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QUITMAN COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

QUITMAN COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	47
Budgetary Comparison Schedule – General Fund	48
Budgetary Comparison Schedule – ESSER II Fund	49
Schedule of the District's Proportionate Share of the Net Pension Liability	50
Schedule of District Contributions (PERS)	51
Schedule of the District's Proportionate Share of the Net OPEB Liability	52
Schedule of District Contributions (OPEB)	53
Notes to the Required Supplementary Information	54
SUPPLEMENTARY INFORMATION	58
Schedule of Expenditures of Federal Awards	59
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	61
OTHER INFORMATION	62
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	63
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	64
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	65
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
AUDITEE'S CORRECTIVE ACTION PLAN/ AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS	79

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Quitman County School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman 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 Quitman County School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 Quitman 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 Quitman 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 Quitman County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Quitman 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 Quitman 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 Quitman 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 30, 2023, on our consideration of the Quitman 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 Quitman 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 Quitman County School District's internal control over financial reporting and compliance.

Brown CPA, PLLC
Madison, Mississippi
June 30, 2023

A handwritten signature in dark ink that reads "Brown CPA, PLLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Quitman 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 \$1,327,357, including a prior period adjustment of (\$129,330), which represents a 9% increase from fiscal year 2021. Total net position for 2021 decreased \$573,710, including a fund reclassification for GASB 84 of \$11,494 and a prior period adjustment of (\$47,583), which represents a 3.92% decrease from fiscal year 2020.
- General revenues amounted to \$8,763,826 and \$9,187,778, or 56% and 65% 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 \$6,936,904, or 44% of total revenues for 2022, and \$4,840,581, or 35% of total revenues for 2021.
- The District had \$14,244,043 and \$14,565,980 in expenses for fiscal years 2022 and 2021; only \$6,936,904 for 2022 and \$4,840,581 for 2021 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,763,826 for 2022 were adequate to provide for these programs. General revenues of \$9,187,778 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,597,073 in revenues and \$8,219,681 in expenditures for 2022, and \$8,614,923 in revenues and \$8,278,150 in expenditures for 2021. The General Fund's fund balance increased by \$210,921 from 2021 to 2022, including a prior period adjustment of \$48,528, and increased by \$32,333 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$210,961 for 2022 and decreased by \$355,650 for 2021. The increase for 2022 was due primarily to additions to mobile equipment net of the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$176,919 for 2022 and decreased by \$322,958 for 2021. The decrease for 2022 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,812 for 2022 and increased by \$27,395 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 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.

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

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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 \$13,869,597 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.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 2,768,905	\$ 1,997,272	38.63 %
Restricted assets	687,756	571,236	20.40 %
Capital assets, net	7,161,563	6,950,602	3.04 %
Total assets	10,618,224	9,519,110	11.55 %
 Deferred outflows of resources	 3,203,547	 3,007,238	 6.53 %
Current liabilities	1,085,358	785,553	38.16 %
Long-term debt outstanding	4,823,533	5,000,452	(3.54) %
Net OPEB Liability	1,043,353	1,268,371	(17.74) %
Net pension liability	15,071,168	19,433,369	(22.45) %
Total liabilities	22,023,412	26,487,745	(16.85) %
 Deferred inflows of resources	 5,667,956	 1,235,557	 358.74 %
 Net position:			
Net investment in capital assets	2,548,361	2,035,209	25.21 %
Restricted	1,224,189	1,012,827	20.87 %
Unrestricted	(17,642,147)	(18,244,990)	3.30 %
Total net position	\$ (13,869,597)	\$ (15,196,954)	8.73 %

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)	\$ (17,642,147)
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	18,412,865
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 770,718

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

- Increase in net capital assets in the amount of \$210,961.
- The principal retirement of \$347,741 of long-term debt.
- Recognition of the net pension liability in the amount of \$15,071,168.
- Recognition of a net OPEB liability in the amount of \$1,043,353.

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

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$15,700,730 and \$14,028,359, respectively. The total cost of all programs and services was \$14,244,043 for 2022 and \$14,565,980 for 2021.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 69,673	\$ 25,143	177.11 %
Operating grants and contributions	6,867,231	4,815,438	42.61 %
General revenues:			
Property taxes	3,515,522	3,607,573	(2.55) %
Grants and contributions not restricted	5,075,984	5,208,249	(2.54) %
Investment earnings	9,776	15,574	(37.23) %
Sixteenth section sources	125,387	290,279	(56.80) %
Other	37,157	66,103	(43.79) %
Total revenues	15,700,730	14,028,359	11.92 %
Expenses:			
Instruction	6,385,834	5,835,829	9.42 %
Support services	5,738,348	5,661,157	1.36 %
Non-instructional	1,071,957	890,069	20.44 %
Sixteenth section	264	19,531	(98.65) %
Pension expense	903,069	1,946,705	(53.61) %
OPEB expense	(53,250)	33,490	(259.00) %
Interest on long-term liabilities	197,821	179,199	10.39 %
Total expenses	14,244,043	14,565,980	(2.21) %
Increase (Decrease) in net position	1,456,687	(537,621)	370.95 %
Net Position, July 1, as previously reported	(15,196,954)	(14,623,244)	(3.92) %
Fund Reclassification	-	11,494	100.00 %
Prior Period Adjustment	(129,330)	(47,583)	(171.80) %
Net Position, July 1, as restated	(15,326,284)	(14,659,333)	(4.55) %
Net Position, June 30	\$ (13,869,597)	\$ (15,196,954)	8.73 %

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

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 6,385,834	\$ 5,835,829	9.42 %
Support services	5,738,348	5,661,157	1.36 %
Non-instructional	1,071,957	890,069	20.44 %
Sixteenth Section	264	19,531	(98.65) %
Pension Expense	903,069	1,946,705	(53.61) %
OPEB Expense	(53,250)	33,490	(259.00) %
Interest on long-term liabilities	197,821	179,199	10.39 %
Total expenses	\$ 14,244,043	\$ 14,565,980	(2.21) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (4,376,755)	\$ (3,927,298)	(11.44) %
Support services	(3,041,660)	(3,871,322)	21.43 %
Non-instructional	1,159,180	252,146	359.73 %
Sixteenth Section	(264)	(19,531)	98.65 %
Pension Expense	(903,069)	(1,946,705)	53.61 %
OPEB Expense	53,250	(33,490)	259.00 %
Interest on long-term liabilities	(197,821)	(179,199)	(10.39) %
Total net (expense) revenue	\$ (7,307,139)	\$ (9,725,399)	24.87 %

- Net cost of governmental activities (\$7,307,139 for 2022 and \$9,725,399 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$3,515,522 for 2022 and \$3,607,573 for 2021) and state and federal revenues (\$5,075,984 for 2022 and \$5,208,249 for 2021). In addition, there was \$125,387 and \$290,279 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$9,776 for 2022 and \$15,574 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.

