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PRENTISS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

PRENTISS COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	23
Exhibit B – Statement of Activities	25
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	27
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	31
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	57
Budgetary Comparison Schedule – ESSER II Fund	59
Budgetary Comparison Schedule – ARP ESSER III Fund	61
Schedule of the District's Proportionate Share of the Net Pension Liability	63
Schedule of District Contributions (PERS)	65
Schedule of the District's Proportionate Share of the Net OPEB Liability	67
Schedule of District Contributions (OPEB)	69
Notes to the Required Supplementary Information	71
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	77
Notes to the Schedule of Expenditures of Federal Awards	79
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	81
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	85
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	87
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	93
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	97
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	101
AUDITEE'S CORRECTIVE ACTION PLAN	107

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INDEPENDENT AUDITOR'S REPORT

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AUDITING AND ACCOUNTING SERVICES

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Prentiss County School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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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 Prentiss County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Prentiss County School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prentiss County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

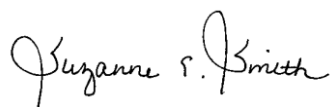
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Prentiss County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Prentiss County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prentiss County School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi

June 23, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2022 increased \$4,724,969, including a prior period adjustment of (\$63,198), which represents a 23% increase from fiscal year 2021. Total net position for 2021 decreased \$113,895, including a prior period adjustment of \$91,052, which represents a 1% decrease from fiscal year 2020.
- General revenues amounted to \$18,848,951 and \$18,693,636, or 63% and 74% 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 \$11,137,311, or 37% of total revenues for 2022, and \$6,681,997, or 26% of total revenues for 2021.
- The district had \$25,198,095 and \$25,580,580 in expenses for fiscal years 2022 and 2021; only \$11,137,311 for 2022 and \$6,681,997 for 2021 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,848,951 for 2022 were adequate to provide for these programs, while general revenues of \$18,693,636 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,038,501 in revenues and \$18,487,337 in expenditures for 2022, and \$19,388,594 in revenues and \$18,928,164 in expenditures in 2021. The General Fund's fund balance increased by \$4,116,603, including a prior period adjustment of (\$7,582), from 2021 to 2022, and decreased by \$141,985, including a prior period adjustment of \$89,579, from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$102,175, including a prior period adjustment of (\$28,070), for 2022 and increased by \$353,771, including a prior period adjustment of \$6,760, for 2021. The increase for 2022 was due to purchases of capital assets.
- Long-term debt, including compensated absences and the premium on debt issuance, decreased by \$181,751 for 2022 and decreased by \$186,209, including a prior period adjustment of \$5,287, for 2021. The liability for compensated absences increased by \$16,802 for 2022 and increased by \$4,542 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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 included in one category: governmental funds.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the district's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$16,060,670 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.

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

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 11,851,368	\$ 7,653,422	54.85%
Restricted assets	-	75,257	-100%
Capital assets, net	8,274,560	8,172,385	1.25%
Total assets	20,125,928	15,901,064	26.57%
 Deferred outflows of resources	 10,203,315	 5,087,959	 100.54%
 Current liabilities	 1,165,853	 1,440,145	 -19.05%
Long-term debt outstanding	230,235	411,986	-44.12%
Net pension liability	31,777,792	35,667,885	-10.91%
Net OPEB liability	1,862,920	2,209,722	-15.69%
Total liabilities	35,036,800	39,729,738	-11.81%
 Deferred inflows of resources	 11,353,113	 2,044,924	 455.19%
 Net position:			
Net investment in capital assets	8,273,005	7,972,277	3.77%
Restricted	1,372,916	1,175,079	16.84%
Unrestricted	(25,706,591)	(29,932,995)	14.12%
Total net position	\$ (16,060,670)	\$ (20,785,639)	22.73%

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)	(\$ 25,706,591)
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	34,790,510
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,083,919</u>

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

- The principal retirement of \$196,866 in long-term debt.

Changes in net position

The district's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$29,986,262 and \$25,375,633, respectively. The total cost of all programs and services was \$25,198,095 for 2022 and \$25,580,580 for 2021.

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

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

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,093,350	\$ 947,936	15.34%
Operating grants and contributions	9,838,967	5,734,061	71.59%
Capital Grants and Contributions	204,994	-	N/A
General revenues:			
Property taxes	3,969,252	3,977,689	-0.21%
Grants and contributions not restricted	14,733,118	14,495,690	1.64%
Investment earnings	109,880	83,768	31.17%
Other	36,701	136,489	-73.11%
Total revenues	<u>29,986,262</u>	<u>25,375,633</u>	18.17%
Expenses:			
Instruction	13,365,570	14,361,773	-6.94%
Support services	7,547,143	6,560,389	15.04%
Non-instructional	1,824,852	1,627,356	12.14%
Pension expense	2,542,530	2,953,152	-13.90%
OPEB expense	(84,209)	59,894	-240.60%
Interest on long-term liabilities	2,209	18,016	-87.74%
Total expenses	<u>25,198,095</u>	<u>25,580,580</u>	-1.50%
Increase (Decrease) in net position	<u>4,788,167</u>	<u>(204,947)</u>	2436.30%
Net Position, July 1, as previously reported	(20,785,639)	(20,671,744)	-0.55%
Prior period adjustment	(63,198)	91,052	-169.41%
Net Position, July 1, as restated	<u>(20,848,837)</u>	<u>(20,580,692)</u>	-1.30%
Net Position, June 30	<u>(16,060,670)</u>	<u>(20,785,639)</u>	22.73%

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.

