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**QUITMAN SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2022**



# QUITMAN SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

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## **INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Quitman School District

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Quitman 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 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 Responsibilities 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 generally accepted auditing standards 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 generally accepted auditing standards 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 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 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 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 basic 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 November 10, 2022, on our consideration of the Quitman 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 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 School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.  
Quitman, Mississippi  
November 10, 2022

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**QUITMAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

The following discussion and analysis of Quitman 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 \$3,439,538, which included a prior period of adjustment of (\$66,074) which represents a 748% increase from fiscal year 2021. Total net position for 2021 decreased \$176,324, which represents a 62% decrease from fiscal year 2020.
- General revenues amounted to \$17,103,279 and \$15,884,373, or 76% and 75% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,310,522 or 24% of total revenues for 2022, and \$5,184,165 or 25% of total revenues for 2021.
- The District had \$18,908,189 and \$21,244,862 in expenses for fiscal years 2022 and 2021; only \$5,310,522 for 2022 and \$5,184,165 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,103,279 for 2022 were adequate to provide for these programs and \$15,884,373 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$15,615,134 in revenues and \$14,467,695 in expenditures for 2022, and \$15,376,037 in revenues and \$14,022,914 in expenditures for 2021. The General Fund's fund balance increased by \$816,645 which included a prior period adjustment of (\$28,445), from 2021 to 2022, and increased by \$812,450, from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$2,799 for 2022 and increased by \$345,970 for 2021. The increase for 2022 was due to additions of \$793,547, disposals of \$183,028, adjustments of (\$35,016), and the net increase in accumulated depreciation \$572,704.
- Long-term debt decreased by \$310,000 for 2022 and decreased by \$325,000 for 2021. This decrease for 2022 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$15,245 for 2022 and decreased by \$9,397 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.

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 can be categorized as governmental funds.

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

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

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

## **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

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

## **Notes to the Financial Statements**

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

## Required Supplementary Information

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

## Supplementary Information

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

## Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,980,002 as of June 30, 2022.

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

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

**Table 1**  
**Condensed Statement of Net Position**

	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Percentage Change</b>
Current assets	\$ 11,276,206	\$ 10,416,006	8%
Restricted assets	10,515,769	9,496,197	11%
Capital assets, net	12,146,192	12,143,393	0%
<b>Total Assets</b>	<b>33,938,167</b>	<b>32,055,596</b>	<b>6%</b>
<b>Deferred Outflows of Resources</b>	<b>4,495,392</b>	<b>4,250,886</b>	<b>6%</b>
Current liabilities	776,689	1,216,595	-36%
Long-term debt outstanding	3,283,729	3,608,974	-9%
Net OPEB liability	1,446,757	1,733,207	-17%
Net pension liability	22,290,821	29,382,844	-24%
<b>Total Liabilities</b>	<b>27,797,996</b>	<b>35,941,620</b>	<b>-23%</b>
<b>Deferred Inflows of Resources</b>	<b>7,655,561</b>	<b>824,398</b>	<b>829%</b>
<b>Net Position:</b>			
Net investment in capital assets	9,010,136	8,704,441	4%
Restricted	13,881,538	12,602,280	10%
Unrestricted	(19,911,672)	(21,766,257)	9%
<b>Total Net Position (Deficit)</b>	<b>\$ 2,980,002</b>	<b>\$ (459,536)</b>	<b>748%</b>



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)	\$	(19,911,672)
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		26,707,917
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$	6,796,245

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

- Decrease in net pension liability in the amount of \$7,092,023.
- The principal retirement of \$310,000 of long-term debt.
- Decrease in OPEB liability in the amount of \$286,450.

### Changes in Net Position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$22,413,801 and \$21,068,538, respectively. The total cost of all programs and services was \$18,908,189 for 2022 and \$21,244,862 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**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 336,349	\$ 128,158	162%
Operating grants and contributions	4,865,565	3,729,822	30%
Capital grants and contributions	108,608	1,326,185	-92%
General revenues:			
Property taxes	6,410,248	6,504,027	-1%
Grants and contributions not restricted	8,831,983	8,525,279	4%
Unrestricted investment earnings	60,074	138,917	-57%
Sixteenth section sources	1,294,759	619,074	109%
Other	506,215	97,076	421%
<b>Total Revenues</b>	<b>22,413,801</b>	<b>21,068,538</b>	<b>6%</b>
<b>Expenses:</b>			
Instruction	8,796,131	9,505,454	-7%
Support services	7,609,275	7,631,154	0%
Non-instructional	1,113,680	826,684	35%
Sixteenth section	455,403	37,475	1115%
Pension expense	885,225	3,003,805	-71%
OPEB expense	(94,410)	20,779	-554%
Interest on long-term liabilities	142,885	219,511	-35%
<b>Total Expenses</b>	<b>18,908,189</b>	<b>21,244,862</b>	<b>-11%</b>
<b>Increase (Decrease) in Net Position</b>	<b>3,505,612</b>	<b>(176,324)</b>	<b>2088%</b>
<b>Net Position, July 1, as previously reported</b>	<b>(459,536)</b>	<b>(283,212)</b>	<b>-62%</b>
Prior Period Adjustment	(66,074)	-	N/A
<b>Net Position, July 1, as restated</b>	<b>(525,610)</b>	<b>(283,212)</b>	<b>-86%</b>
<b>Net Position, June 30</b>	<b>\$ 2,980,002</b>	<b>\$ (459,536)</b>	<b>748%</b>