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

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 \$2,260,080, an increase of \$447,262, which includes a prior period adjustment of (\$133,853) and a decrease in inventory of \$21,729. \$965,754 or 43% 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 \$1,294,326, or 57% is either non-spendable, 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 Fund for the fiscal year was \$210,921, which includes a prior period adjustment of \$48,528. The fund balance of Other Governmental Funds showed an increase in the amount of \$119,290, which includes a decrease in inventory of \$21,729. 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 Increase or Decrease
QSCB Sinking Fund	\$ 117,051

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds 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 \$12,181,298, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and intangible assets. This amount represents an increase of \$588,014 from 2021 due primarily to the addition of mobile equipment and includes the effects of the implementation of GASB Statement No. 87. Total accumulated depreciation as of June 30, 2022, was \$5,019,735, and total depreciation expense for the year was \$393,672, resulting in total net capital assets of \$7,161,563.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 76,602	\$ 76,602	- %
Construction in progress	17,902	16,808	6.51 %
Buildings	3,150,897	3,215,799	(2.02) %
Building improvements	2,325,594	2,459,690	(5.45) %
Improvements other than buildings	458,882	487,927	(5.95) %
Mobile equipment	1,068,676	665,586	60.56 %
Furniture and equipment	30,485	28,190	8.14 %
Intangible right to use assets	32,525	-	N/A %
Total	\$ 7,161,563	\$ 6,950,602	3.04 %

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

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

Debt Administration. At June 30, 2022, the District had \$4,823,533 in outstanding long-term debt, of which \$413,052 is due within one year. During the fiscal year, the District made principal payments totaling \$347,741 on outstanding long-term debt. The liability for compensated absences decreased \$10,812 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
General obligation bonds payable	2,390,000	2,645,000	(9.64) %
Three mill notes payable	835,000	860,000	(2.91) %
Shortfall notes payable	136,084	-	N/A %
Lease obligations payable	32,897	-	N/A %
Installment purchase loans payable	380,305	435,393	(12.65) %
Qualified school construction bonds payable	975,000	975,000	- %
Compensated absences payable	74,247	85,059	(12.71) %
Total	<u>\$ 4,823,533</u>	<u>\$ 5,000,452</u>	(3.54) %

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

CURRENT ISSUES

The District is proud of its community support of the public schools.

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

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

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 Quitman County School District, P O Drawer E. Marks, MS 38666.

FINANCIAL STATEMENTS

QUITMAN COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,011,364
Due from other governments	1,697,010
Accrued interest receivable	969
Lease receivable	51,980
Inventories	7,582
Restricted assets	687,756
Capital assets, non-depreciable:	
Land	76,602
Construction in progress	17,902
Capital assets, net of accumulated depreciation:	
Buildings	3,150,897
Building improvements	2,325,594
Improvements other than buildings	458,882
Mobile equipment	1,068,676
Furniture and equipment	30,485
Intangible assets	32,525
Total Assets	<u>10,618,224</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,951,702
Deferred outflows - OPEB	251,845
Total Deferred Outflows of Resources	<u>3,203,547</u>
Liabilities	
Accounts payable and accrued liabilities	928,667
Unearned revenue	101,849
Interest payable on long-term liabilities	54,842
Long-term liabilities, due within one year:	
Lease payable	17,678
Capital related liabilities	347,304
Non-capital related liabilities	48,070
Net OPEB liability	42,209
Long-term liabilities, due beyond one year:	
Lease payable	15,219
Capital related liabilities	4,233,001
Non-capital related liabilities	162,261
Net pension liability	15,071,168
Net OPEB liability	1,001,144
Total Liabilities	<u>22,023,412</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	5,085,064
Deferred inflows - OPEB	416,827
Deferred inflows - leases	166,065
Total Deferred Inflows of Resources	<u>5,667,956</u>
Net Position	
Net investment in capital assets	2,548,361
Restricted for:	
Expendable:	
School-based activities	431,670
Debt service	695,422
Forestry improvements	68,447
Unemployment benefits	28,650
Unrestricted	(17,642,147)
Total Net Position (deficit)	<u>\$ (13,869,597)</u>

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

QUITMAN COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2022

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 6,385,834	\$ 68,296	\$ 1,940,783	\$ -	\$ (4,376,755)
Support services	5,738,348	-	2,696,688	-	(3,041,660)
Non-instructional	1,071,957	1,377	2,229,760	-	1,159,180
Sixteenth section	264	-	-	-	(264)
Pension expense	903,069	-	-	-	(903,069)
OPEB expense	(53,250)	-	-	-	53,250
Interest on long-term liabilities	197,821	-	-	-	(197,821)
Total Governmental Activities	\$ 14,244,043	\$ 69,673	\$ 6,867,231	\$ -	\$ (7,307,139)

General Revenues:

Taxes:

General purpose levies	3,128,537
Debt purpose levies	386,985

Unrestricted grants and contributions:

State	5,046,642
Federal	29,342
Unrestricted investment earnings	9,776
Sixteenth section sources	125,387
Other	37,157
Total General Revenues	8,763,826

Change in Net Position	1,456,687
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Net Position - Beginning, as previously reported	(15,196,954)
Prior Period Adjustments	(129,330)

Net Position - Beginning, as restated	(15,326,284)
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Net Position (deficit) - Ending	\$ (13,869,597)
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The notes to the financial statements are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2022

Exhibit C

	Major Funds			Other	Total
	General Fund	ESSER II Fund - 2594	QSCB Sinking Fund - 4022	Governmental Funds	Governmental Funds
Assets					
Cash and cash equivalents	\$ 175,535	\$ -	\$ -	\$ 835,829	\$ 1,011,364
Cash with fiscal agents	-	-	122,756	-	122,756
Investments	-	-	565,000	-	565,000
Due from other governments	87,344	1,142,682	-	466,984	1,697,010
Accrued interest receivable	-	-	969	-	969
Lease receivable	51,980	-	-	-	51,980
Due from other funds	1,536,651	-	-	143,526	1,680,177
Inventories	-	-	-	7,582	7,582
Total assets	\$ 1,851,510	\$ 1,142,682	\$ 688,725	\$ 1,453,921	\$ 5,136,838
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 693,512	\$ 78,099	\$ -	\$ 157,056	\$ 928,667
Due to other funds	10,884	1,064,583	-	604,710	1,680,177
Unavailable revenue - federal programs	-	-	-	101,849	101,849
Total Liabilities	704,396	1,142,682	-	863,615	2,710,693
Deferred Inflows of Resources					
Leases	166,065	-	-	-	166,065
Total deferred inflows of resources	166,065	-	-	-	166,065
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	7,582	7,582
Restricted:					
Debt service	-	-	688,725	61,539	750,264
Forestry improvement purposes	-	-	-	68,447	68,447
Grant activities	-	-	-	424,088	424,088
Unemployment benefits	-	-	-	28,650	28,650
Assigned:					
Student activities	15,295	-	-	-	15,295
Unassigned	965,754	-	-	-	965,754
Total Fund Balances	981,049	-	688,725	590,306	2,260,080
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,851,510	\$ 1,142,682	\$ 688,725	\$ 1,453,921	\$ 5,136,838