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 13,365,570	\$ 14,361,773	-6.94%
Support services	7,547,143	6,560,389	15.04%
Non-instructional	1,824,852	1,627,356	12.14%
Pension Expense	2,542,530	2,953,152	-13.90%
OPEB Expense	(84,209)	59,894	-240.60%
Interest on long-term liabilities	2,209	18,016	-87.74%
Total expenses	\$ 25,198,095	\$ 25,580,580	-1.50%

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (7,044,091)	\$ (10,342,284)	31.89%
Support services	(4,605,113)	(5,228,472)	11.92%
Non-instructional	48,950	(296,765)	116.49%
Pension Expense	(2,542,530)	(2,953,152)	13.90%
OPEB Expense	84,209	(59,894)	240.60%
Interest on long-term liabilities	(2,209)	(18,016)	87.74%
Total net (expense) revenue	\$ (14,060,784)	\$ (18,898,583)	25.60%

Net cost of governmental activities [(\$14,060,784) for 2022 and (\$18,898,583) for 2021] was financed by general revenue, which is primarily made up of property taxes (\$3,969,252 for 2022 and \$3,977,689 for 2021) and state and federal revenues (\$14,733,118 for 2022 and \$14,495,690 for 2021).

Investment earnings amounted to \$109,880 for 2022 and \$83,768 for 2021.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the district's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unassigned fund balance may serve as a useful measure 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 \$10,685,515, an increase of \$4,395,903, which includes a prior period adjustment of (\$34,925) and an increase in inventory of \$27,344. \$5,349,985 or 50% 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 \$5,335,530 or 50% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the district. The increase in fund balance in the General

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

Fund for the fiscal year was \$4,116,603, including a prior period adjustment of (\$7,582). The fund balance of Other Governmental Funds showed an increase in the amount of \$279,300, which includes a prior period adjustment of (\$27,343) and an increase in reserve for inventory of \$27,344, due primarily to an increase in the fund balance of the Child Nutrition Fund. 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	No change
ARP ESSER III Fund	No change

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$16,352,078, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$305,871, including a prior period adjustment of (\$28,070), from 2021. Total accumulated depreciation as of June 30, 2022, was \$8,077,518, and total depreciation expense for the year was \$472,829, resulting in total net capital assets of \$8,274,560.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 252,634	\$ 252,634	0.00%
Buildings	6,159,691	6,384,115	-3.52%
Building Improvements	257,402	282,241	-8.80%
Improvements other than buildings	179,582	159,004	12.94%
Mobile equipment	1,193,501	1,008,065	18.40%
Furniture and equipment	231,750	81,961	182.76%
Leased property under capital lease	-	4,365	-100.00%
Total	\$ 8,274,560	\$ 8,172,385	1.25%

Additional information on the district's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2022, the district had \$230,235 in outstanding long-term debt, including compensated absences, of which \$1,555 is due within one year. The liability for compensated absences increased \$16,802 from the prior year.

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

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	<u>Percentage</u> <u>Change</u>
Three mill notes payable	\$	-	\$ 195,000	-100.00%
Premium on note issuance	\$	-	\$ 1,687	-100.00%
Equipment finance agreements payable	\$	1,555	\$ 3,421	-54.55%
Compensated absences payable	\$	228,680	\$ 211,878	7.93%
Total	\$	230,235	\$ 411,986	-44.12%

Equipment finance agreements payable were shown as Obligations under capital lease in the prior year.

Additional information on the district's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Prentiss County School District is financially stable. The district is proud of its community support of the public schools. The district has committed itself to financial excellence for many years. The district plans to continue its sound financial management to meet the challenges of the future. The district has six schools: Hills Chapel School, Jumpertown High School, Marietta Elementary School, New Site High School, Thrasher High School, and Wheeler High School. The district also has a Vocational Complex.

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 Prentiss County School District, 105 North College Street, Booneville, Mississippi 38829.

FINANCIAL STATEMENTS

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PRENTISS COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2022

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,701,060
Due from other governments	981,338
Other receivables	100,155
Inventories	68,815
Capital assets, net of accumulated depreciation	8,274,560
Total Assets	<u>20,125,928</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	9,751,956
Deferred outflows - OPEB	451,359
Total deferred outflows of resources	<u>10,203,315</u>
Liabilities	
Accounts payable and accrued liabilities	1,165,853
Long-term liabilities, due within one year:	
Capital related liabilities	1,555
Net OPEB liability	60,701
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	228,680
Net pension liability	31,777,792
Net OPEB liability	1,802,219
Total Liabilities	<u>35,036,800</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	10,693,451
Deferred inflows - OPEB	659,662
Total deferred inflows of resources	<u>11,353,113</u>
Net Position	
Net investment in capital assets	8,273,005
Restricted for:	
Expendable:	
School-based activities	1,226,844
Debt Service	87,202
Unemployment benefits	58,870
Unrestricted	(25,706,591)
Total Net Position	<u>\$ (16,060,670)</u>

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

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PRENTISS COUNTY 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	\$ 13,365,570	1,061,010	5,241,672	18,797	(7,044,091)
Support services	7,547,143	6,875	2,757,655	177,500	(4,605,113)
Non-instructional	1,824,852	25,465	1,839,640	8,697	48,950
Pension expense	2,542,530				(2,542,530)
OPEB expense	(84,209)				84,209
Interest on long-term liabilities	2,209				(2,209)
Total Governmental Activities	<u>\$ 25,198,095</u>	<u>1,093,350</u>	<u>9,838,967</u>	<u>204,994</u>	<u>(14,060,784)</u>
General Revenues:					
Taxes:					
General purpose levies					3,764,648
Deb service levies					204,604
Unrestricted grants and contributions:					
State					14,683,628
Federal					49,490
Unrestricted investment earnings					109,880
Other					36,701
Total General Revenues					<u>18,848,951</u>
Change in Net Position					<u>4,788,167</u>
Net Position - Beginning, as previously reported					(20,785,639)
Prior Period Adjustments					<u>(63,198)</u>
Net Position - Beginning, as restated					<u>(20,848,837)</u>
Net Position - Ending					<u><u>\$ (16,060,670)</u></u>