## 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	\$ 8,796,131	\$ 9,505,454	-7%
Support services	7,609,275	7,631,154	0%
Non-instructional	1,113,680	826,684	35%
Sixteenth section	455,403	37,475	1115%
Pension expense	885,225	3,003,805	-71%
OPEB expense	(94,410)	20,779	-554%
Interest on long-term liabilities	142,885	219,511	-35%
<b>Total Expenses</b>	<b>\$ 18,908,189</b>	<b>\$ 21,244,862</b>	<b>-11 %</b>

  

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (6,639,336)	\$ (6,942,811)	4%
Support services	(6,335,632)	(6,156,685)	-3%
Non-instructional	687,586	286,792	140%
Sixteenth section	(376,585)	(3,898)	-9561%
Pension expense	(885,225)	(3,003,805)	71%
OPEB expense	94,410	(20,779)	554%
Interest on long-term liabilities	(142,885)	(219,511)	35%
<b>Total Net (Expense) Revenue</b>	<b>\$ (13,597,667)</b>	<b>\$ (16,060,697)</b>	<b>15 %</b>

- Net cost of governmental activities (\$13,597,667 for 2022 and \$16,060,697 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$6,410,248 for 2022 and \$6,504,027 for 2021) and state and federal revenues (\$8,831,983 for 2022 and \$8,525,279 for 2021). In addition, there was \$1,294,759 and \$619,074 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$60,074 for 2022 and \$138,917 for 2021.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$20,872,299, an increase of \$2,093,712, which

includes an increase in inventory of \$6,676 and prior period adjustment of (\$26,767). \$5,379,299 or 26% 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 \$15,493,000 or 74% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$816,645 which includes a prior period adjustment of (\$28,445). The fund balance of Other Governmental Funds showed an increase in the amount of \$421,393, which includes an increase in reserve for inventory of \$6,676. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase / (Decrease)</u>
16th Section Principal Fund	\$ 855,674
EHA Part B Fund	-

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2022, the District's total capital assets were \$29,280,447, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$575,503 from 2021. Total accumulated depreciation as of June 30, 2022, was \$17,134,255, and total depreciation expense for the year was \$693,250, resulting in total net capital assets of \$12,146,192.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 174,918	\$ 174,918	0%
Construction in progress	-	962,304	-100%
Buildings	5,472,481	5,659,984	-3%
Building improvements	4,800,203	3,442,013	39%
Improvements other than buildings	807,263	901,882	-10%
Mobile equipment	759,293	851,269	-11%
Furniture and equipment	132,034	151,023	-13%
<b>Total</b>	<b><u>\$ 12,146,192</u></b>	<b><u>\$ 12,143,393</u></b>	<b><u>0%</u></b>

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

**Debt Administration.** At June 30, 2022, the District had \$3,283,729 in outstanding long-term debt, of which \$295,000 is due within one year. The liability for compensated absences decreased \$15,245 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<b>Percentage Change</b>
Limited tax refunding notes	\$ 990,000	\$ 1,210,000	-18%
General obligation certificate of participation	680,000	770,000	-12%
Qualified school construction bonds payable	1,500,000	1,500,000	0%
Compensated absences payable	113,729	128,974	-12%
<b>Total</b>	<u><b>\$ 3,283,729</b></u>	<u><b>\$ 3,608,974</b></u>	<u><b>-9 %</b></u>

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

### **CURRENT ISSUES**

The Quitman School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities of the future.

### **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 School District, 104 East Franklin Street, Quitman, MS 39355.