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

QUITMAN 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 **\$ 2,260,080**

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	\$ 76,602	
Construction in progress	17,902	
Buildings	4,396,713	
Building improvements	4,184,365	
Improvements other than buildings	726,132	
Mobile equipment	2,244,365	
Furniture and equipment	489,669	
Intangible assets	45,550	
Accumulated depreciation	<u>(5,019,735)</u>	7,161,563

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

Net pension liability	(15,071,168)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,951,702	
Deferred inflows of resources related to pensions	<u>(5,085,064)</u>	(17,204,530)

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	(1,043,353)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	251,845	
Deferred inflows of resources related to OPEB	<u>(416,827)</u>	(1,208,335)

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

General obligation bonds	(2,390,000)	
Three mill notes payable	(835,000)	
Other bonds payable	(975,000)	
Installment purchase loan payable	(380,305)	
Shortfall notes payable	(136,084)	
Lease obligation payable	(32,897)	
Compensated absences	(74,247)	
Accrued interest payable	<u>(54,842)</u>	(4,878,375)

Net Position of governmental activities	\$ <u>(13,869,597)</u>
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The notes to the financial statements are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT
Governmental Funds

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

Exhibit D

	Major Funds			Other	Total
	General	ESSER II	QSCB Sinking	Governmental	Governmental
	Fund	Fund - 2594	Fund - 4022	Funds	Funds
Revenues:					
Local sources	\$ 3,231,349	\$ -	\$ 9,051	\$ 389,442	\$ 3,629,842
State sources	5,208,038	-	-	540,500	5,748,538
Federal sources	36,902	2,683,860	-	3,476,086	6,196,848
Sixteenth section sources	120,784	-	-	4,718	125,502
Total Revenues	8,597,073	2,683,860	9,051	4,410,746	15,700,730
Expenditures:					
Instruction	4,469,179	845,851	-	1,798,945	7,113,975
Support services	3,630,171	1,499,440	-	1,370,843	6,500,454
Noninstructional services	26,761	99,141	-	981,938	1,107,840
Sixteenth section	264	-	-	-	264
Facilities acquisition and construction	-	-	-	1,094	1,094
Debt service:					
Principal	67,741	-	-	280,000	347,741
Interest	25,565	-	44,460	99,450	169,475
Other	-	-	1,427	1,940	3,367
Total Expenditures	8,219,681	2,444,432	45,887	4,534,210	15,244,210
Excess (Deficiency) of Revenues over (under) Expenditures	377,392	239,428	(36,836)	(123,464)	456,520
Other Financing Sources (Uses):					
Bonds and notes issued	128,457	-	-	7,627	136,084
Lease issued	23,358	-	-	-	23,358
Payments held by escrow agent	-	-	153,887	-	153,887
Payment to QSCB escrow agent	-	-	-	(153,887)	(153,887)
Operating transfers in	453,398	-	-	881,376	1,334,774
Operating transfers out	(807,094)	(239,428)	-	(288,252)	(1,334,774)
Other financing uses	(13,118)	-	-	-	(13,118)
Total Other Financing Sources (Uses)	(214,999)	(239,428)	153,887	446,864	146,324
Net Change in Fund Balances	162,393	-	117,051	323,400	602,844
Fund Balances:					
July 1, 2021, as previously reported	770,128	-	571,674	471,016	1,812,818
Prior period adjustments	48,528	-	-	(182,381)	(133,853)
July 1, 2021, as restated	818,656	-	571,674	288,635	1,678,965
Increase (Decrease) in inventory	-	-	-	(21,729)	(21,729)
June 30, 2022	\$ 981,049	\$ -	\$ 688,725	\$ 590,306	\$ 2,260,080

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

QUITMAN COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D-1

**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**

Net change in fund balances - total governmental funds **\$ 602,844**

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	\$ 582,609	
Depreciation expense	<u>(393,672)</u>	188,937
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.		
		(4,691)
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:		
Bonds and notes issued	(136,084)	
Lease issued	(23,358)	
Payments of debt principal	347,741	
Accrued interest payable	<u>(24,979)</u>	163,320
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	(903,069)	
Contributions subsequent to the measurement date	<u>1,332,890</u>	429,821
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	53,250	
Contributions subsequent to the measurement date	<u>34,123</u>	87,373
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	10,812	
Change in inventory	<u>(21,729)</u>	(10,917)
Change in Net Position of governmental activities	\$	<u>1,456,687</u>

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

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Quitman 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 capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

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 special revenue fund accounts for activities related to federal grant Assistance Listing number 84.425D, COVID-19 – Elementary & Secondary School Emergency Relief Fund II (ESSER).

QSCB Sinking Fund – This is a debt service fund that accounts for the repayment of the district's qualified school construction bond.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are

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

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

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

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

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.

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

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

activities column in the government-wide financial statements.

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

The following schedule details the capitalization thresholds:

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

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

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

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

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

See Note 14 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some 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

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

has matured, for example, an employee retires.

9. Leases

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

When acting as the lessor for the leasing of sixteenth section trust lands, the school district uses the minimum of 4% interest required by Mississippi statute for sixteenth section loans to calculate the net present value of future sixteenth section lease payments. When acting as lessee, the school district uses its estimated current borrowing rate to calculate the present value of lease payments if the rate implicit in the lease is not known. See Notes 6 and 7 for details.

10. Long-term Liabilities and Bond Discounts/Premiums

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

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

11. Pensions

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

12. Postemployment Benefits Other than Pensions (OPEB)

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

13. Fund Balances

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

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

Non-spendable fund balance includes items that cannot be spent. This includes activity that

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

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. The formal action is considered to be the board's approval to designate funds for a specific purpose. Currently there is no committed fund balance for this school district.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at the fiscal year end of not less than 3% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$1,011,364. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$1,011,364.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2022, none of the district's bank balance of \$1,868,258 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$122,756.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury SLGS	N/A	1-5 years	\$ 565,000
Total			<u>\$ 565,000</u>

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

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

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

- U.S. Government securities type of investments of \$565,000 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

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	\$ 1,064,583
General Fund	Other Governmental Funds	472,068
Other Governmental Funds	General Fund	10,884
Other Governmental Funds	Other Governmental Funds	132,642
Total		<u>\$ 1,680,177</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All balances are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 807,094
ESSER II Fund	General Fund	239,428
Other Governmental Funds	General Fund	213,970
Other Governmental Funds	Other Governmental Funds	74,282
Total		<u>\$ 1,334,774</u>

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

Operating transfers were primarily for the following: indirect cost transfers, unemployment compensation transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent and investment balance, totaling \$122,756 and \$565,000, respectively, of the Quitman County School District Qualified School Construction Bond Fund.