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2022

	Major Funds					Total
	General	ESSER II	ARP ESSER III	Other Governmental	Governmental	
	Fund	Fund	Fund	Funds	Funds	Funds
Assets						
Cash and cash equivalents	\$ 9,415,739			1,285,321		10,701,060
Due from other governments	236,132	226,459		518,747		981,338
Due from other funds	735,717					735,717
Other receivables	489			99,666		100,155
Inventories				68,815		68,815
Total assets	10,388,077	226,459	0	1,972,549		12,587,085
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	1,158,019			7,834		1,165,853
Due to other funds	0	226,459		509,258		735,717
Total Liabilities	1,158,019	226,459	0	517,092		1,901,570
Fund Balances:						
Nonspendable:						
Inventory				68,815		68,815
Restricted:						
Debt service				87,202		87,202
Grant activities				1,158,029		1,158,029
Unemployment benefits				58,870		58,870
Assigned:						
Student activities	549,932					549,932
Special projects	748,140					748,140
Transportation	1,538,530					1,538,530
Technology	1,043,471					1,043,471
Vocational				82,541		82,541
Unassigned	5,349,985					5,349,985
Total Fund Balances	9,230,058	0	0	1,455,457		10,685,515
Total liabilities and fund balances	\$ 10,388,077	226,459	0	1,972,549		12,587,085

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds		\$	10,685,515
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	\$	252,634	
Buildings		12,027,067	
Building improvements		670,111	
Improvements other than buildings		362,694	
Mobile equipment		2,190,111	
Furniture and equipment		849,461	
Accumulated depreciation		(8,077,518)	8,274,560
2. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:			
Net pension liability		(31,777,792)	
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		9,751,956	
Deferred inflows of resources related to pensions		(10,693,451)	(32,719,287)
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		(1,862,920)	
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		451,359	
Deferred inflows of resources related to OPEB		(659,662)	(2,071,223)
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:			
Equipment finance agreement payable		(1,555)	
Compensated absences payable		(228,680)	(230,235)
Net Position of governmental activities		\$	<u>(16,060,670)</u>

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2022

	Major Funds			Other	Total
	General	ESSER II	ARP ESSER III	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 4,827,122			382,063	5,209,185
State sources	15,084,989			728,899	15,813,888
Federal sources	126,390	1,789,426	3,267,839	3,779,534	8,963,189
Total Revenues	20,038,501	1,789,426	3,267,839	4,890,496	29,986,262
Expenditures:					
Instruction	11,711,006	1,263,446		2,169,781	15,144,233
Support services	6,487,582	525,980		1,290,189	8,303,751
Noninstructional services	286,784			1,659,937	1,946,721
Debt service:					
Principal	1,866			195,000	196,866
Interest	99			4,875	4,974
Other				1,940	1,940
Total Expenditures	18,487,337	1,789,426	0	5,321,722	25,598,485
Excess (Deficiency) of Revenues over (under) Expenditures	1,551,164	0	3,267,839	(431,226)	4,387,777
Other Financing Sources (Uses):					
Insurance recovery	15,707				15,707
Operating transfers in	3,302,839			745,525	4,048,364
Operating transfers out	(745,525)	0	(3,267,839)	(35,000)	(4,048,364)
Total Other Financing Sources (Uses)	2,573,021	0	(3,267,839)	710,525	15,707
Net Change in Fund Balances	4,124,185	0	0	279,299	4,403,484
Fund Balances:					
July 1, 2021, as previously reported	5,113,455	0	0	1,176,157	6,289,612
Prior period adjustments	(7,582)			(27,343)	(34,925)
July 1, 2021, as restated	5,105,873	0	0	1,148,814	6,254,687
Increase in reserve for inventory				27,344	27,344
June 30, 2022	\$ 9,230,058	0	0	1,455,457	10,685,515

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

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PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 4,403,484

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	\$ 604,908	
	Depreciation expense	<u>(472,829)</u>	132,079
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(1,834)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	196,866	
	Accrued interest payable	<u>1,078</u>	197,944
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	Pension expense	(2,542,530)	
	Contributions subsequent to the measurement date	<u>2,441,885</u>	(100,645)
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	OPEB expense	84,209	
	Contributions subsequent to the measurement date	<u>60,701</u>	144,910
6.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	(16,802)	
	Change in inventory	27,344	
	Amortization of bond premium	<u>1,687</u>	12,229
Change in Net Position of governmental activities			<u><u>\$ 4,788,167</u></u>

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

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PRENTISS COUNTY 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 a "primary government." The school district is governed by a five-member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

ESSER II Fund – This is a special revenue fund used to account for the Federal Elementary and Secondary School Emergency Relief (ESSER) Fund grant, administered by the United States Department of Education. ESSER II was established by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) on December 27, 2020.

ARP ESSER III Fund – This is a special revenue fund used to account for the Federal Elementary and Secondary School Emergency Relief (ESSER) Fund grant, administered by the United States Department of Education. ESSER III was established in March 2021, when the American Rescue Plan (ARP) Act was signed into law.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

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

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

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

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 has incurred deferred inflows related to OPEB and pensions.

See Notes 6, 7, and 14 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by

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

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.

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 5 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. See Note 8 for details.

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. See Note 9 for details.

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.

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

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 official action taken by the school board documented in its official minutes. The action for fund balance commitment must occur on or prior to balance sheet date. Currently there no committed fund balances for the district.

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

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

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

14. Accounting Standards Update

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

Note 2 – Cash and Cash Equivalents

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:

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$10,701,060.

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.

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	\$ 226,459
	Other governmental funds	509,258
		<u>\$ 735,717</u>

Inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the State and Federal governments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 745,525
ARP ESSER III Fund	General Fund	3,267,839
Other governmental funds	General Fund	<u>35,000</u>
Total		<u>\$ 4,048,364</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds. Also included are transfers of indirect costs from special revenue funds to the General Fund and operating transfers from the ARP ESSER III Fund to the General Fund.