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## **FINANCIAL STATEMENTS**

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**QUITMAN SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 9,298,752
Cash with fiscal agents	33
Investments	231,928
Due from other governments	1,350,263
Accrued interest receivable	848
Other receivables, net	131,920
Lease receivable	223,774
Inventories	33,688
Prepaid items	5,000
Restricted assets	10,515,769
Capital assets, non-depreciable:	
Land	174,918
Capital assets, net of accumulated depreciation:	
Buildings	5,472,481
Building improvements	4,800,203
Improvements other than buildings	807,263
Mobile equipment	759,293
Furniture and equipment	132,034
Total Assets	<u>33,938,167</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	4,143,360
Deferred outflows - OPEB	318,088
Deferred outflows - advance refunding of debt	33,944
Total Deferred Outflows of Resources	<u>4,495,392</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	695,902
Interest payable on long-term liabilities	80,787
Long-term liabilities, due within one year:	
Capital related liabilities	295,000
Net OPEB liability	43,748
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,875,000
Non-capital related liabilities	113,729
Net pension liability	22,290,821
Net OPEB liability	1,403,009
Total Liabilities	<u>27,797,996</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	6,891,872
Deferred inflows - OPEB	539,915
Deferred inflows - leases	223,774
Total Deferred Inflows of Resources	<u>7,655,561</u>
<b>Net Position</b>	
Net investment in capital assets	9,010,136
Restricted for:	
Expendable:	
School-based activities	703,719
Debt service	1,018,618
Capital improvements	663,958
Forestry improvements	129,884
Unemployment benefits	38,622
Non-expendable:	
Sixteenth section	11,321,737
Prepaid items	5,000
Unrestricted	(19,911,672)
Total Net Position	<u>\$ 2,980,002</u>

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



**QUITMAN SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and Changes
		Services	Grants and	Grants and	in Net Position
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 8,796,131	\$ 188,820	\$ 1,862,894	\$ 105,081	\$ (6,639,336)
Support services	7,609,275	-	1,270,116	3,527	(6,335,632)
Non-instructional	1,113,680	68,711	1,732,555	-	687,586
Sixteenth section	455,403	78,818	-	-	(376,585)
Pension expense	885,225	-	-	-	(885,225)
OPEB expense	(94,410)	-	-	-	94,410
Interest on long-term liabilities	142,885	-	-	-	(142,885)
Total Governmental Activities	<u>\$ 18,908,189</u>	<u>\$ 336,349</u>	<u>\$ 4,865,565</u>	<u>\$ 108,608</u>	<u>\$ (13,597,667)</u>
General Revenues:					
Taxes:					
General purpose levies					6,127,606
Debt purpose levies					282,642
Unrestricted grants and contributions:					
State					8,758,946
Federal					73,037
Unrestricted investment earnings					60,074
Sixteenth section sources					1,294,759
Other					506,215
Total General Revenues					<u>17,103,279</u>
Change in Net Position					3,505,612
Net Position - Beginning, as previously reported					(459,536)
Prior Period Adjustments					<u>(66,074)</u>
Net Position - Beginning, as restated					<u>(525,610)</u>
Net Position - Ending					<u>\$ 2,980,002</u>

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

**QUITMAN SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	Major Funds			Other	Total
	General	16th Section	EHA Part B	Governmental	Governmental
	Fund	Principal Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 7,681,435	\$ 4,748,932	\$ -	\$ 1,617,317	\$ 14,047,684
Cash with fiscal agents	-	-	-	107,249	107,249
Investments	231,928	4,796,690	-	840,000	5,868,618
Due from other governments	165,587	-	453,218	731,458	1,350,263
Accrued interest receivable	848	16,121	-	6,810	23,779
Other receivables, net	131,920	-	-	-	131,920
Lease receivable	223,774	-	-	-	223,774
Due from other funds	1,114,456	68,628	-	-	1,183,084
Advances to other funds	-	1,691,366	-	-	1,691,366
Inventories	-	-	-	33,688	33,688
Prepaid items	5,000	-	-	-	5,000
Total Assets	<u>\$ 9,554,948</u>	<u>\$ 11,321,737</u>	<u>\$ 453,218</u>	<u>\$ 3,336,522</u>	<u>\$ 24,666,425</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 656,205	\$ -	\$ -	\$ 39,697	\$ 695,902
Due to other funds	68,628	-	453,218	661,238	1,183,084
Advances from other funds	1,691,366	-	-	-	1,691,366
Total Liabilities	<u>2,416,199</u>	<u>-</u>	<u>453,218</u>	<u>700,935</u>	<u>3,570,352</u>
<b>Deferred Inflows of Resources:</b>					
Leases	223,774	-	-	-	223,774
Total Deferred Inflows of Resources	<u>223,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,774</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	33,688	33,688
Permanent fund principal	-	9,630,371	-	-	9,630,371
Advances	-	1,691,366	-	-	1,691,366
Prepaid items	5,000	-	-	-	5,000
<b>Restricted:</b>					
Debt service	-	-	-	1,099,405	1,099,405
Capital projects	-	-	-	663,958	663,958
Forestry improvement purposes	-	-	-	129,884	129,884
Grant activities	-	-	-	94,894	94,894
Unemployment benefits	-	-	-	38,622	38,622
Food service	-	-	-	575,136	575,136
<b>Committed:</b>					
Debt service	596,000	-	-	-	596,000
Lawsuit	318,487	-	-	-	318,487
<b>Assigned:</b>					
Student activity funds	138,060	-	-	-	138,060
School board activities	407,135	-	-	-	407,135
Club activities	70,994	-	-	-	70,994
<b>Unassigned</b>	<u>5,379,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,379,299</u>
Total Fund Balances	<u>6,914,975</u>	<u>11,321,737</u>	<u>-</u>	<u>2,635,587</u>	<u>20,872,299</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,554,948</u>	<u>\$ 11,321,737</u>	<u>\$ 453,218</u>	<u>\$ 3,336,522</u>	<u>\$ 24,666,425</u>

