715)</u>	<u>\$ 244,148</u>	<u>\$ 1,243,656</u>	<u>\$ 1,439,564</u>
Net Change in Fund Balances	<u>\$ 351,203</u>	<u>\$ -</u>	<u>\$ 45,979</u>	<u>\$ 923,480</u>	<u>\$ 1,320,662</u>
Fund Balances:					
July 1, 2021	\$ 1,786,901	\$ -	\$ 2,297,176	\$ 1,576,505	\$ 5,660,582
Increase (Decrease) in reserve for inventory				(19,295)	(19,295)
June 30, 2022	<u>\$ 2,138,104</u>	<u>\$ -</u>	<u>\$ 2,343,155</u>	<u>\$ 2,480,690</u>	<u>\$ 6,961,949</u>

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

PONTOTOC CITY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,320,662

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,617,760	
Depreciation expense	<u>(618,487)</u>	1,999,273

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Energy efficiency loan	(1,216,745)	
Leases issued	(67,346)	
Shortfall note issued	(142,196)	
Payments of debt principal	61,837	
Accrued interest payable	<u>(15,970)</u>	(1,380,420)

3. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

Pension expense	(2,186,229)	
Contributions subsequent to the measurement date	<u>2,352,955</u>	166,726

4. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

OPEB expense	49,668	
Contributions subsequent to the measurement date	<u>55,298</u>	104,966

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(6,635)	
Change in inventory reserve	(19,295)	(25,930)

Change in Net Position of governmental activities	<u>\$ 2,185,277</u>	
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The notes to the financial statements are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT

Notes to the Financial Statements For 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pontotoc since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

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 fund is used to account for the federal grant revenues and expenditures of the Elementary and Secondary School Emergency Relief grant program.

QSCB Debt Retirement Fund - This fund is used to account for the investment and payment to escrow accounts held for the principal repayment of the QSCB bonds.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

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.

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

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

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

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

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

The following schedule details the capitalization thresholds:

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

(**) The estimated useful life is the term of the lease agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

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

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 district reports \$6,771,856 of deferred outflows related to its pension plan and \$531,096 related to its OPEB plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district reports \$8,656,979 of deferred inflows related to its pension plan and \$606,065 related to its OPEB plan.

See Note 14 for further details.

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

8. Compensated Absences

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

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

9. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The school district uses its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

10. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 7 for details.

11. Pensions

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies - continued

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 a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are 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 Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies – continued

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District Maintenance Fund revenues.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

15. 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 Investments

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

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 2 – Cash and Cash Equivalents and Investments - continued

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,576,981.

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 \$5,842,998 was exposed to custodial credit risk.

Investments – Qualified School Construction Bond Common Trust Fund

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

Investment Type	Rating	Maturities (in years)	Fair Value
Fixed Income	Not Rated	Less than 1	\$ <u>2,343,155</u>

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 2 – Cash and Cash Equivalents and Investments - continued

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

- Fixed Income type of investments of \$2,343,155 are valued using quoted market prices (level 1 inputs)

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

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

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

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

Issuer	Fair Value	% of Total Investments
QSCB Common Trust Fund	\$ 2,343,155	100%

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	\$ 82,244
General Fund	Other governmental funds	344,609
Total		<u>\$ 426,853</u>

Inter-fund receivables and payables consist primarily of loans from the General Fund to various special revenue funds to cover cash deficits in pooled bank accounts.

PONTOTOC CITY SCHOOL DISTRICT

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

Note 3 – Inter-fund Receivables, Payables and Transfers - continued

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	ESSSER II Fund	\$ 116,959
General Fund	Other governmental funds	147,838
Other governmental funds	ESSSER II Fund	5,756
Other governmental funds	General Fund	413,141
Other governmental funds	Other governmental funds	137,270
Total		<u>\$ 820,964</u>

Inter-fund transfers were made for budgetary purposes and for the payment of indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$333,851 of the QSCB Note Fund and Shortfall Note Fund (not major funds).

In addition, the restricted assets represent the investment balance, totaling \$2,343,155 of the QSCB Debt Retirement Fund.