Note 5 – 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	\$ 76,602	\$ -	\$ -	\$ -	76,602
Construction in progress	16,808	1,094	-	-	17,902
Total non-depreciable capital assets	93,410	1,094	-	-	94,504
<u>Depreciable capital assets:</u>					
Buildings	4,396,713	-	-	-	4,396,713
Building improvements	4,184,365	-	-	-	4,184,365
Improvements other than buildings	726,132	-	-	-	726,132
Mobile equipment	1,697,948	546,417	-	-	2,244,365
Furniture and equipment	494,716	11,740	16,787	-	489,669
Intangible right to use assets	-	23,358	-	22,192	45,550
Total depreciable capital assets	11,499,874	581,515	16,787	22,192	12,086,794
<u>Less accumulated depreciation for:</u>					
Buildings	1,180,914	64,902	-	-	1,245,816
Building improvements	1,724,675	134,096	-	-	1,858,771
Improvements other than buildings	238,205	29,045	-	-	267,250
Mobile equipment	1,032,362	143,328	-	(1)	1,175,689
Furniture and equipment	466,526	9,276	12,096	(4,522)	459,184
Intangible right to use assets	-	13,025	-	-	13,025
Total accumulated depreciation	4,642,682	393,672	12,096	(4,523)	5,019,735
Total depreciable capital assets, net	6,857,192	187,843	4,691	26,715	7,067,059
Governmental activities capital assets, net	\$ 6,950,602	\$ 188,937	\$ 4,691	\$ 26,715	\$ 7,161,563
Total capital assets, net excluding intangible right to use assets					7,129,038
Intangible right to use assets, net					32,525
Total capital assets, net as reported in the statement of net position					7,161,563

Adjustments to capital assets reflect prior year purchases not captured in the system and related depreciation not expensed. Adjustments also reflect intangible right to use equipment assets that were recognized as of July 1, 2021 due to GASB 87.

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

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 102,106
Support services	290,726
Non-instructional	840
Total depreciation expense - Governmental activities	<u>\$ 393,672</u>

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

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
Rosenwald Restoration Phase II	\$ 17,902	Unkown
Total governmental activities	17,902	-
Total construction in progress	<u>\$ 17,902</u>	<u>-</u>

Construction projects included in governmental activities are funded with local sources. The District does not have a contract established with a construction company and only architect fees have been paid as of the date of this report. The total project cost is unknown.

Note 6 – Leases

As Lessee:

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

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

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

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

The school district, acting as lessee, has entered into six (6) leases for equipment. Details of the lease obligation can be found in Note 7.

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

As Lessor:

Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall ensure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The school district uses the rate of 4% minimum interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract. The school district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the school district.

The school district, acting as lessor, has entered into seventeen (17) leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the net present value of future lease payments of \$51,980 as a lease receivable and \$166,065 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The total amount of inflows of resources recognized during the current fiscal year is \$129,819.

The following are the future Principal and Interest Payments to be received on the leases:

Year Ending June 30	Principal	Interest	Total Payment
2023	\$ 46,596	\$ 2,079	\$ 48,675
2024	5,384	215	5,599
Total	<u>\$ 51,980</u>	<u>\$ 2,294</u>	<u>\$ 54,274</u>

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

Note 7 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Adjustments	Balance 6/30/2022	Amounts due within one year
General obligation bonds payable	2,645,000	-	255,000	-	2,390,000	265,000
Three mill notes payable	860,000	-	25,000	-	835,000	25,000
Installment purchase loans payable	435,393	-	55,088	-	380,305	57,304
Qualified school construction bonds payable	975,000	-	-	-	975,000	-
Shortfall notes payable	-	136,084	-	-	136,084	44,358
Lease obligations payable	-	23,358	12,653	22,192	32,897	17,678
Compensated absences payable	85,059	-	10,812	-	74,247	3,712
Total	\$ 5,000,452	\$ 159,442	\$ 358,553	\$ 22,192	\$ 4,823,533	\$ 413,052

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds payable, series 2015	2.5-3.25%	4/1/2015	4/2/2030	\$ 4,000,000	\$ 2,390,000
Total				<u>\$ 4,000,000</u>	<u>\$ 2,390,000</u>

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

Year Ending June 30	Principal	Interest	Total
2023	265,000	66,100	331,100
2024	275,000	59,475	334,475
2025	285,000	52,600	337,600
2026	290,000	45,475	335,475
2027	300,000	37,500	337,500
2028 – 2030	975,000	59,100	1,034,100
Total	<u>\$ 2,390,000</u>	<u>\$ 320,250</u>	<u>\$ 2,710,250</u>

This debt will be retired from the G. O. Bond Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2022, the amount of outstanding bonded indebtedness was equal to 3.07% of property assessments as of October 1, 2021

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, series 2016	3.0-4.25%	5/16/2016	5/1/2031	985,000	835,000
Total				<u>\$ 985,000</u>	<u>\$ 835,000</u>

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

Year Ending June 30	Principal	Interest	Total
2023	25,000	25,912	50,912
2024	30,000	24,850	54,850
2025	30,000	23,575	53,575
2026	115,000	22,675	137,675
2027	120,000	19,226	139,226
2028 - 2031	515,000	40,299	555,299
Total	<u>\$ 835,000</u>	<u>\$ 156,537</u>	<u>\$ 991,537</u>

This debt will be retired from the Three Mill 10/20 Years Note Fund.

C. Installment purchase loans payable

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

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Master installment purchase agreement No. 3188942	4.56%	8/1/2018	2/1/2028	599,536	380,305
Total				<u>\$ 599,536</u>	<u>\$ 380,305</u>

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

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

Year Ending June 30	Principal	Interest	Total
2023	57,304	15,296	72,600
2024	59,608	12,992	72,600
2025	62,006	10,594	72,600
2026	64,500	8,100	72,600
2027	67,094	5,506	72,600
2028	69,793	2,807	72,600
Total	\$ 380,305	\$ 55,295	\$ 435,600

This debt will be retired from the District Maintenance Fund.

D. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds, series 2013	4.56%	4/15/2013	12/1/2024	975,000	975,000
Total				\$ 975,000	\$ 975,000

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

Year Ending June 30	Principal	Interest	Total
2023	-	44,460	44,460
2024	-	44,460	44,460
2025	975,000	44,460	1,019,460
Total	\$ 975,000	\$ 133,380	\$ 1,108,380

The annual sinking bond payments will be paid from the Qualified School Construction Bond Debt Retirement Fund (debt service fund). It is secured with a pledge of Education Enhancement (EEF) Funds for buildings and buses that are to be used for repayment of the bonds. Proceeds of the bonds were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local funds and are payable through December 1, 2024. Annual sinking fund deposits are expected to require all of the district's annual allocation of such state revenues and other local funds to complete the required debt service payments. The total amount remaining to be paid on the bonds is \$975,000. The school district made a sinking fund payment totaling \$108,000 which was required for the current year. Interest payments of \$44,460 were made. Total state Education Enhancement Fund revenue for buildings and buses was \$56,014.

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

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note, series 2022	2.25%	8/26/2021	8/26/2024	\$ 136,084	\$ 136,084
Total				<u>\$ 136,084</u>	<u>\$ 136,084</u>

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

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

Year Ending June 30	Principal	Interest	Total
2023	44,358	3,061	47,419
2024	45,355	2,064	47,419
2025	46,371	1,048	47,419
Total	<u>\$ 136,084</u>	<u>\$ 6,173</u>	<u>\$ 142,257</u>

This debt will be retired from the shortfall notes debt service fund.