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

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

**Total fund balances for governmental funds** \$ 20,872,299

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	174,918	
Buildings	11,882,062	
Building improvements	10,256,643	
Improvements other than buildings	1,860,780	
Mobile equipment	3,772,297	
Furniture and equipment	1,333,747	
Accumulated depreciation	<u>(17,134,255)</u>	12,146,192

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		(22,290,821)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,143,360	
Deferred inflows of resources related to pensions	<u>(6,891,872)</u>	(2,748,512)

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		(1,446,757)
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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	318,088	
Deferred inflows of resources related to OPEB	<u>(539,915)</u>	(221,827)

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:

Limited tax refunding bonds	(990,000)	
Deferred outflow from advance refunding of debt	33,944	
General obligation certificates of participation	(680,000)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(113,729)	
Accrued interest payable	<u>(80,787)</u>	(3,330,572)

<b>Net position of governmental activities</b>		<u><u>\$ 2,980,002</u></u>
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The notes to the financial statements are an integral part of this statement.

**QUITMAN SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	Major Funds			Other	Total
	General	16th Section	EHA Part B	Governmental	Governmental
	Fund	Principal Fund	Fund	Funds	Funds
<b>Revenues</b>					
Local sources	\$ 6,502,139	\$ -	\$ -	\$ 339,994	\$ 6,842,133
State sources	8,889,842	-	-	528,820	9,418,662
Federal sources	29,002	-	477,619	3,880,873	4,387,494
Sixteenth section sources	194,151	1,167,410	-	12,015	1,373,576
Total Revenues	<u>15,615,134</u>	<u>1,167,410</u>	<u>477,619</u>	<u>4,761,702</u>	<u>22,021,865</u>
<b>Expenditures</b>					
Instruction	7,528,468	-	218,247	1,847,593	9,594,308
Support services	6,483,499	-	261,050	1,215,799	7,960,348
Noninstructional services	-	-	-	1,171,546	1,171,546
Sixteenth section	51,753	384,775	-	18,875	455,403
Facilities acquisition and construction	403,975	-	-	266,443	670,418
Debt service:					
Principal	-	-	-	310,000	310,000
Interest	-	-	-	130,350	130,350
Other	-	-	-	7,623	7,623
Total Expenditures	<u>14,467,695</u>	<u>384,775</u>	<u>479,297</u>	<u>4,968,229</u>	<u>20,299,996</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,147,439</u>	<u>782,635</u>	<u>(1,678)</u>	<u>(206,527)</u>	<u>1,721,869</u>
<b>Other Financing Sources (Uses)</b>					
Insurance recovery	391,934	-	-	-	391,934
Payments held by escrow agent	-	-	-	82,164	82,164
Operating transfers in	104,054	73,039	-	886,297	1,063,390
Payments to QSCB debt escrow agent	-	-	-	(82,164)	(82,164)
Operating transfers out	(798,337)	-	-	(265,053)	(1,063,390)
Total Other Financing Sources (Uses)	<u>(302,349)</u>	<u>73,039</u>	<u>-</u>	<u>621,244</u>	<u>391,934</u>
Net Change in Fund Balances	<u>845,090</u>	<u>855,674</u>	<u>(1,678)</u>	<u>414,717</u>	<u>2,113,803</u>
<b>Fund Balances:</b>					
July 1, 2021, as previously reported	6,098,330	10,466,063	-	2,214,194	18,778,587
Prior period adjustments	(28,445)	-	1,678	-	(26,767)
July 1, 2021, as restated	<u>6,069,885</u>	<u>10,466,063</u>	<u>1,678</u>	<u>2,214,194</u>	<u>18,751,820</u>
Increase in reserve for inventory	-	-	-	6,676	6,676
June 30, 2022	<u>\$ 6,914,975</u>	<u>\$ 11,321,737</u>	<u>\$ -</u>	<u>\$ 2,635,587</u>	<u>\$ 20,872,299</u>