PONTOTOC CITY SCHOOL DISTRICT

Notes to the Financial Statements For 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	Increases	Decreases	Adjustment/ Corrections	Balance 6/30/2022
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 909,770	\$ -	\$ -	\$ -	\$ 909,770
Construction-in-progress	-	2,310,132	-	-	2,310,132
Total non-depreciable capital assets	\$ 909,770	\$ 2,310,132	\$ -	\$ -	\$ 3,219,902
<u>Depreciable capital assets:</u>					
Buildings	\$ 19,629,432	\$ -	\$ -	\$ -	\$ 19,629,432
Building improvements	3,356,344	129,282	-	-	3,485,626
Improvements other than buildings	771,708	-	-	-	771,708
Mobile equipment	2,297,468	102,750	-	-	2,400,218
Furniture and equipment	892,610	8,250	17,600	-	883,260
Intangible right to use equipment	-	67,346	-	-	67,346
Total depreciable capital assets	\$ 26,947,562	\$ 307,628	\$ 17,600	\$ -	\$ 27,237,590
<u>Less accumulated depreciation for:</u>					
Buildings	\$ 8,681,759	\$ 370,157	\$ -	\$ -	\$ 9,051,916
Building improvements	2,245,867	65,695	-	-	2,311,562
Improvements other than buildings	363,306	19,091	-	-	382,397
Mobile equipment	1,733,371	85,229	-	-	1,818,600
Furniture and equipment	622,660	57,048	17,600	-	662,108
Intangible right to use equipment	-	21,267	-	-	21,267
Total accumulated depreciation	\$ 13,646,963	\$ 618,487	\$ 17,600	\$ -	\$ 14,247,850
Total depreciable capital assets, net	\$ 13,300,599	\$ (310,859)	\$ -	\$ -	\$ 12,989,740
Governmental activities capital assets, net	\$ 14,210,369	\$ 1,999,273	\$ -	\$ -	\$ 16,209,642

Total capital assets, net excluding intangible right to use assets	\$ 16,163,563
Intangible right to use assets, net	46,079
Total capital assets, net as reported in statement of net position	\$ 16,209,642

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 159,354
Support services	448,251
Non-instructional	10,882
Total depreciation expense - Governmental activities	\$ 618,487

PONTOTOC CITY SCHOOL DISTRICT

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

Note 5 – Capital Assets – Continued

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

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
HVAC and fan projects	\$ 448,614	\$ 156,084
Energy savings projects	682,806	416,905
Renovation projects	1,178,712	917,440
Total governmental activities	<u>\$ 2,310,132</u>	<u>1,490,429</u>

Construction projects included in governmental activities are funded with grant funds and the energy efficiency lease issued.

Note 6 – Leases

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

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

The school district generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the district would expect to obtain for a similar financed purchase at the date of lease inception.

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 6 – Leases – continued

As Lessee:

The following is a summary of changes in lease assets and liabilities:

Lease Assets	Balance 7/1/2021	Additions	Amortization	Balance 6/30/2022
Copier lease	\$ -	\$ 67,346	\$ (21,267)	\$ 46,079
Total	\$ -	\$ 67,346	\$ (21,267)	\$ 46,079

See note 5 for further details regarding intangible right to use equipment, which represents leased assets.

Lease Liabilities	Balance 7/1/2021	Additions	Principal Payments	Balance 6/30/2022
Copier lease	\$ -	\$ 67,346	\$ (20,581)	\$ 46,765
Total	\$ -	\$ 67,346	\$ (20,581)	\$ 46,765

Copier Lease:

The district has entered into a 60 month lease of copiers for a fixed \$1,850 per month. The lease agreement can only be cancelled if both parties agree or if either party fails to comply with the terms and conditions of the lease agreement. The lease agreement states “unless you give us least 30 days written notice before the end of the initial term, the lease will automatically renew for an additional one-year term. There are no variable payment options.