F. Lease obligations payable

The school district has entered into six (6) equipment leases as lessee. For the purposes of this note disclosure, leases are grouped together as copier leases. The amount issued balance is the net present value of the lease calculated at July 1, 2021, the effective date of GASB 87.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Copier Lease	3.25-7.50%	7/1/2021	Varies	\$ 45,550	\$ 32,897
Total				<u>\$ 45,550</u>	<u>\$ 32,897</u>

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

Year Ending June 30	Principal	Interest	Total
2023	17,678	1,210	18,888
2024	10,079	564	10,643
2025	5,140	124	5,264
Total	<u>\$ 32,897</u>	<u>\$ 1,898</u>	<u>\$ 34,795</u>

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

G. Compensated absences payable

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

Note 8 – Short-Term Financing

During the fiscal year ended June 30, 2022, the school district participated in the following short-term financing(s) for cash flow purposes.

A. Bank-financed short term debt.

The school district issued a revenue anticipation note payable to The People's Bank, and the proceeds from such issuance are accounted for as a current liability in the General fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2022 are as follows:

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022
Tax Anticipation Note	\$ -	\$ 900,000	\$ 900,000	\$ -
Total	\$ -	\$ 900,000	\$ 900,000	\$ -

Note 9 – 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

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$1,332,890, \$1,179,682, and \$1,163,086 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 \$15,071,168 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 0.101967 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.001582 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$903,069. 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	\$ 239,379	\$
Net difference between projected and actual earnings on pension plan investments		4,548,387
Changes of assumptions	1,161,761	
Changes in proportion and differences between District contributions and proportionate share of contributions	217,672	536,677
District contributions subsequent to the measurement date	1,332,890	
Total	\$ <u>2,951,702</u>	\$ <u>5,085,064</u>

\$1,332,890 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:

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

Year Ending June 30:		
2023	\$	(815,480)
2024		(651,142)
2025		(647,095)
2026		(1,352,535)
Total		<u>(3,466,252)</u>

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be

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

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:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 21,344,308	\$ 15,071,168	\$ 9,901,602

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 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

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

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 \$34,123 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 \$1,043,353 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 0.16209136 percent. This was a decrease of 0.00089474 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 (\$53,250). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,135	\$ 326,243
Changes of assumptions	168,979	35,287
Net difference between projected and actual earnings on OPEB plan investments	49	
Changes in proportion and differences between District contributions and proportionate share of contributions	47,559	55,297
District contributions subsequent to the measurement date	34,123	
Total	\$ <u>251,845</u>	\$ <u>416,827</u>

\$34,123 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	\$ (41,442)
2024	(39,538)
2025	(39,309)
2026	(52,624)
2027	(26,192)

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:

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

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

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:

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

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 1,154,843	\$ 1,043,353	\$ 948,291

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 966,415	\$ 1,043,353	\$ 1,130,422

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 11 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct a prior period error in recording an asset or liability	\$ (182,381)
2. To correct capital asset balances	4,523
3. To correct beginning fund balance	48,528
Total	<u>\$ (129,330)</u>

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

Fund	Explanation	Amount
General Fund	To correct beginning fund balance	\$ 48,528
Other Governmental Funds	To correct a prior period error in recording an asset or liability	(182,381)
Total		<u>\$ (133,853)</u>

Note 12 – 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.

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

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 13 – Risk Management

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

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

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$17,642,147) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,332,890 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$1,618,812 balance of the deferred outflow of resources related to pensions at June 30, 2022 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$5,085,064 balance of the 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 (\$17,642,147) 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 \$34,123 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$217,722 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 (\$17,642,147) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$416,827 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$17,642,147) includes the effect of deferring recognition of revenue resulting from a deferred inflow from leases. The \$166,065 balance of deferred inflow of resources related to leases at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 2 years.

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

Note 15 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2022 was \$687,756. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2023	\$	108,000
2024		108,000
2025		108,000
Total	\$	<u>324,000</u>

Note 16 – Mississippi Public School Consortium for Educational Access

The school district entered into a cooperative agreement dated June 15, 2018, creating the Mississippi Public School Consortium for Educational Access. 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 Scott County School District, Aberdeen School District, Booneville School District, Coahoma Agriculture High School, Holmes County Consolidated School District, Pontotoc County School District, Quitman County School District and the South Panola School District. The agreement was extended on May 1, 2021 until May 31, 2024.

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 education center. Any such agreement should designate the fiscal agent, provide the method of financing for the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Mississippi Public School Consortium for Educational Access and the operations of the center are included in its financial statements.

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

Note 17 – State Compliance Testing

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

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Quitman County School District evaluated the activity of the district through June 30, 2023, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On July 19, 2022, school board approved the issuance of tax anticipation notes for a maximum principal amount of \$1,577,000.

On July 25, 2022, the school board approved the issuance of a \$112,592 shortfall note from First Security Bank at an annual interest rate of 5.75%.

REQUIRED SUPPLEMENTARY INFORMATION

Quitman 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	\$ 3,521,800	\$ 3,231,348	\$ 3,231,349	\$ (290,452)	\$ 1
State sources	4,920,446	5,208,038	5,208,038	287,592	-
Federal sources	6,000	9,384	36,902	3,384	27,518
Sixteenth section sources	343,500	234,869	120,784	(108,631)	(114,085)
Total Revenues	8,791,746	8,683,639	8,597,073	(108,107)	(86,566)
Expenditures:					
Instruction	4,279,702	4,469,179	4,469,179	(189,477)	-
Support services	4,038,147	3,592,919	3,630,171	445,228	(37,252)
Noninstructional services	41,235	26,760	26,761	14,475	(1)
Sixteenth section	-	264	264	(264)	-
Debt service:					
Principal	-	979,682	67,741	(979,682)	911,941
Interest	-	-	25,565	-	(25,565)
Total Expenditures	8,359,084	9,068,804	8,219,681	(709,720)	849,123
Excess (Deficiency) of Revenues over (under) Expenditures	432,662	(385,165)	377,392	(817,827)	762,557
Other Financing Sources (Uses):					
Bonds and notes issued	-	128,456	128,457	128,456	1
Leases Issued	-	-	23,358	-	23,358
Operating transfers in	1,621,507	1,627,686	453,398	6,179	(1,174,288)
Operating transfers out	(1,930,311)	(1,988,306)	(807,094)	(57,995)	1,181,212
Other financing uses		(13,118)	(13,118)	(13,118)	-
Total Other Financing Sources (Uses)	(308,804)	(245,282)	(214,999)	63,522	30,283
Net Change in Fund Balances	123,858	(630,447)	162,393	(754,305)	792,840
Fund Balances:					
July 1, 2021, as previously reported	818,656	818,656	770,128	-	(48,528)
Prior period adjustments	-	-	48,528	-	48,528
July 1, 2021, as restated	818,656	818,656	818,656	-	-
June 30, 2022	\$ 942,514	\$ 188,209	\$ 981,049	\$ (754,305)	\$ 792,840