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

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

**Net change in fund balances - total governmental funds** **\$ 2,113,803**

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	\$ 793,547	
	Depreciation expense	<u>(693,250)</u>	100,297
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.		(58,191)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	310,000	
	Accrued interest payable	2,174	
	Amortization of deferred amount on refunding	<u>(7,104)</u>	305,070
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. These activities include:		
	Pension expense	(885,225)	
	Contributions subsequent to the measurement date	<u>1,769,779</u>	884,554
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. These activities include:		
	OPEB expense	94,410	
	Contributions subsequent to the measurement date	<u>43,748</u>	138,158
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	15,245	
	Change in inventory reserve	<u>6,676</u>	21,921
<b>Change in net position of governmental activities</b>			<u><u>\$ 3,505,612</u></u>

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

## QUITMAN 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 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.

##### Blended Component Unit

The Quitman School District Facilities Corporation Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 7).

##### 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.

## QUITMAN SCHOOL DISTRICT

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

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

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

The school district reports the following major governmental funds:

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

16<sup>th</sup> Section Principal Fund – This permanent fund accounts for the revenues associated with nonexpendable resources derived from 16<sup>th</sup> Section lands.

EHA Part B Fund – This special revenue fund accounts for the activities related to federal grant CFDA number 84.027, Special Education – Grants to States.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

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

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

## QUITMAN SCHOOL DISTRICT

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

well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital 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 and 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 Section 27-105-



## QUITMAN SCHOOL DISTRICT

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

33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

#### 2. Receivables and Payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

## QUITMAN SCHOOL DISTRICT

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

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

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

The following schedule details the capitalization thresholds:

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

#### 7. Deferred Outflows/Inflows of Resources

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

1. Deferred outflows – pensions
2. Deferred outflows – postemployment benefits other than pensions (OPEB)
3. Deferred outflows – advance refunding of debt

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.

1. Deferred inflows – pensions
2. Deferred inflows – postemployment benefits other than pensions (OPEB)
3. Deferred inflows - leases

See Notes 6, 8 and 9 for further details.

#### 8. Compensated Absences

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

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

## QUITMAN SCHOOL DISTRICT

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

#### 9. Leases

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

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease payments when the rate implicit in the sixteenth section lease is not known. See Note 6 for more information regarding sixteenth section lease future revenues.

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

#### 12. Postemployment Benefits Other than Pensions (OPEB)

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

#### 13. Fund Balances

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

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

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

## QUITMAN SCHOOL DISTRICT

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

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation. *Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of such a commitment by the school board.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 5% 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

In June 2017, the Governmental Accounting Standards Board (GASB) issued *Statement No. 87*, Leases to be effective for years after June 15, 2021. In May 2020, because of the COVID-19 pandemic, GASB issued *Statement No. 95* to provide temporary relief to governments and other stakeholders from the requirements of the implementation of certain accounting pronouncements. As a result, the implementation date for GASB Statement No. 87 was delayed eighteen months. The District implemented the provision of GASB Statement No. 87 for the fiscal year ended June 30, 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 government lessees and lessors. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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

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

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

## QUITMAN SCHOOL DISTRICT

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

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 \$14,047,684.

*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.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$107,249.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Government Cash Reserves	Unrated	Less than 5 years	\$ 207,580
U.S. Treasury Deposits	Unrated	Less than 10 years	840,000
Asset Backed Federal Securities	Unrated	Less than 5 years	489,985
	Unrated	Less than 10 years	1,032,525
	Unrated	Less than 15 years	700,719
	Unrated	Less than 30 years	34,642
Municipal Bonds	AA	Less than 5 years	100,009
	AA-	Less than 5 years	542,435
	AA	Less than 10 years	503,854
	AA-	Less than 10 years	139,552
	AA	Less than 15 years	121,025
U.S. Treasury/Agency Securities	Unrated	Less than 5 years	91,924
	AA+	Less than 5 years	99,456
	A	Less than 5 years	48,285
	B	Less than 5 years	1,480
	Unrated	Less than 10 years	287,663
	A	Less than 10 years	263,652
	B	Less than 10 years	67,153
	Unrated	Less than 15 years	296,679
Total			<u>\$ 5,868,618</u>

## QUITMAN 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 measurement as of June 30, 2022:

- All investments are valued using quoted market prices (Level 1 inputs).