Description	Discount Rate	Term	Issue Date	Maturity Date	Monthly Payment	Amount Outstanding
Copiers	3.00%	60 months	9/1/2019	8/1/2024	\$ 1,850	\$ 46,765

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

Year Ending 30-Jun	Copier lease		Total
	Principal	Interest	
2023	\$ 21,207	\$ 1,113	\$ 22,320
2024	21,852	468	22,320
2025	3,706	14	3,720
	\$ 46,765	\$ 1,595	\$ 48,360

PONTOTOC CITY SCHOOL DISTRICT

Notes to the Financial Statements For 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	\$ 126,888	\$ 142,196	\$ 41,256	\$ 227,828	\$ 88,291
B. Energy efficiency loan	-	1,216,745	-	1,216,745	68,448
C. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
D. Compensated absences payable	183,742	6,635	-	190,377	-
Total	<u>\$ 3,310,630</u>	<u>\$ 1,365,576</u>	<u>\$ 41,256</u>	<u>\$ 4,634,950</u>	<u>\$ 156,739</u>

A. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. 2020 Shortfall Note	2.50%	8/27/2020	8/27/2023	\$ 126,888	\$ 85,632
2. 2021 Shortfall Note	3.00%	9/3/2021	9/15/2024	142,196	142,196
Total				<u>\$ 269,084</u>	<u>\$ 227,828</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

Year Ending June 30	2020 Shortfall		2021 Shortfall		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 42,287	\$ 2,141	\$ 46,004	\$ 4,266	\$ 88,291	\$ 6,407
2024	43,345	1,084	47,385	2,886	90,730	3,970
2025	-	-	48,807	1,464	48,807	1,464
Total	<u>\$ 85,632</u>	<u>\$ 3,225</u>	<u>\$ 142,196</u>	<u>\$ 8,616</u>	<u>\$ 227,828</u>	<u>\$ 11,841</u>

This debt will be retired from the Shortfall Note Fund.

PONTOTOC CITY SCHOOL DISTRICT

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

Note 7 – Long-term Liabilities - continued

B. Energy efficiency loan

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Energy efficiency loan	2.38%	1/24/2022	1/14/2037	\$ 1,216,745	\$ 1,216,745
Total				\$ 1,216,745	\$ 1,216,745

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

Obligations under energy efficiency loan issue of 01/24/2022:

Year Ending 30-Jun	Principal	Interest	Total
2023	\$ 68,448	\$ 28,959	\$ 97,407
2024	70,077	27,329	97,406
2025	71,745	25,662	97,407
2026	73,453	23,954	97,407
2027	75,201	22,206	97,407
2028-2032	403,718	83,316	487,034
2033-2037	454,103	32,931	487,034
	\$ 1,216,745	\$ 244,357	\$ 1,461,102

This debt will be retired from the general fund.

An energy efficiency loan agreement dated 01/24/2022, was executed by and between the district and Truist Financial Corporation. The agreement authorized the borrowing of \$1,216,745 for the purchase of energy efficiency equipment and supplies. Payments shall be made from the district maintenance fund and not to exceed 15 years. The district entered into this energy efficiency agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice, the district has the option of repaying the total amount due as set forth by the agreement.

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds Payable	0.84%	9/15/2009	9/15/2024	\$ 3,000,000	\$ 3,000,000

PONTOTOC CITY SCHOOL DISTRICT

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

Note 7 – Long-term Liabilities - continued

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

Year Ending June 30	Principal	Interest	Total
2023	\$ -	\$ 25,200	\$ 25,200
2024	-	25,200	25,200
2025	3,000,000	25,200	3,025,200
Total	\$ 3,000,000	\$ 75,600	\$ 3,075,600

The debt will be retired from the QSCB Debt Retirement Fund.

D. Compensated absences payable

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 8 – Defined Benefit Pension Plan - continued

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$2,352,955, \$2,245,974, and \$2,208,544, 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 \$28,674,048 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 0.194 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.003 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 \$2,186,229. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PONTOTOC CITY SCHOOL DISTRICT

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

Note 8 – Defined Benefit Pension Plan - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 455,446	\$
Net difference between projected and actual earnings on pension plan investments		8,656,979
Changes of assumptions	2,200,986	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,762,469	
District contributions subsequent to the measurement date	2,352,955	
Total	\$ <u>6,771,856</u>	\$ <u>8,656,979</u>