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

Quitman County School District
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,332,100	\$ 2,683,860	\$ 2,683,860	\$ (648,240)	\$ -
Total Revenues	3,332,100	2,683,860	2,683,860	(648,240)	-
Expenditures:					
Instruction	1,202,247	845,851	845,851	356,396	-
Support services	1,915,886	1,499,440	1,499,440	416,446	-
Noninstructional services	18,700	99,141	99,141	(80,441)	-
Facilities acquisition and construction	-	-	-	-	-
Total Expenditures	3,136,833	2,444,432	2,444,432	692,401	-
Excess (Deficiency) of Revenues over (under) Expenditures	195,267	239,428	239,428	44,161	-
Other Financing Sources (Uses):					
Operating transfers out	(195,267)	(239,428)	(239,428)	(44,161)	-
Total Other Financing Sources (Uses)	(195,267)	(239,428)	(239,428)	(44,161)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2021	-	-	-	-	-
June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -

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

Quitman County School District

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

PERS

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.101967%	0.100385%	0.106337%	0.107917%	0.096832%	0.097244%	0.108979%	0.100609%
District's proportionate share of the net pension liability	\$ 15,071,168	\$ 19,433,369	\$ 18,706,776	\$ 17,949,803	\$ 16,096,767	\$ 17,370,207	\$ 16,846,005	\$ 12,212,090
District's covered payroll	\$ 6,779,782	\$ 6,684,402	\$ 6,925,429	\$ 6,891,524	\$ 6,211,829	\$ 6,221,327	\$ 6,808,375	\$ 6,147,702
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.2958%	290.7271%	270.1172%	260.4620%	259.1309%	279.2042%	247.4306%	198.6448%
Plan fiduciary net position as a percentage of the total pension liability	70.437%	58.974%	61.588%	62.535%	61.490%	57.468%	61.704%	67.208%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Quitman County School District

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,332,890	\$ 1,179,682	\$ 1,163,086	\$ 1,090,755	\$ 1,085,415	\$ 978,363	\$ 979,859	\$ 1,072,319
Contributions in relation to the contractually required contribution	1,332,890	1,179,682	1,163,086	1,090,755	1,085,415	978,363	979,859	1,072,319
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	7,660,287	6,779,782	6,684,402	6,925,429	6,891,524	6,211,829	6,221,327	6,808,375
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Quitman County School District

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

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.16209136%	0.16298610%	0.17176512%	0.17009373%	0.15983744%
District's proportionate share of the net OPEB liability	\$ 1,043,353	\$ 1,268,371	\$ 1,457,497	\$ 1,315,760	\$ 1,254,099
District's covered - employee payroll	7,706,144	7,854,880	6,925,429	6,891,524	7,181,057
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	13.54%	16.15%	21.05%	19.09%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Quitman County School District

Schedule of District Contributions

OPEB

Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 34,123	\$ 41,936	\$ 50,582	\$ 58,421	\$ 53,464
Contributions in relation to the actuarially determined contribution	34,123	41,936	50,582	58,421	53,464
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	7,660,287	6,779,782	6,684,402	6,925,429	4,494,756
Contributions as a percentage of covered - employee payroll	0.45%	0.62%	0.76%	0.84%	1.19%

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 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

Quitman 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%.

Quitman County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

2019:

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

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

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

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

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

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

2021:

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

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

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

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

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

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

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

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

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

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

Quitman County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

Quitman County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

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

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

- (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

QUITMAN COUNTY SCHOOL DISTRICT
Supplementary Information

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

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	225MS326N1099	961,885
Summer Food Service Program for Children	10.559	225MS326N1099	18,197
Total Child Nutrition Cluster			980,082
Total Passed-through Mississippi Department of Education			980,082
Total U.S. Department of Agriculture			980,082
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A210024	1,044,513
Career and Technical Education - Basic Grants to States	84.048	V048A210024	24,000
Twenty-First Century Community Learning Centers	84.287	S287C210024	203,343
Rural Education	84.358	S358B210024	3,549
Supporting Effective Instruction State Grants	84.367	S367A210023	80,744
Student Support and Academic Enrichment Program	84.424	S424A210025	116,837
Subtotal			1,472,986
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A210108	341,917
COVID-19 - IDEA, Part B ARP Grant	84.027X	H027X210108	43,865
Total Special Education - Grants to States			385,782
Special Education - Preschool Grants	84.173	H173A210113	5,942
Total Special Education Cluster			391,724
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	281,580
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	2,683,860
Elementary & Secondary School Emergency Relief Fund III ARP	84.425U	S425U210031	146,838
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			3,112,278
Total Passed-through Mississippi Department of Education			4,976,988
Total U.S. Department of Education			4,976,988
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	93.778	2105MS5ADM	27,519
Total passed-through Mississippi Department of Education			27,519
Passed-through the Mississippi Department of Health:			
Epidemiology and Laboratory Capacity for Infectious Disease	93.323	N/A	7,560
Total passed-through Mississippi Department of Health			7,560
Total U.S. Department of Health and Human Services			35,079
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	96.001	N/A	252
Total passed-through Mississippi Department of Rehabilitation Services			252
Total U.S. Department of Social Security Administration			252
Total for All Federal Awards			\$ 5,992,401

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

Quitman County School District
Notes to the Supplementary Information
For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 Quitman County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities are included in the National School Lunch Program.

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

Quitman County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2022

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,856,738	7,530,570	854,252	843,176	1,628,740
Other	4,387,472	1,054,156	273,218	28,820	3,031,278
Total	<u>\$ 15,244,210</u>	<u>8,584,726</u>	<u>1,127,470</u>	<u>871,996</u>	<u>4,660,018</u>
Total number of students *	<u>875</u>				
Cost per student	<u>\$ 17,422</u>	<u>9,811</u>	<u>1,289</u>	<u>997</u>	<u>5,325</u>

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

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

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

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

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

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

OTHER INFORMATION

QUITMAN COUNTY SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 3,231,349	\$ 3,313,324	\$ 3,286,140	\$ 3,463,870
State sources	5,208,038	5,002,615	5,120,668	5,284,256
Federal sources	36,902	8,232	5,202	63,516
Sixteenth Section sources	120,784	290,752	216,811	256,909
Total Revenues	8,597,073	8,614,923	8,628,821	9,068,551
Expenditures:				
Instruction	4,469,179	4,262,718	4,376,851	4,968,512
Support services	3,630,171	3,852,008	3,713,263	4,351,084
Noninstructional services	26,761	43,998	41,712	81,170
Sixteenth section	264	19,531	-	-
Debt Service:				
Principal	67,741	52,958	50,910	60,275
Interest	25,565	46,937	21,690	12,325
Other	-	-	19,796	-
Total Expenditures	8,219,681	8,278,150	8,224,222	9,473,366
Excess (Deficiency) of Revenues over (under) Expenditures	377,392	336,773	404,599	(404,815)
Other Financing Sources (Uses):				
Leases issued	23,358	-	-	-
Bond and notes issued	128,457	-	-	599,536
Other financing sources	-	-	-	111,000
Operating transfers in	453,398	165,068	151,686	133,322
Operating transfers out	(807,094)	(404,632)	(496,206)	(552,232)
Other financing uses	(13,118)	(32,701)	-	-
Total Other Financing Sources (Uses)	(214,999)	(272,265)	(344,520)	291,626
Net Change in Fund Balances	162,393	64,508	60,079	(113,189)
Fund Balances:				
Beginning of period, as previously reported	770,128	737,795	764,647	877,836
Fund reclassification	-	11,494	-	-
Prior period adjustments	48,528	(43,669)	(86,931)	-
Beginning of period, restated	818,656	705,620	677,716	877,836
End of Period	\$ 981,049	\$ 770,128	\$ 737,795	\$ 764,647