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

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

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

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

Issuer		Fair Value	% of Total Investments
State of Mississippi - Special obligation bonds	\$	399,820	6.81%

#### 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	EHA Part B Fund	\$ 453,218
	Other governmental funds	661,238
16th Section Principal	General Fund	68,628
Total		<u>\$ 1,183,084</u>

The purpose of the above loans between the General Fund and the EHA Part B Fund and other governmental funds represents the existence of negative fund cash balances in a pooled bank account. Negative cash balances in governmental funds (special revenues funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government. The remaining balance is the current portion of Sixteenth Section Loans Payable. All balances are expected to be repaid within one year from the date of the financial statements.

##### B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 1,691,366
Total		<u>\$ 1,691,366</u>

The purpose of advances was to replace or upgrade the HVAC system in various buildings of the District.

# QUITMAN SCHOOL DISTRICT

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

### Sixteenth Section Principal Loans Payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2022 is 4%.

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

Year Ending June 30	Principal	Interest	Total
2023	68,628	70,400	139,028
2024	71,373	67,655	139,028
2025	74,228	64,800	139,028
2026	77,197	61,831	139,028
2027	80,285	58,743	139,028
2028 - 2032	452,243	242,895	695,138
2033 - 2037	550,225	144,915	695,140
2038 - 2042	385,815	31,273	417,088
Total	<u>\$ 1,759,994</u>	<u>\$ 742,512</u>	<u>\$ 2,502,506</u>

The current portion of \$68,628 sixteenth section loans payable is recorded as a balance in due from/to other funds.

### C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	16th Section Principal Fund	\$ 73,039
	Other governmental funds	725,298
Other governmental funds	General Fund	104,054
	Other governmental funds	<u>160,999</u>
Total		<u>\$ 1,063,390</u>

The purpose of inter-fund transfers was to provide operating funds and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

### Note 4 – Restricted Assets

Restricted assets on the Statement of Net Position consist of the following:

16th Section Principal Fund:	
Cash	\$ 4,748,932
Investments	4,796,690
Accrued Interest	16,121
QSCB Bond Retirement Fund:	
Cash with Fiscal Agent	107,216
Investments	840,000
Accrued Interest	6,810
Total Restricted Assets - Exhibit A	<u>\$ 10,515,769</u>

The Sixteenth Section Principal Fund (Permanent Fund) is legally restricted and may not be used for purposes that support the district's programs. The QSCB Bond Retirement Fund is legally restricted for debt service.

# QUITMAN SCHOOL DISTRICT

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

### Note 5 – Capital Assets

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

	Balance 7/1/2021	Increases	Decreases	Completed Construction in Progress	Adjustments	Balance 6/30/2022
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 174,918	\$ -	\$ -	\$ -	\$ -	\$ 174,918
Construction-in-progress	962,304	266,443	-	(1,228,747)	-	-
Total non-depreciable capital assets	1,137,222	266,443	-	(1,228,747)	-	174,918
<u>Depreciable capital assets:</u>						
Buildings	11,882,062	-	-	-	-	11,882,062
Building improvements	8,623,921	403,975	-	1,228,747	-	10,256,643
Improvements other than buildings	1,896,763	-	-	-	(35,983)	1,860,780
Mobile equipment	3,762,637	91,748	89,461	-	7,373	3,772,297
Furniture and equipment	1,402,339	31,381	93,567	-	(6,406)	1,333,747
Total depreciable capital assets	27,567,722	527,104	183,028	1,228,747	(35,016)	29,105,529
<u>Less accumulated depreciation for:</u>						
Buildings	6,222,078	187,503	-	-	-	6,409,581
Building improvements	5,181,908	274,532	-	-	-	5,456,440
Improvements other than buildings	994,881	60,075	-	-	(1,439)	1,053,517
Mobile equipment	2,911,368	127,206	32,206	-	6,636	3,013,004
Furniture and equipment	1,251,316	43,934	92,631	-	(906)	1,201,713
Total accumulated depreciation	16,561,551	693,250	124,837	-	4,291	17,134,255
Total depreciable capital assets, net	11,006,171	(166,146)	58,191	1,228,747	(39,307)	11,971,274
Governmental activities capital assets, net	\$ 12,143,393	\$ 100,297	\$ 58,191	\$ -	(39,307)	\$ 12,146,192

Depreciation expense was charged to the following governmental functions:

Governmental Activities	Amount
Instruction	\$ 331,036
Support Services	340,327
Non-instructional	21,887
Total Depreciation Expense - Governmental Activities	<u>\$ 693,250</u>

Capital asset adjustments include the removal of assets erroneously capitalized and adding back assets erroneously deleted by the District.

### Note 6 – Leases

#### As Lessor:

#### Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. These lands are not considered to be the property or assets of the public schools and therefore have not been included in the capital assets of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The 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. The District has, however, included in its financial statements at year end the net present value of \$223,774 for future lease payments as a lease receivable and as deferred inflows of resources.