\$2,352,955 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	\$ 125,423
2024	(558,995)
2025	(1,231,203)
2026	(2,573,303)
Total	\$ <u>(4,238,078)</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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 8 – Defined Benefit Pension Plan - continued

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

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

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

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

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

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 8 – Defined Benefit Pension Plan - continued

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 40,609,174	\$ 28,674,048	\$ 18,838,554

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 9 – Other Postemployment Benefits (OPEB) - continued

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 \$55,298 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 \$1,749,064 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 0.2717279 percent. This was an increase of 0.0126179 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 (\$49,668). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,902	\$ 546,910
Changes of assumptions	283,274	59,155
Net difference between projected and actual earnings on OPEB plan investments	82	
Changes in proportion and differences between District contributions and proportionate share of contributions	190,540	
District contributions subsequent to the measurement date	55,298	
Total	\$ <u>531,096</u>	\$ <u>606,065</u>

PONTOTOC CITY SCHOOL DISTRICT

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

Note 9 – Other Postemployment Benefits (OPEB) - continued

\$55,298 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	\$	(29,874)
2024		(26,051)
2025		(14,581)
2026		(33,607)
2027		(26,154)
Thereafter		-
Total	\$	<u>(130,267)</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
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

PONTOTOC CITY SCHOOL DISTRICT

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

Note 9 – Other Postemployment Benefits (OPEB) - continued

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 1,935,964	\$ 1,749,064	\$ 1,589,704

PONTOTOC CITY SCHOOL DISTRICT

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

Note 9 – Other Postemployment Benefits (OPEB) - continued

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	\$ 1,620,085	\$ 1,749,064	\$ 1,895,025

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

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

PONTOTOC CITY SCHOOL DISTRICT

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

Note 12 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2022 was \$2,343,155. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2023	\$ 217,000
2024	217,000
2025	217,000
Total	\$ <u>651,000</u>

The EEF Building and buses revenue has been pledged for this debt. On November 9, 2009 the Pontotoc City School Board pledged revenue of \$62,647 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repair, and equipment for the school district. The commitment began in the fiscal year 2010-11 and will end with the 2024-25 school year. The revenue from the state varies from year to year but is all used for the debt retirement. For the year 2021-22 the EEF revenue was \$72,128, of which \$72,128 was applied to the debt payment of the Qualified School Construction Bonds.

PONTOTOC CITY SCHOOL DISTRICT

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

Note 13 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Pontotoc Ridge Career and Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Pontotoc County School District and the Pontotoc City School District.

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

The Pontotoc County School District has been designated as the fiscal agent for the Pontotoc Ridge Career and Technical Center, and the operations of the consortium are included in its financial statements.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$30,966,047) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,352,955 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$4,418,901 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$30,966,047) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$8,656,979 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$30,966,047) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$55,298 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 \$475,798 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$30,966,047) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$606,065 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

PONTOTOC CITY SCHOOL DISTRICT

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

Note 15 – Unearned Revenue

The Pontotoc City School District received \$21,351 from upfront payments for participation in the child nutrition program for breakfast and lunch in the school cafeterias, \$2,641 from a non-reimbursable grant received from University of Southern Mississippi and \$4,490 from a State behavior specialist grant.