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

Note 4 – Capital Assets

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

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 252,634				252,634
Total non-depreciable capital assets	252,634	-	-	-	252,634
<u>Depreciable capital assets:</u>					
Buildings	12,027,067				12,027,067
Building improvements	670,111				670,111
Improvements other than buildings	327,956	34,738			362,694
Mobile equipment	2,108,857	361,191	18,337	(261,600)	2,190,111
Furniture and equipment	640,482	208,979			849,461
Leased property under capital lease	19,100			(19,100)	-
Total depreciable capital assets	15,793,573	604,908	18,337	(280,700)	16,099,444
<u>Less accumulated depreciation for:</u>					
Buildings	5,642,952	224,424			5,867,376
Building improvements	387,870	24,839			412,709
Improvements other than buildings	168,952	14,160			183,112
Mobile equipment	1,100,792	150,216	16,503	(237,895)	996,610
Furniture and equipment	558,521	59,190			617,711
Leased property under capital lease	14,735			(14,735)	-
Total accumulated depreciation	7,873,822	472,829	16,503	(252,630)	8,077,518
Total depreciable capital assets, net	7,919,751	132,079	1,834	(28,070)	8,021,926
Governmental activities capital assets, net	\$ 8,172,385	132,079	1,834	(28,070)	8,274,560

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 8,995
Support services	449,735
Non-instructional	14,099
Total depreciation expense - Governmental activities	\$ 472,829

Adjustments were necessary to show deletions in a prior year that were not reflected in the subsidiary records in prior periods and to reclassify equipment under a financing agreement from the leased property under capital lease category.

Note 5 – Long-term Liabilities

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

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. Three mill notes payable	\$ 195,000		195,000	-	
B. Equipment finance agreements payable	3,421		1,866	1,555	1,555
C. Compensated absences payable	211,878	16,802		228,680	
Subtotal	410,299	16,802	196,866	230,235	1,555
Premium on debt issuance	1,687		1,687	-	
Total	\$ 411,986	16,802	198,553	230,235	

Note: Equipment finance agreements payable were shown in the prior year as Obligations under capital lease.

A. Three mill notes payable

This debt was paid in full during the 2022 year.

B. Equipment finance agreements payable

The school district has entered into an equipment purchase financing agreement for financing the acquisition of an ATV (all-terrain vehicle).

Ownership will transfer to the school district at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Gator Lease	5.00%	30-Apr-19	30-Apr-23	\$ 7,465	\$ 1,555
Total				<u>\$ 7,465</u>	<u>\$ 1,555</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 1,555	82	1,637
Total	<u>\$ 1,555</u>	<u>82</u>	<u>1,637</u>

This debt will be paid from the District Maintenance Fund (General Fund).

C. Compensated absences payable

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

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

Note 6 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$2,441,885, \$2,487,376, and \$2,134,716, 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 \$31,777,792 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 0.214999 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.030753 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.

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

For the year ended June 30, 2022, the District recognized pension expense of \$2,542,530. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 476,824	\$
Net difference between projected and actual earnings on pension plan investments		9,831,104
Changes of assumptions	2,434,566	
Changes in proportion and differences between District contributions and proportionate share of contributions	4,398,681	862,347
District contributions subsequent to the measurement date	2,441,885	
Total	\$ <u>9,751,956</u>	\$ <u>10,693,451</u>

\$2,441,885 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	\$ (338,664)
2024	37,983
2025	(230,857)
2026	(2,851,842)

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

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 45,004,803	\$ 31,777,792	\$ 20,877,682

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 7 – 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

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

the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$60,701 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 \$1,862,920 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 0.28941618 percent. This was an increase of 0.00546618 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 (\$84,209). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,026	\$ 582,511
Changes of assumptions	301,713	63,006
Net difference between projected and actual earnings on OPEB plan investments	87	
Changes in proportion and differences between District contributions and proportionate share of contributions	86,832	14,145
District contributions subsequent to the measurement date	60,701	
Total	\$ <u>451,359</u>	\$ <u>659,662</u>

\$60,701 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	\$ (62,925)
2024	(57,642)
2025	(47,556)
2026	(62,997)
2027	(37,884)

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%

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

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

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

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

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

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

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

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

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

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 2,061,986	\$ 1,862,920	\$ 1,693,186

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:

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,725,546	\$ 1,862,920	\$ 2,018,383

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 8 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period error in recording an asset or liability	\$ (34,925)
2. Restatement of capital assets and accumulated depreciation	(28,070)
3. Restatement of prior period net OPEB liability	(203)
Total	<u>\$ (63,198)</u>

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

Fund	Explanation	Amount
General Fund	Error correction of a prior period recording of an asset or liability	\$ (7,582)
Other governmental funds	Error correction of a prior period recording of an asset or liability	(27,343)
Total		<u>\$ (34,925)</u>

Note 9 – 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 10 – Risk Management

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

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

district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 43 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 43 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 11 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Prentiss County Career and Technology 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 Prentiss County School District and the Booneville 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. Prentiss County School District has been designated as the fiscal agent for the Prentiss County Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the center:

PRENTISS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Prentiss County Career and Technology Center Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2022

Revenues

Local sources:

Tuition from other LEA's	\$ 78,910
Total local sources	78,910

State sources	579,858
Federal sources	39,064
Total Revenues	697,832

Expenditures

Salaries	1,068,407
Employee Benefits	264,795
Purchased property services	46,122
Other purchased services	6,527
Supplies	29,402
Property	34,941
Other	880
Total Expenditures	1,451,074
Excess (deficiency) of revenues over (under) Expenditures	(753,242)

Other Financing Sources/Uses

Transfers In	744,394
Total other financing sources/uses	744,394
Net Change in Fund Balance	(8,848)

Fund Balance

July 1, 2021	91,388
June 30, 2022	\$ 82,540

Note 12– Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995, creating the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Booneville School District, Baldwin School District, and Prentiss County School District.

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

The Booneville School District has been designated as the lead school district for the NEMRAEC, and the operations of the consortium are included in its financial statements.

Note 13 – Insurance Loss Recovery

The Prentiss County School District received \$15,707 in insurance loss recovery related to property damage during previous fiscal years. In the government-wide Statement of Activities, the insurance loss recovery was reported as other general income.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$25,706,591) includes the effect of deferring the recognition of

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

expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,441,885 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 \$7,310,071 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 (\$25,706,591) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$10,693,451 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 (\$25,706,591) 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 \$60,701 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 \$390,658 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 (\$25,706,591) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$659,662 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.