*SOURCE - PRIOR YEAR AUDIT REPORTS

QUITMAN COUNTY SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 3,629,842	\$ 3,712,366	\$ 3,792,219	\$ 3,935,433
Intermediate sources	-	7,913	-	-
State sources	5,748,538	5,627,363	5,688,022	5,846,707
Federal sources	6,196,848	4,389,884	3,324,717	3,382,253
Sixteenth section sources	125,502	290,833	216,938	256,909
Total Revenues	15,700,730	14,028,359	13,021,896	13,421,302
Expenditures:				
Instruction	7,113,975	6,538,090	6,370,875	6,937,346
Support services	6,500,454	5,695,034	4,964,425	5,546,038
Noninstructional services	1,107,840	946,325	1,076,032	1,142,838
Sixteenth section	264	19,531	-	-
Facilities acquisition and construction	1,094	14,638	-	-
Debt service:				
Principal	347,741	322,958	315,910	315,275
Interest	169,475	199,476	180,756	179,354
Other	3,367	1,940	21,340	2,494
Total Expenditures	15,244,210	13,737,992	12,929,338	14,123,345
Excess (Deficiency) of Revenues over (under) Expenditures	456,520	290,367	92,558	(702,043)
Other Financing Sources (Uses):				
Bonds and notes issued	136,084	-	-	599,536
Leases issued	23,358	-	-	-
Payment held by escrow agent	153,887	108,000	108,000	109,000
Payment to QSCB debt escrow agent	(153,887)	(108,000)	(108,000)	(109,000)
Other financing sources	-	-	-	111,000
Operating transfers in	1,334,774	1,117,375	703,906	741,567
Operating transfers out	(1,334,774)	(1,117,375)	(703,906)	(741,567)
Other financing uses	(13,118)	(32,701)	-	-
Total Other Financing Sources (Uses)	146,324	(32,701)	0	710,536
Net Change in Fund Balances	602,844	257,666	92,558	8,493
Fund Balances:				
Beginning of period, as originally reported	1,812,818	1,590,081	1,574,723	1,570,676
Fund reclassification	-	11,494	-	-
Prior period adjustments	(133,853)	(44,646)	(87,965)	(5,372)
Beginning of period, restated	1,678,965	1,556,929	1,486,758	1,565,304
Increase (Decrease) in reserve for inventory	(21,729)	(1,777)	10,765	926
End of Period	\$ 2,260,080	\$ 1,812,818	\$ 1,590,081	\$ 1,574,723

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Quitman 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 Quitman County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Quitman County School District's basic financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quitman 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 Quitman County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Quitman County School District's internal control.

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

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

Report on Compliance and Other Matters

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

reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2022-001, 2022-002, 2022-003, and 2022-004**, that we consider to be immaterial noncompliance.

Quitman County School District's Responses to Findings

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

Purpose of this Report

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

Brown CPA, PLLC
Madison, Mississippi
June 30, 2023

A handwritten signature in dark ink that reads "Brown CPA, PLLC". The signature is written in a cursive, flowing style.

BROWN CPA, PLLC

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

Superintendent and School Board
Quitman County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the Quitman 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 for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Quitman County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Quitman County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Quitman County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Quitman County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Quitman 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 **2022-005 and 2022-06**. 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 Quitman County School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Quitman County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Findings **2022-005 and 2022-006** 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 Quitman County School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Quitman County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brown CPA, PLLC
Madison, Mississippi
June 30, 2023

Brown CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | 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 |

7. Identification of major programs:

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

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

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

Section II: Financial Statement Findings

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

2022-001 Finding

Receipt testing and internal controls

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publishes The Internal Control-Integrated Framework that establishes guidance on internal control and fraud deterrence. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft. Management is responsible for ensuring that all funds are properly receipted, timely deposited, and adequately reported.

Condition:

During our testing of twenty (20) receipts, we noted the following items:

1. Receipting is not centralized for all schools. Two (2) of the three (3) schools did not turn in receipts or transmittal showing details of receipts for activities to be reconciled. Only the total for the month is posted to the GL and not the individual receipts.
2. Four (4) in the sample where the schools did not complete a two part receipt for money received. Only a transmittal form showing the total for the month and deposits slips were provided for support.
3. Bank reconciliations are not being completed and presented to the board for approval in a timely manner.
4. One (1) in the sample where a transmittal form for an activity receipt was provided that did not contain two signatures.

Cause:

The district did not have the proper controls in place to ensure all funds are being properly receipted, the receipts are timely deposited, or bank reconciliations are timely completed.

Effect:

This could cause revenues to be misstated and/or not being recorded accurately.

Recommendation:

The district should implement stronger internal controls to ensure that all revenues are properly recorded through receipting, recording the deposit, recording to the general ledger, and timely bank reconciliations. All duties should be segregated to different employees to help prevent fraud or misstatements.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 80.

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

2022-002 Finding

Accounts payable testing and internal controls.

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records and following the proper purchasing procedures.

Condition:

During our testing of twenty (20) invoices, we noted the following exceptions:

1. Two (2) Invoices were not initialed and dated received by the employee.
2. Two (2) invoices where quotes were not provided or exceptions documented for purchases over \$5,000.
3. Ten (10) instances where the purchase order was dated after the invoice date.
4. One (1) invoice where two or more quotes were not considered when purchasing airfare and documentation was not provided showing where the lowest fare was selected.

Cause:

The district did not have the proper controls in place to ensure all purchasing laws are being followed for each transaction.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, there is an increased risk that the financial statements could be misstated.

Recommendation:

District should implement policies and procedures to establish an internal control system that will require accountability regarding accounts payable and purchasing. This will ensure the proper safeguarding of assets and accurate accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 80.

2022-003 Finding

Payroll testing and internal controls

Criteria:

The school district is charged with developing controls around payroll expenditures that will provide authorization of pay through school board approval and the existence of time and attendance records. The district should also have controls, including policies and procedures, that will ensure compliance with the record-keeping requirements of the federal wage and hour law.

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

Condition:

We noted the following items while testing payroll expenditures:

1. The district did not detail in minutes the budget amount or annualized pay, including rate, number of days, and hours per day, for hourly employees.
2. The district did not provide board approved salary scales or annualized amounts to verify the budgeted amount in the software for hourly employees.

Cause:

The district did not have the proper controls in place to ensure all employees were paid the amount approved by the board. The salaried or budgeted amount in the software could not be verified in the minutes for all employees sampled.

Effect:

Not being able to verify an employee's pay could result in underpaying or overpaying an employee according to their contract and board approval.

Questioned Costs:

None

Recommendation:

We recommend the district implement internal controls to ensure all employees are properly board approved, including detail of annualized amounts for noncertified employees and salary amounts for all certified employees.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 80.