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Pontotoc City School District evaluated the activity of the district through March 30, 2023 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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PONTOTOC CITY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,359,839	\$ 4,586,059	\$ 4,586,059	\$ 226,220	\$ -
State sources	13,931,148	13,919,399	13,919,399	(11,749)	-
Federal sources	79,496	110,771	110,771	31,275	-
Total Revenues	<u>\$ 18,370,483</u>	<u>\$ 18,616,229</u>	<u>\$ 18,616,229</u>	<u>\$ 245,746</u>	<u>\$ -</u>
Expenditures:					
Instruction	\$ 11,876,735	\$ 11,980,455	\$ 11,980,455	\$ (103,720)	\$ -
Support services	6,502,873	6,336,726	6,336,726	166,147	-
Debt service:					
Principal	-	20,581	20,581	(20,581)	-
Interest	-	1,739	1,739	(1,739)	-
Total Expenditures	<u>\$ 18,379,608</u>	<u>\$ 18,339,501</u>	<u>\$ 18,339,501</u>	<u>\$ 40,107</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (9,125)</u>	<u>\$ 276,728</u>	<u>\$ 276,728</u>	<u>\$ 285,853</u>	<u>\$ -</u>
Other Financing Sources (Uses):					
Bonds and notes issued	\$ -	\$ 142,196	\$ 142,196	\$ 142,196	\$ -
Leases issued	-	67,346	67,346	67,346	-
Insurance recovery	-	6,197	6,197	6,197	-
Sale of transportation equipment	-	7,080	7,080	7,080	-
Operating transfers in	509,377	264,797	264,797	(244,580)	-
Operating transfers out	(385,144)	(413,141)	(413,141)	(27,997)	-
Total Other Financing Sources (Uses)	<u>\$ 124,233</u>	<u>\$ 74,475</u>	<u>\$ 74,475</u>	<u>\$ (49,758)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 115,108</u>	<u>\$ 351,203</u>	<u>\$ 351,203</u>	<u>\$ 236,095</u>	<u>\$ -</u>
Fund Balances:					
July 1, 2021	<u>\$ 1,786,900</u>	<u>\$ 1,786,901</u>	<u>\$ 1,786,901</u>	<u>\$ 1</u>	<u>\$ -</u>
June 30, 2022	<u>\$ 1,902,008</u>	<u>\$ 2,138,104</u>	<u>\$ 2,138,104</u>	<u>\$ 236,096</u>	<u>\$ -</u>

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

PONTOTOC CITY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

ESSER II Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,469,851	\$ 1,681,658	\$ 1,681,658	\$ (788,193)	\$ -
Total Revenues	\$ 2,469,851	\$ 1,681,658	\$ 1,681,658	\$ (788,193)	\$ -
Expenditures:					
Instruction	\$ 370,352	\$ 247,075	\$ 247,075	\$ 123,277	\$ -
Support services	2,018,811	1,311,868	1,311,868	706,943	-
Total Expenditures	\$ 2,389,163	\$ 1,558,943	\$ 1,558,943	\$ 830,220	\$ -
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 80,688	\$ 122,715	\$ 122,715	\$ 42,027	\$ -
Other Financing Sources (Uses):					
Operating transfers out	\$ (80,688)	\$ (122,715)	\$ (122,715)	\$ (42,027)	\$ -
Total Other Financing Sources (Uses)	\$ (80,688)	\$ (122,715)	\$ (122,715)	\$ (42,027)	\$ -
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:					
July 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -

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

PONTOTOC CITY SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.194000%	0.190618%	0.182314%	0.166918%	0.182506%	0.179976%	0.174949%	0.176300%
District's proportionate share of the net pension liability	\$ 28,674,048	\$36,975,381	\$32,072,631	\$ 27,763,423	\$30,338,691	\$32,148,208	\$27,043,665	\$21,363,177
District's covered payroll	\$ 12,907,889	\$12,694,617	\$11,873,619	\$10,659,289	\$11,707,879	\$11,513,524	\$10,929,784	\$10,500,990
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.14%	291.27%	270.12%	260.46%	259.13%	279.22%	247.43%	203.44%
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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PONTOTOC CITY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,352,955	\$ 2,245,974	\$ 2,208,544	\$ 1,870,095	\$ 1,678,838	\$ 1,843,991	\$ 1,813,380	\$ 1,721,441
Contributions in relation to the contractually required contribution	<u>2,352,955</u>	<u>2,245,974</u>	<u>2,208,544</u>	<u>1,870,095</u>	<u>1,678,838</u>	<u>1,843,991</u>	<u>1,813,380</u>	<u>1,721,441</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,522,718	\$ 12,907,889	\$ 12,694,617	\$ 11,873,619	\$ 10,659,289	\$ 11,707,879	\$ 11,513,524	\$ 10,929,784
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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PONTOTOC CITY SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.2717279%	0.2591120%	0.2503940%	0.24357902%	0.23883586%
District's proportionate share of the net OPEB liability	\$ 1,749,064	\$ 2,016,429	\$ 2,124,693	\$ 1,884,206	\$ 1,873,928
District's covered-employee payroll	\$ 12,647,369	\$ 12,202,412	\$ 11,515,764	\$ 11,104,668	\$ 10,730,238
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.83%	16.52%	18.45%	16.97%	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.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 06/30/2018, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PONTOTOC CITY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 55,298	\$ 70,301	\$ 80,415	\$ 85,164	79,888
Contributions in relation to the actuarially determined contribution	55,298	70,301	80,415	85,164	79,888
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$13,070,385	\$12,647,369	\$ 12,202,412	\$11,515,764	11,104,668
Contributions as a percentage of covered-employee payroll	0.42%	0.56%	0.66%	0.74%	0.72%

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

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

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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.