Note 15 - 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 Prentiss County School District evaluated the activity of the district through June 23, 2023, and determined that the following event occurred requiring disclosure:

On July 25, 2022, the school district awarded the sale of a limited-tax promissory note in the principal amount of \$2,529,000 for the purpose of raising money to pay for the costs of making improvements in the district and paying the costs of such borrowing.

REQUIRED SUPPLEMENTARY INFORMATION

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PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,485,035	4,827,122	4,827,122	342,087	0
State sources	14,761,623	15,084,989	15,084,989	323,366	0
Federal sources	206,095	126,390	126,390	(79,705)	0
Total Revenues	19,452,753	20,038,501	20,038,501	585,748	0
Expenditures:					
Instruction	11,944,827	11,711,006	11,711,006	233,821	0
Support services	6,491,007	6,487,582	6,487,582	3,425	0
Noninstructional services	270,900	387,011	286,784	(116,111)	100,227
Debt service:					
Principal	0	1,866	1,866	(1,866)	0
Interest	0	99	99	(99)	0
Total Expenditures	18,706,734	18,587,564	18,487,337	119,170	100,227
Excess (Deficiency) of Revenues over (under) Expenditures	746,019	1,450,937	1,551,164	704,918	100,227
Other Financing Sources (Uses):					
Insurance recovery	0	15,707	15,707	15,707	0
Operating transfers in	3,713,962	8,943,624	3,302,839	5,229,662	(5,640,785)
Operating transfers out	(4,569,185)	(6,286,083)	(745,525)	(1,716,898)	5,540,558
Total Other Financing Sources (Uses)	(855,223)	2,673,248	2,573,021	3,528,471	(100,227)
Net Change in Fund Balances	(109,204)	4,124,185	4,124,185	4,233,389	0
Fund Balances:					
July 1, 2021, as previously reported	5,117,580	5,113,452	5,113,455	(4,128)	3
Prior period adjustments	0	(7,579)	(7,582)	(7,579)	(3)
July 1, 2021, as restated	5,117,580	5,105,873	5,105,873	(11,707)	0
June 30, 2022	\$ 5,008,376	9,230,058	9,230,058	4,221,682	0

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

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PRETISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ESSER II Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,641,696	1,641,696	1,789,426	0	147,730
Total Revenues	1,641,696	1,641,696	1,789,426	0	147,730
Expenditures:					
Instruction	829,529	1,282,848	1,263,446	(453,319)	19,402
Support services	812,167	817,032	525,980	(4,865)	291,052
Total Expenditures	1,641,696	2,099,880	1,789,426	(458,184)	310,454
Net Change in Fund Balances	0	(458,184)	0	(458,184)	458,184
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	(458,184)	0	(458,184)	458,184

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

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PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ARP ESSER III Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 4,853,756	4,858,756	3,267,839	5,000	(1,590,917)
Total Revenues	4,853,756	4,858,756	3,267,839	5,000	(1,590,917)
Expenditures:					
Instruction	2,945,756	1,466,094	0	1,479,662	1,466,094
Support services	1,908,000	0	0	1,908,000	0
Total Expenditures	4,853,756	1,466,094	0	3,387,662	1,466,094
Excess (Deficiency) of Revenues over (under) Expenditures	0	3,392,662	3,267,839	3,392,662	(124,823)
Other Financing Sources (Uses):					
Operating transfers out	0	(3,466,539)	(3,267,839)	(3,466,539)	198,700
Total Other Financing Sources (Uses)	0	(3,466,539)	(3,267,839)	(3,466,539)	198,700
Net Change in Fund Balances	0	(73,877)	0	(73,877)	73,877
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	(73,877)	0	(73,877)	73,877

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

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	%	0.214999	0.184246	0.192100	0.198700	0.194000	0.193000	0.191800	0.189000
District's proportionate share of the net pension liability	\$	31,777,792	35,667,885	33,794,180	33,049,713	32,249,384	34,474,619	29,648,498	22,941,139
District's covered payroll	\$	14,295,264	12,268,483	12,509,931	12,686,495	12,472,527	12,341,613	11,979,505	11,526,921
District's proportionate share of the net pension liability as a percentage of its covered payroll		222.30%	290.73%	270.14%	260.51%	258.56%	279.34%	247.49%	199.02%
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.

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PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	2,441,885	2,487,376	2,134,716	1,970,314	1,998,123	1,964,423	1,943,795	1,886,772
Contributions in relation to the contractually required contribution	\$	2,441,885	2,487,376	2,134,716	1,970,314	1,998,123	1,964,423	1,943,795	1,886,772
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-	-
District's covered payroll		14,033,822	14,295,264	12,268,483	12,509,931	12,686,495	12,472,527	12,341,556	11,979,505
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.

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018*
District's proportion of the net OPEB liability	%	0.28941618	0.28395000	0.28226610	0.28548509	0.27402807
District's proportionate share of the net OPEB liability	\$	1,862,920	2,209,722	2,395,144	2,208,370	2,150,049
District's covered-employee payroll	\$	14,295,264	12,268,483	12,509,931	12,686,495	12,472,527
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		13.03%	18.01%	19.15%	17.41%	17.24%
Plan fiduciary net position as a percentage of the total OPEB liability		0.1600%	0.1331%	0.1198%	0.1291%	0.0000%

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

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

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

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PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018*
Actuarially determined contribution	\$ 60,701	74,877	88,123	96,005	91,660
Contributions in relation to the actuarially determined contribution	\$ 60,701	74,877	88,123	96,005	91,660
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered-employee payroll	14,033,822	14,295,264	12,268,483	12,509,931	12,686,495
Contributions as a percentage of covered-employee payroll	0.4325%	0.5238%	0.7183%	0.7674%	0.7225%

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 information is based on historical amounts reported in prior year audit reports.