2022-004 Finding

Capital assets were not properly inspected.

Criteria:

According to the MS Public School Asset Management Manual and based on the requirement of GASB Statement 34 public school districts are required to establish and maintain a system of accountability, control, and reporting for their capital assets. School districts are required to develop policies and to establish and implement control procedures to implement those policies to ensure a high degree of certainty that the policies are adhered to as intended by the school board. Required policies include valuation of its capital assets, capitalization policy, and a policy on depreciating capital assets. In addition, all capital assets should be tagged and properly recorded in the financial statements.

Condition:

During our asset inventory testing we noted the following exceptions out of a sample of fifteen (15) tested:

1. One (1) asset was not found and is no longer in use. The asset should be disposed and removed from the inventory list.
2. Two (2) assets were not in the correct location/room. District could not provide the transfer paperwork showing where the assets changed locations.
3. One (1) asset was not tagged, but could be confirmed with the serial number.

Cause:

The District did not have adequate controls in place to ensure that all assets are being properly maintained and an adequate inspection is being performed on a yearly basis.

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

Effect:

This could cause capital assets to be misstated on the financials and could lead to assets being easily misplaced or stolen.

Recommendation:

The District should implement the proper procedures and controls regarding the purchase, disposal, and transfer of fixed assets. The District should reconcile assets monthly to the general ledger, including additions and board approved disposals. The District should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 80.

Section III: Federal Award Findings and Questioned Costs

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

2022-005 Finding

Accounts payable testing and internal controls.

Programs:

Child Nutrition Cluster, ALN #10:555; 10:559

COVID-19 – Elementary & Secondary School Emergency Relief I & II(ESSER) ALN #84.425D

COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER) ALN #84.425U

Compliance Requirement: Allowable Costs/Cost Principles

Repeat Finding:

None

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records and following the proper purchasing procedures.

Condition:

During our testing of forty (40) invoices, we noted the following exceptions:

1. Sixteen (16) invoices where the purchase order was dated after the invoice date.
2. One (1) invoice tested showing payment more than 45 days after the invoice date.
3. Five (5) instances of no indication, signature and/or dated by the employee, of receipt of goods or services.
4. Two (2) in sample where the district reimbursed the wrong mileage rate according to the IRS allowable rate for 2021.
5. One (1) in the sample where the higher quote was chosen without an explanation documented.

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

6. Four (4) in the sample where the invoice was not signed and/or dated when received.

Context:

Internal control procedures were tested for accounts payable in the major federal funds.

Cause:

The district did not properly ensure that the accounts payable internal control system was being followed for all transactions including all purchasing procedures required by the state.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, there is an increased risk that the financial statements could be misstated.

Questioned Cost:

None

Recommendation:

District should implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. This will ensure the proper safeguarding of assets and accurate accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 80.

2022-006 Finding

Payroll testing and internal controls

Programs:

COVID-19 – Elementary & Secondary School Emergency Relief I & II(ESSER) ALN #84.425D
COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER) ALN #84.425U
Twenty First Century Community Learning Centers ALN #84.287

Compliance Requirement: Allowable Costs/Cost Principles

Criteria:

The school district is charged with developing controls around payroll expenditures that will provide authorization of pay through school board approval and the existence of time and attendance records. The district should also have controls, including policies and procedures, that will ensure compliance with the record-keeping requirements of the federal wage and hour law.

Condition:

We noted the following items while testing payroll expenditures:

1. The district did not detail in minutes the budget amount or annualized pay, including rate, number of days, and hours per day, for hourly employees.
2. The district did not provide board approved salary scales or annualized amounts to verify the budgeted amount in the software for hourly employees.

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

3. District did not include the details (annualized calculation) or budgeted amounts for the federal supplement being paid in the board minutes along with the approvals. The business manager kept a spreadsheet showing the allocated amounts or hourly rates, but it was not included in the minutes for all employees receiving the supplements. Timesheets were also not being reconciled to show how time was being allocated between district and federal pay.

Context:

Internal control procedures were tested for payroll in the major federal funds and other nonmajor federal funds if included in the sample.

Cause:

The district did not have the proper controls in place to ensure all federal supplements paid to employees were properly detailed in the board minutes including rate of pay and total time allowed.

Effect:

Not being able to verify an employee's supplemental pay could result in underpaying or overpaying an employee according to the federal application or budgeted amount approved by the board.

Questioned Costs:

None

Recommendation:

We recommend the district implement internal controls to ensure all employees are properly board approved, including all supplemental payments for noncertified and certified employees.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 80.

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

**Quitman County School District
P. O. Drawer E
Marks, MS 38646
Dr. Fredrick Robinson, Superintendent
Kenyatta McClain, Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding	Corrective Action Plan Details
2022-001	<p>Receipt testing and internal controls.</p> <p>A. Name of contact person responsible for corrective action: Name: Kenyatta McClain Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will implement stronger controls to ensure all revenues are properly receipted, timely deposited, and properly recorded in the general ledger. Bank reconciliations will be prepared timely and presented to the board for review.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2023.</p>
2022-002	<p>Accounts payable testing and internal controls</p> <p>A. Name of contact person responsible for corrective action: Name: Kenyatta McClain Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The District will implement policies and procedures to establish an internal control system that will require accountability regarding accounts payable and purchasing. That will also ensure proper safeguarding of assets and accurate accounting records.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2023</p>

2022-003

Payroll testing and internal controls

A. Name of contact person responsible for corrective action:

Name: Kenyatta McClain

Title: Business Manager

B. Corrective action planned:

The district will implement internal controls to ensure all employees are properly board approved, including annualized budgeted amounts, and ensure employee payments are verified according to the board approved amounts.

C. Anticipated completion date:

June 30, 2023

2022-004

Capital assets were not properly inspected.

A. Name of contact person responsible for corrective action:

Name: Kenyatta McClain

Title: Business Manager

B. Corrective action planned:

District will comply with The Financial Accounting Manual for Mississippi Public School Districts and properly record and safeguard all assets. An inspection of inventory will be completed twice a year and all paperwork will be properly completed regarding transfers and disposals. The District will ensure all assets are tagged and recorded in the software.

C. Anticipated completion date:

June 30, 2023

2022-005

Accounts payable testing and internal controls

A. Name of contact person responsible for corrective action:

Name: Kenyatta McClain

Title: Business Manager

B. Corrective action planned:

The District will implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. That will also ensure proper safeguarding of assets and accurate accounting records.

C. Anticipated completion date:

June 30, 2023

2022-006

Payroll testing and internal controls

A. Name of contact person responsible for corrective action:

Name: Kenyatta McClain

Title: Business Manager

B. Corrective action planned:

The district will implement internal controls to ensure all employees are properly board approved, including all federal supplemental payments, and ensure employee payments are verified according to the board approved amounts.

C. Anticipated completion date:

June 30, 2023

**Quitman County School District
P. O. Drawer E
Marks, MS 38646
Dr. Fredrick Robinson, Superintendent
Kenyatta McClain, Business Manager**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

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

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