Notes to the Required Supplementary Information

-Continued-

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

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

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

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.

Notes to the Required Supplementary Information

-Continued-

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

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

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

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

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

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

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

(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

Notes to the Required Supplementary Information

-Continued-

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022

Notes to the Required Supplementary Information

-Continued-

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

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SUPPLEMENTARY INFORMATION

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PONTOTOC CITY SCHOOL DISTRICT

Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
COVID-19 - School breakfast program	10.553	215MS326N1099	\$ 414,982
National school lunch program	10.555	215MS326N1099	102,694
COVID-19 - National school lunch program	10.555	215MS326N1099	1,024,705
Summer food service program for children	10.559	215MS326N1099	1,524
Total child nutrition cluster			\$ 1,543,905
Total passed-through Mississippi Department of Education			\$ 1,543,905
Total U.S. Department of Agriculture			\$ 1,543,905
<u>Federal Communications Commission</u>			
Direct program:			
Emergency Connectivity Fund Program	32.009	N/A	\$ 92,045
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	\$ 27,960
Total Federal Communications Commission			\$ 120,005
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024 ES010A190024 ES010A200024 ES010A210024	\$ 708,195
Rural education	84.358	ES358B200024 ES358B210024	43,548
English language acquisition state grants	84.365	ES365A200024 ES365A210024	21,145
Supporting effective instruction state grants	84.367	ES367A190023 ES367A200023 ES367A210023	92,244
Student support and Academic Enrichment Program	84.424	ES424A190025 ES424A200025 ES424A210025	58,821
Subtotal			\$ 923,953
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108 H027A210108	\$ 586,606
IDEA, Part B ARP Grant	84.027x	H027X210108	19,164
Special education - preschool grants	84.173	H173A200113 H173A210113	15,669
IDEA, Part B Preschool ARP Grant	84.173x	H173X210113	9,915
Total special education cluster			\$ 631,354

-Continued-

PONTOTOC CITY SCHOOL DISTRICT

Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Educaiton stabilization funds:			
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	\$ 69,708
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	1,683,375
Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425D210031	933,197
COVID-19 - Education Stabilization Fund (ESSER)			\$ 2,686,280
Total passed-through Mississippi Department of Education			\$ 4,241,587
Total U.S. Department of Education			\$ 4,241,587
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2205MS5ADM	\$ 53,815
Total Medicaid cluster			\$ 53,815
Total passed-through Mississippi Department of Education			\$ 53,815
Total U.S. Department of Health and Human Services			\$ 53,815
<u>U.S. Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Disability insurance / SSI cluster:			
Social security disability insurance	96.001	04-22-04MSD100	\$ 252
Total Disability insurance/SSI cluster			\$ 252
Total passed-through Mississippi Department of Rehabilitation Services			\$ 252
Total U.S. Social Security Administration			\$ 252
Total for All Federal Awards			\$ 5,959,564

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

PONTOTOC CITY SCHOOL DISTRICT

Notes to the Supplementary Information For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$99,415 are included in the National School Lunch Program.