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021:

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

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

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

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

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

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

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

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

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

SUPPLEMENTARY INFORMATION

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PRENTISS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program	10.555	225MS326N1099	\$ 1,572,536
National school lunch program - commodities	10.555	225MS326N1099	117,672
COVID-19 - Emergency operations cost	10.555	225MS326N1099	92,930
Total child nutrition cluster			1,783,138
Administrative expense reimbursement	10.560	225MS907N2533	3,998
Total passed-through Mississippi Department of Education			1,787,136
Total U.S. Department of Agriculture			1,787,136
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A190024 S010A200024 S010A210024	661,405
Career and technical education - basic grants to states	84.048	V048A210024	39,064
Rural education	84.358	S358B190024 S358B200024 S358B210024	50,668
Supporting effective instruction state grants	84.367	S367A190023 S367A200023 S367A210023	148,863
Student support and academic enrichment program grants	84.424	S424A200025 S424A210025	49,188
Subtotal			949,188
Special education cluster:			
Special education - grants to states	84.027	H027A190108 H027A200108 H027A210108	677,801
IDEA, Part B ARP Grant	84.027X	H027X210108	77,080
Total Special education - grants to states			754,881
Special education - preschool grants	84.173	H173A190113 H173A200113 H173A210113	51,128
IDEA, Part B Preschool ARP Grant	84.173X	H173X210113	3,186
Total Special education - preschool grants			54,314
Total special education cluster			809,195
COVID-19 - Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	5,974
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	1,789,426
COVID-19 - Elementary & Secondary School Emergency Relief Fund Nurse grant	84.425D	S425D200031	51,689
COVID-19 - Elementary & Secondary School Emergency Relief Fund CTE grant	84.425D	S425D200031	36,061
COVID-19 - Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	3,267,839
Total COVID-19 - Education Stabilization Fund (ESSER)			5,150,989
Total passed-through Mississippi Department of Education			6,909,372

Passed-through Mississippi Department of Rehabilitation Services:			
Rehabilitation services - vocational rehabilitation grants to states	84.126	2022	31,792
Total passed-through Mississippi Department of Rehabilitation Services			31,792
Total U.S. Department of Education			6,941,164
<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	38,943
Total Medicaid cluster			38,943
Total passed-through Mississippi Department of Education			38,943
Total U.S. Department of Health and Human Services			38,943
<u>Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Disability insurance/SSI cluster:			
Social security disability insurance	96.001	4-22-04MSD100	266
Total Social security disability insurance cluster			266
Total passed-through Mississippi Department of Rehabilitation Services:			266
Total Social Security Administration			266
Total for All Federal Awards			\$ 8,767,509

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

As allowed by federal regulations, the Prentiss County School District elected to transfer program funds. The district expended \$49,188 from its Student support and academic enrichment grant (84.424) on allowable activities of the Title I grants to local educational agencies grant (84.010). This amount is reflected in the expenditures of the Title I grants to local educational agencies grant (84.010).

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Prentiss County School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Prentiss County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Prentiss County 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

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PRENTISS COUNTY 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	\$ 19,352,054	15,256,312	874,959	1,223,507	1,997,276
Other	6,246,431	1,976,678	250,554	25,984	3,993,215
Total	<u>\$ 25,598,485</u>	<u>17,232,990</u>	<u>1,125,513</u>	<u>1,249,491</u>	<u>5,990,491</u>
Total number of students *	<u>2,095</u>				
Cost per student	<u>\$ 12,218</u>	<u>8,226</u>	<u>537</u>	<u>596</u>	<u>2,859</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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PRENTISS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 4,827,122	4,649,393	4,346,113	4,300,490
State sources	15,084,989	14,578,595	14,528,792	13,768,452
Federal sources	126,390	160,606	304,570	128,033
Total Revenues	20,038,501	19,388,594	19,179,475	18,196,975
Expenditures:				
Instruction	11,711,006	11,967,055	12,370,699	11,888,272
Support services	6,487,582	6,680,774	5,350,694	5,283,795
Noninstructional services	286,784	275,750	223,519	7,738
Debt service:				
Principal	1,866	4,356	2,491	2,491
Interest	99	229	127	139
Total Expenditures	18,487,337	18,928,164	17,947,530	17,182,435
Excess (Deficiency) of Revenues over (under) Expenditures	1,551,164	460,430	1,231,945	1,014,540
Other Financing Sources (Uses):				
Insurance recovery	15,707	71,388	2,306	
Sale of transportation equipment		18,764		11,992
Sale of other assets		25,000		
Operating transfers in	3,302,839	57,535	38,336	373,124
Other financing sources		96		
Operating transfers out	(745,525)	(864,777)	(860,863)	(739,842)
Other financing uses			(400)	
Total Other Financing Sources (Uses)	2,573,021	(691,994)	(820,621)	(354,726)
Net Change in Fund Balances	4,124,185	(231,564)	411,324	659,814
Fund Balances:				
Beginning of period, as previously reported	5,113,455	5,255,440	4,843,717	4,183,903
Prior period adjustments	(7,582)	89,579	399	
Beginning of period, as restated	5,105,873	5,345,019	4,844,116	4,183,903
End of Period	\$ 9,230,058	5,113,455	5,255,440	4,843,717