# QUITMAN SCHOOL DISTRICT

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

The total amount of inflows of resources including lease revenue and interest revenue recognized during the current fiscal year is \$88,012. The following schedule represents the net present value of future rental payments to be made to the District for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Principal	Interest	Total Payment
2023	\$ 40,490	\$ 6,703	\$ 47,193
2024	69,651	7,331	76,982
2025	72,461	4,520	76,981
2026	3,214	1,647	4,861
2027	3,343	1,518	4,861
2028-2032	18,831	5,477	24,308
2033-2037	12,464	1,880	14,344
2038-2042	2,958	344	3,302
2043-2047	362	38	400
Total	<u>\$ 223,774</u>	<u>\$ 29,458</u>	<u>\$ 253,232</u>

### Note 7 - Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. Limited tax refunding notes	\$ 1,210,000	\$ -	\$ 220,000	\$ 990,000	\$ 205,000
B. General obligation certificate of participation	770,000	-	90,000	680,000	90,000
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	128,974	-	15,245	113,729	-
Total	<u>\$ 3,608,974</u>	<u>\$ -</u>	<u>\$ 325,245</u>	<u>\$ 3,283,729</u>	<u>\$ 295,000</u>

### A. Limited tax refunding notes

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, series 2014	1.60- 2.60%	7/15/2014	4/15/2027	\$ 2,635,000	\$ 990,000
Total				<u>\$ 2,635,000</u>	<u>\$ 990,000</u>

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 205,000	\$ 23,770	\$ 228,770
2024	190,000	19,260	209,260
2025	190,000	14,890	204,890
2026	200,000	10,330	210,330
2027	205,000	5,330	210,330
Total	<u>\$ 990,000</u>	<u>\$ 73,580</u>	<u>\$ 1,063,580</u>

## QUITMAN SCHOOL DISTRICT

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

The debt will be retired from the Three Mill Note Fund (debt service fund). It is secured with a Pledge of Education Enhancement (EEF) Funds for buildings and buses that is to be used for repayment of the limited tax refunding notes. Proceeds from the notes 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 ad valorem revenues generated from a special levy to retire this debt and are payable through April 15, 2027. Annual principal and interest payments on the notes are expected to require all of the district's annual allocation of such state revenues and local ad valorem revenues levied to complete the required debt service payments. The total principal and interest payments remaining are \$1,063,580. Total revenues for building and buses were \$82,393, respectively.

#### B. General obligation certificate of participation

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation certificate of participation, series 2014	1.50 - 3.00%	7/15/2014	6/1/2029	\$ 1,340,000	\$ 680,000
Total				\$ 1,340,000	\$ 680,000

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 90,000	\$ 19,020	\$ 109,020
2024	90,000	16,860	106,860
2025	95,000	14,430	109,430
2026	95,000	11,865	106,865
2027	100,000	9,300	109,300
2028-2032	210,000	9,450	219,450
Total	\$ 680,000	\$ 80,925	\$ 760,925

This debt is being retired from the Three Mill Loan Fund (debt service fund).

#### C. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	5.40%	10/7/2010	8/1/2025	\$ 1,500,000	\$ 1,500,000
Total				\$ 1,500,000	\$ 1,500,000

## QUITMAN 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	\$ -	\$ 81,000	\$ 81,000
2024	-	81,000	81,000
2025	-	81,000	81,000
2026	1,500,000	81,000	1,581,000
Total	\$ 1,500,000	\$ 324,000	\$ 1,824,000

This debt is being retired from the QSCB Bond Retirement Fund (debt service fund).

#### **D. Compensated absences payable**

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

#### **Note 8 – Defined Benefit Pension Plan**

##### **General Information about the Pension Plan**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the

## QUITMAN SCHOOL DISTRICT

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

fiscal years ending June 30, 2022, 2021 and 2020 were \$1,769,779, \$1,744,786, and \$1,758,561, 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 \$22,290,821 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 0.150813 percent, which was based on a measurement date of June 30, 2021. This was a decrease of 0.000967 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 \$885,225. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 357,417	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,709,451
Changes of assumptions	1,713,483	-
Changes in proportion and differences between District contributions and proportionate share of contributions	302,681	182,421
District contributions subsequent to the measurement date	1,769,779	-
Total	<u>\$ 4,143,360</u>	<u>\$ 6,891,872</u>

\$1,769,779 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:

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (700,690)
2024	(723,356)
2025	(1,093,794)
2026	(2,000,451)

*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

## QUITMAN SCHOOL DISTRICT

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	100.00 %	

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

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

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 31,569,028	\$ 22,290,821	\$ 14,644,840

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

## QUITMAN SCHOOL DISTRICT

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

#### Note 9 – Other Postemployment Benefits (OPEB)

##### General Information about the OPEB Plan.

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

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

*Contributions.* The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$43,748 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 \$1,446,757 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 0.22476262 percent. This was an increase of 0.00204497 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 income of \$94,410. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