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PONTOTOC CITY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2022

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 18,572,097	14,438,631	762,986	1,205,104	2,165,376
Other	7,186,744	2,012,536	107,836	15,189	5,051,183
Total	<u>\$ 25,758,841</u>	<u>16,451,167</u>	<u>870,822</u>	<u>1,220,293</u>	<u>7,216,559</u>
Total number of students *	<u>1,974</u>				
Cost per student	<u>\$ 13,049</u>	<u>8,334</u>	<u>441</u>	<u>618</u>	<u>3,656</u>

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

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

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

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

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

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

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OTHER INFORMATION

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PONTOTOC CITY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 4,586,059	\$ 4,164,837	\$ 4,290,892	\$ 4,126,851
State sources	13,919,399	13,407,953	12,969,731	12,194,038
Federal sources	110,771	90,867	81,476	85,836
Total Revenues	<u>\$ 18,616,229</u>	<u>\$ 17,663,657</u>	<u>\$ 17,342,099</u>	<u>\$ 16,406,725</u>
Expenditures:				
Instruction	\$ 11,980,455	\$ 11,417,914	\$ 11,746,628	\$ 11,102,566
Support services	6,336,726	5,929,382	6,516,194	6,046,520
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	20,581	-	18,309	9,154
Interest	1,739	6,439	2,563	1,282
Total Expenditures	<u>\$ 18,339,501</u>	<u>\$ 17,353,735</u>	<u>\$ 18,283,694</u>	<u>\$ 17,159,522</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 276,728</u>	<u>\$ 309,922</u>	<u>\$ (941,595)</u>	<u>\$ (752,797)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	\$ 142,196	\$ 126,888	\$ -	\$ -
Capital leases issued	67,346	-	-	27,463
Insurance recovery	6,197	-	7,700	-
Sale of transportation equipment	7,080	10,998	-	-
Operating transfers in	264,797	42,719	2,122,490	100,719
Operating transfers out	(413,141)	(252,376)	(254,973)	(211,036)
Total Other Financing Sources (Uses)	<u>\$ 74,475</u>	<u>\$ (71,771)</u>	<u>\$ 1,875,217</u>	<u>\$ (82,854)</u>
Net Change in Fund Balances	<u>\$ 351,203</u>	<u>\$ 238,151</u>	<u>\$ 933,622</u>	<u>\$ (835,651)</u>
Fund Balances:				
Beginning of period, as previously reported	\$ 1,786,901	\$ 1,548,750	\$ 615,128	\$ 1,450,779
Prior period adjustments	-	-	-	-
Beginning of period, as restated	<u>\$ 1,786,901</u>	<u>\$ 1,548,750</u>	<u>\$ 615,128</u>	<u>\$ 1,450,779</u>
End of Period	<u>\$ 2,138,104</u>	<u>\$ 1,786,901</u>	<u>\$ 1,548,750</u>	<u>\$ 615,128</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

PONTOTOC CITY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 5,005,043	\$ 4,567,419	\$ 5,032,434	\$ 4,971,047
State sources	14,370,316	14,132,300	13,590,979	12,667,088
Federal sources	6,264,580	4,148,598	2,495,284	2,534,063
Total Revenues	<u>\$ 25,639,939</u>	<u>\$ 22,848,317</u>	<u>\$ 21,118,697</u>	<u>\$ 20,172,198</u>
Expenditures:				
Instruction	\$ 13,960,524	\$ 13,485,003	\$ 13,275,533	\$ 12,440,884
Support services	10,146,978	7,635,213	7,343,298	6,811,780
Noninstructional services	1,369,265	1,195,665	1,244,603	1,236,930
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	61,837	-	18,309	9,154
Interest	30,111	31,639	27,763	26,482
Other	190,126	14,600	1,950	1,950
Total Expenditures	<u>\$ 25,758,841</u>	<u>\$ 22,362,120</u>	<u>\$ 21,911,456</u>	<u>\$ 20,527,180</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (118,902)</u>	<u>\$ 486,197</u>	<u>\$ (792,759)</u>	<u>\$ (354,982)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	\$ 1,358,941	\$ 126,888	\$ -	\$ -
Capital leases issued	67,346	-	-	27,463
Insurance recovery	6,197	-	7,700	-
Payment held by QSCB escrow agent	244,148	243,891	243,901	244,095
Payment to QSCB escrow agent	(244,148)	(243,891)	(243,901)	(244,095)
Sale of transportation equipment	7,080	10,998	-	-
Sale of other property	-	-	-	250
Operating transfers in	820,964	767,160	2,665,976	565,642
Operating transfers out	(820,964)	(767,160)	(2,665,976)	(565,642)
Other financing uses	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 1,439,564</u>	<u>\$ 137,886</u>	<u>\$ 7,700</u>	<u>\$ 27,713</u>
Net Change in Fund Balances	<u>\$ 1,320,662</u>	<u>\$ 624,083</u>	<u>\$ (785,059)</u>	<u>\$ (327,269)</u>
Fund Balances:				
Beginning of period, as previously reported	\$ 5,660,582	\$ 5,034,332	\$ 5,793,967	\$ 6,135,868
Prior period adjustments	-	-	-	-
Beginning of period, as restated	<u>\$ 5,660,582</u>	<u>\$ 5,034,332</u>	<u>\$ 5,793,967</u>	<u>\$ 6,135,868</u>
Increase (Decrease) in reserve for inventory	<u>\$ (19,295)</u>	<u>\$ 2,167</u>	<u>\$ 25,424</u>	<u>\$ (14,632)</u>
End of Period	<u><u>\$ 6,961,949</u></u>	<u><u>\$ 5,660,582</u></u>	<u><u>\$ 5,034,332</u></u>	<u><u>\$ 5,793,967</u></u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