*SOURCE - PRIOR YEAR AUDIT REPORTS

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PRENTISS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 5,209,185	5,038,967	4,924,819	5,184,639
State sources	15,813,888	15,423,311	15,402,945	14,528,841
Federal sources	8,963,189	4,806,442	2,960,290	3,103,333
Total Revenues	29,986,262	25,268,720	23,288,054	22,816,813
Expenditures:				
Instruction	15,144,233	15,905,687	14,697,038	14,165,106
Support services	8,303,751	7,867,644	6,484,736	6,389,998
Noninstructional services	1,946,721	1,677,104	1,601,349	1,438,914
Facilities acquisition and construction			135,640	10,800
Debt service:				
Principal	196,866	194,356	187,491	183,466
Interest	4,974	11,319	12,977	16,589
Other	1,940		1,940	1,940
Total Expenditures	25,598,485	25,656,110	23,121,171	22,206,813
Excess (Deficiency) of Revenues over (under) Expenditures	4,387,777	(387,390)	166,883	610,000
Other Financing Sources (Uses):				
Insurance recovery	15,707	71,388	2,306	
Sale of transportation equipment		18,764		11,992
Sale of other assets		25,000		
Operating transfers in	4,048,364	1,190,766	1,072,781	1,275,845
Other financing sources		96		
Operating transfers out	(4,048,364)	(1,190,766)	(1,072,781)	(1,275,845)
Other financing uses			(400)	
Total Other Financing Sources (Uses)	15,707	115,248	1,906	11,992
Net Change in Fund Balances	4,403,484	(272,142)	168,789	621,992
Fund Balances:				
Beginning of period, as previously reported	6,289,612	6,484,315	6,295,945	5,670,701
Prior period adjustments	(34,925)	89,579	136	
Beginning of period, as restated	6,254,687	6,573,894	6,296,081	5,670,701
Increase (Decrease) in reserve for inventory	27,344	(12,140)	19,445	3,252
End of Period	\$ 10,685,515	\$ 6,289,612	\$ 6,484,315	\$ 6,295,945

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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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
Prentiss County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prentiss County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated June 23, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-001 and Finding 2022-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

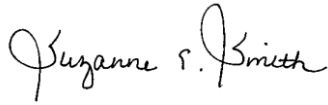
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Prentiss County School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Prentiss County School District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The school district's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

A handwritten signature in black ink, reading "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC
Starkville, MS 39760

June 23, 2023

SUZANNE E. SMITH, CPA, PLLC

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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 the School Board
Prentiss County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Prentiss County School District's compliance with the type of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Prentiss County School District's major federal programs for the year ended June 30, 2022. Prentiss County 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, Prentiss County 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 of 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 Prentiss County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 Prentiss County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-003 and Finding 2022-004. Our opinion on each major federal award program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

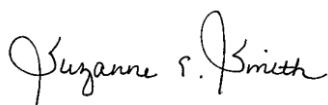
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-003 and Finding 2022-004 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Prentiss County School District's responses to the internal control over compliance findings identified in our audit described in the schedule of findings and questioned costs. The school district's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Starkville, MS 39760

June 23, 2023

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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

Superintendent and School Board
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2022, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated June 23, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district." The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

Finding SL2022-A. Budgeting - Amended Budgets, Code Section 37-61-19, Mississippi Code Ann. (1972), states that it shall be the duty of the superintendents of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. Our review of the final amended budget for the 2021-2022 year approved by the school board on September 30, 2022, revealed seven (7) funds with budgeted revenues and budgeted expenditures that resulted in budgeted negative ending fund balances. While the actual fund balances for the seven (7) funds were not negative at June 30, 2022, the final amended budgets approved by the school board showed negative fund balances. This happened when budgeted revenues were not adjusted in federal award program funds to match budgeted expenditures. While this is considered an oversight, the oversight resulted in a legally adopted final budget that showed negative fund balances in certain funds.

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Recommendation: We recommend that the school district carefully review all budgets submitted to the school board for approval and review all budgeted ending fund balances, checking for negative balances, before presentation to the school board for approval.

District Response: The district will ensure revenue budgets are accurately amended for all budget amendments.

Finding SL2022-B. Reporting requirements for reemployment of Public Employees' Retirement System (PERS) retirees. Section 25-11-127, Mississippi Code Ann. (1972), requires that for all PERS retirees hired as employees by the school district, the school district must file with PERS the required PERS Form 4B (Certification/Acknowledgement of Reemployment of Retiree) within five (5) days of employment. Out of a total population of 23 PERS retirees hired by the district during the 2022 year, we chose seven (7) for testing. Out of the seven (7) items tested, we noted 4 instances where the district did not file the required form within five (5) days of employment.

Recommendation: We recommend that the district file the required form when a PERS retiree is employed by the district.

District Response: The district will implement new procedures to ensure 4B forms are submitted in a timely manner.

Finding SL2022-C. Late Deposits in Student Activity Funds. Section 37-7-301(s), Miss. Code Ann. (1972), provides that the State Department of Education shall prescribe a uniform system of accounting and financial reporting for all student activity fund transactions. Section F of the Accounting Manual for School Districts, published by the State Department of Education, prescribes the system of accounting for such transactions. Good internal controls require the timely deposit of cash receipts to safeguard against loss from unauthorized use or theft. During our testing of student activity fund receipts, we noted eight (8) instances out of forty (40) receipts tested where deposits were not made in a timely manner (within two working days of the receipt of monies). While the district has policies and procedures outlining the prompt deposit of student activity funds, the controls were circumvented. Late deposits constitute a weakness in controls surrounding the safeguarding of cash and other deposits. This weakness in controls means that cash and other deposits are not safeguarded against loss from unauthorized use or theft.

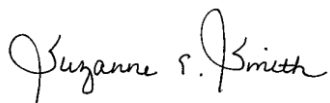
Recommendation: We recommend that the school district review current policies and procedures and begin the process of strengthening controls in the area of student activity fund receipts.

District Response: The district will provide further instruction and training to ensure deposits are made on a timely basis.

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

The Prentiss County 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.



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi

June 23, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 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)? (Yes/No) | Yes |

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	Name of Federal Program or Cluster
84.425D	COVID-19-Elementary & Secondary School Emergency Relief Fund I
84.425D	COVID-19-Elementary & Secondary School Emergency Relief Fund II
84.425D	COVID-19-Elementary & Secondary School Emergency Relief Fund School Nurse grant
84.425D	COVID-19-Elementary & Secondary School Emergency Relief Fund CTE grant
84.425U	COVID-19-Elementary & Secondary School Emergency Relief Fund ARP III

Special Education Cluster:

84.027	Special education - grants to states
84.027X	IDEA, Part B ARP grant
84.173	Special education - preschool grants
84.173X	IDEA, Part B Preschool ARP grant

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

PRENTISS COUNTY 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 which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) No

Section II: Financial Statement Findings

Significant Deficiencies in internal financial accounting controls

Finding 2022-001. Inadequate time records for non-exempt employees.

CRITERIA: The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, and recordkeeping requirements affecting district employees. Covered nonexempt workers are entitled to a minimum wage and overtime pay at a rate not less than one and one-half times the regular rate of pay after 40 hours of work in a workweek. The district must maintain records that include:

- Time and day of week when each nonexempt employee's work week begins;
- Hours worked each day;
- Total hours worked each work week;
- Records to show all overtime earnings for the work week.

CONDITION: In our sample of forty (40) employees tested, we noted six (6) instances where hourly time records were not available for the April 2022 payroll and sixteen (16) instances where hourly time records were not totaled to determine whether or not overtime hours were worked for the April 2022 payroll. Hourly time records were also not subjected to an independent review in all cases.

CAUSE: The district does not consistently follow the requirements of FLSA with respect to its nonexempt employees.

EFFECT: The effect is that the district is at risk for noncompliance in the area of FLSA.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district review its current policies for compliance with FLSA and begin the process of strengthening both policies and procedural controls in this area. Electronic timekeeping system options may be considered.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Finding 2022-002. Student Activity Fund Accounting – Authorization of Expenditures.

CRITERIA: The Mississippi Department of Education prescribes accounting for student activity funds in the *Accounting Manual for School Districts*. Section 4 of the manual prescribes general financial requirements for student activity fund disbursements and purchasing. The manual requires that all purchases be made utilizing purchase requisitions, purchase orders, and receiving reports. Purchase orders must have a unique identifier (be pre-numbered), and all purchase orders must be accounted for.

CONDITION: From a population of 180 student activity fund purchases, we chose thirty (30) for testing. We noted seven (7) instances where purchase orders were dated after the purchase was made, meaning there was no documentation of approval by a district purchasing agent prior to the purchases being made. One (1) purchase order was not dated. The school district has existing policies that require the use of purchase requisitions, purchase orders, and receiving reports for student activity fund purchases.

CAUSE: Deviations from school district policies and procedures in this area were not noted and corrected by district management in a timely manner.

EFFECT: The school district is not in compliance with the prescribed state requirements for accounting for student activity funds. Student activity fund purchases are being made without documented approval from a district purchasing agent, which greatly reduces internal accounting control effectiveness in this area.

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

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the school district provide training for school bookkeepers and principals in the area of activity fund purchasing and monitor deviations from prescribed policies and procedures in a timely fashion. All deviations should be noted, and corrective action should be taken. The school district may also consider centralizing student activity fund purchases through the use of electronic purchase requisitions and purchase orders, flowing all purchases through the established central district purchasing function. This would transfer the authority for activity fund purchasing from the school level to the central office level.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Section III: Federal Award Findings and Questioned Costs

Findings considered to be significant deficiencies in controls surrounding federal award programs and immaterial instances of noncompliance

Finding 2022-003. Allowed and Unallowed Costs. (ALN 84.425D ESSER II)

CRITERIA: 2 CFR 200.302 requires that a non-federal entity's financial management systems must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions. This section further requires the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award, including a comparison of expenditures with budget amounts for each federal award.

2 CFR 200.303 requires that a non-federal entity must establish and maintain effective internal control over a federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

CONDITION: We noted seven (7) line items in the ESSER II grant where actual expenditures exceeded budget expenditures by a total of \$27,046.22. The ESSER II grant budgeting software was aligned with the approved budget; however, unfavorable spending variances were not addressed by grant oversight personnel.

CAUSE: The school district failed to address unfavorable budgetary variances when actual expenditures exceeded approved budget amounts.

EFFECT: The effect is both a breakdown in budgetary controls and unallowable program costs.

QUESTIONED COSTS: \$27,046.22

RECOMMENDATION: The district should limit expenditures to approved budgeted amounts for this grant.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Finding 2022-004. Procurement and Suspension and Debarment. (ALN 84.027 Special Education Grants to States and ALN 84.027X IDEA, Part B ARP Grant)

CRITERIA: Appendix II to 2 CFR 200, *Contract Provisions for Non-Federal Entity Contracts under Federal Awards*, requires that all contracts in excess of \$10,000 must address termination for cause and for convenience by non-federal entities, including the manner by which it will be affected and the basis for settlement.

2 CFR 200.319 requires that all procurement transactions for the acquisition of property or services required under a federal award must be conducted in a manner providing full and open competition. For small

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

purchase procedures above the micro-purchase threshold, price or rate quotations must be obtained from an adequate number of qualified sources.

CONDITION: In securing professional services for special populations, we noted that the district failed to obtain price quotations from more than one vendor in two (2) instances. We also noted that in one (1) instance the contract for professional services did not address termination for cause and for convenience.

CAUSE: The district did not fully understand the procurement requirements outlined in 2 CFR 200.319.

EFFECT: The effect is noncompliance with federal procurement standards.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district align its procurement practices with the more stringent of state law or 2 CFR 200.319 when purchasing professional services in connection with these federal award programs.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

AUDITEE'S CORRECTIVE ACTION PLAN

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Prentiss County School District

PRENTISS COUNTY

Auditee's Corrective Action Plan For the Year Ended June 30, 2022

Finding 2022-001- Inadequate time records for non-exempt employees.

District Response:

- A. Non-exempt employees, secretaries and administrators will be informed and trained on the requirements of proper time records.
- B. Alicia Young, Business Manager
- C. July 1, 2023

Finding 2022-02- Student activity fund accounting- authorized of expenditures.

District Response:

- A. The district is implementing centralized purchasing with activity funds.
- B. Alicia Young, Business Manager
- C. July 1, 2023

Finding 2022-03: Allowed and unallowed costs.

District Response:

- A. Federal budgets will be reviewed on a monthly basis and revised as needed.
- B. Kim Hamm: Federal Programs Director and Julie Clark: Special Services Director
- C. July 1, 2023

Finding 2022-04: Procurement and Suspension and Debarment.

District Response:

- A. The district will include termination for cause and convenience in professional services contracts.
- B. Alicia Young: Business Manager, Kim Hamm: Federal Programs Director and Julie Clark: Special Services Director
- C. July 1, 2023

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