Superintendent and School Board
Pontotoc City 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 Pontotoc City School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pontotoc City School District's basic financial statements, and have issued our report thereon dated March 30, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pontotoc City 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*.

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.

M. M. Winkler & Associates, PLLC

Tupelo, MS
March 30, 2023

M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

Superintendent and School Board
Pontotoc City School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pontotoc City 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 Pontotoc City School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pontotoc City 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 Pontotoc City School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pontotoc City School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pontotoc City 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 Pontotoc City 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 Pontotoc City 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 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.

M. M. Winkler & Associates, PLLC

Tupelo, MS
March 30, 2023

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

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M. M. WINKLER & ASSOCIATES, PLLC

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

Superintendent and School Board
Pontotoc City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc City School District as of and for the year ended June 30, 2022, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated March 30, 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 insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. The School District Should Ensure Compliance with State Laws over Procurement Card Purchases.

Repeat Finding: Yes; OSA 2020 Compliance Report 6

Criteria: *Section 27-65-105, Mississippi Code Annotated*, states, “The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi...The tax levied by this chapter shall not apply to the following: (a) Sales of property, labor, services or products taxable under Sections 27-65-17, 27-65-19, 27-65-23 and 27-19-26, when sold to and billed directly to and payment therefor is made directly by ... school districts of said counties and municipalities.”

Condition: During the testing of the School District’s procurement cards, the auditors noted one instance where the School District paid state and local taxes on hotel reservations.

Cause: The School District paid state and local taxes on procurement card hotel reservations.

Effect: Failure to ensure proper exemptions are taken could result in overpayment of goods or services.

Recommendation: We recommend the Pontotoc City School District ensure that state and local taxes on hotel reservations are properly exempted prior to issuing payment for the procurement card purchases.

Response: The School District will ensure sales taxes are not paid on hotel reservations. This may require paying in advance by check rather than credit card at certain hotels.

2. The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Repeat Finding: No

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

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

Condition: During the review of the School District's PERS Form 4Bs, the auditor noted the following exceptions out of 16 tested:

Five PERS Form 4Bs were not filed within five days of the rehire date.

Cause: The School District is not timely filing PERS Form 4B.

Effect: The Mississippi Public Employees Retirement System could assess a penalty per occurrence payable by the District for not properly filing PERS Form 4B.

Recommendation: We recommend the Pontotoc City School District should ensure compliance with state law and PERS by properly filing Form 4Bs within five days of rehire.

Response: The District will ensure that PERS form 4B's are completed within five days of the rehire date of any retired public employees who are rehired by the District.

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

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

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

M. M. Winkler & Associates, PLLC

Tupelo, MS
March 30, 2023

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PONTOTOC CITY 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? | No |
| b. | Significant deficiency(ies) identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555; 10.559	Child nutrition cluster
84.425D	COVID-19 Elementary & secondary school emergency Relief fund I & II (ESSER)
84.425U	COVID-19 Elementary & secondary school emergency Relief fund ARP III (ESSER)

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |

PONTOTOC CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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