# QUITMAN SCHOOL DISTRICT

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	1,573	452,382
Changes of assumptions	234,313	48,931
Net difference between projected and actual earnings on OPEB plan investments	67	-
Changes in proportion and differences between District contributions and proportionate share of contributions	38,387	38,602
District contributions subsequent to the measurement date	43,748	-
Total	<u>\$ 318,088</u>	<u>\$ 539,915</u>

\$43,748 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:

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (78,021)
2024	(69,024)
2025	(39,288)
2026	(47,054)
2027	(32,188)

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13 percent
Prior Measurement Date	2.19 percent
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 percent
Prior Measurement Date	2.19 percent
Health Care Cost Trends	
Medicare Supplement Claims	
Pre-Medicare	6.50 percent for 2022 decreasing to an ultimate rate of 4.50 percent by 2030

## QUITMAN SCHOOL DISTRICT

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

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

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

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

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

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

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

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

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB Liability	\$ 1,601,353	\$ 1,446,757	\$ 1,314,940

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB Liability	\$ 1,340,071	\$ 1,446,757	\$ 1,567,490

*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/>.



## QUITMAN SCHOOL DISTRICT

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

#### Note 10 – Prior Period Adjustments

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

##### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Removal of capital assets erroneously capitalized in prior years	\$ (40,044)
Recording of capital asset erroneously deleted from inventory records in prior years	737
Correction of prior year accrual error	(26,767)
Total	<u>\$ (66,074)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Correction of prior year accrual error	(28,445)
EHA Part B Fund	Correction of prior year accrual error	1,678
Total		<u>\$ (26,767)</u>

#### Note 11 - Contingencies

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

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

#### Note 12 – 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.

##### Participation in Public Entity Risk Pool

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.

## QUITMAN SCHOOL DISTRICT

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

#### Note 13 – 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 that stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2022, the subsidy payments amounted to \$72,407.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2022 was \$954,026, which included cash with fiscal agent of \$107,216, investments of \$840,000, and accrued interest of \$6,810. 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:

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ 150,000
2024	150,000
2025	150,000
	<u>\$ 450,000</u>

#### Note 14 – Insurance Loss Recoveries

The Quitman School District received \$391,934 in insurance loss recoveries related to damage during the 2021-2022 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income.

#### Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital asset amount of \$9,010,136 includes the effect of deferring the recognition of expenses resulting from a deferred outflow on advance refunding of capital debt. A portion of the deferred outflow of resources related to refunded debt in the amount of \$33,944 will be recognized as an expense and will decrease the net investment in capital assets over the next 4 years.

The unrestricted net position amount of (\$19,911,672) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,769,779 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$2,373,581 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$19,911,672) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$6,891,872 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

## QUITMAN SCHOOL DISTRICT

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

The unrestricted net position amount of (\$19,911,672) 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 \$43,748 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$274,340 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 (\$19,911,672) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$539,915 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

#### Note 16 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Quitman School District evaluated the activity of the district through 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:

Vendor	Description	Amount
Patrick L. McKenzie, Inc.	District-wide Upgrade to Restrooms	\$ 1,084,500
B&E Communications, Inc.	Camera/Surveillance System Upgrade	326,533
Patrick L. McKenzie, Inc.	District-wide Mechanical Upgrade	4,227,736
B&E Communications, Inc.	Intercom Upgrade	540,285

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**QUITMAN SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 6,572,137	\$ 6,673,623	\$ 6,502,139	\$ 101,486	\$ (171,484)
State sources	8,962,574	8,900,598	8,889,842	(61,976)	(10,756)
Federal sources	53,940	29,002	29,002	(24,938)	-
Sixteenth section sources	201,506	194,151	194,151	(7,355)	-
Total Revenues	<u>15,790,157</u>	<u>15,797,374</u>	<u>15,615,134</u>	<u>7,217</u>	<u>(182,240)</u>
<b>Expenditures</b>					
Instruction	8,821,883	7,528,470	7,528,468	1,293,413	2
Support services	6,859,650	6,483,499	6,483,499	376,151	-
Noninstructional services	63,000	-	-	63,000	-
Sixteenth section	19,000	51,753	51,753	(32,753)	-
Facilities acquisition & construction	-	403,975	403,975	(403,975)	-
Debt Service:					
Interest	<u>75,577</u>	<u>73,039</u>	<u>-</u>	<u>2,538</u>	<u>73,039</u>
Total Expenditures	<u>15,839,110</u>	<u>14,540,736</u>	<u>14,467,695</u>	<u>1,298,374</u>	<u>73,041</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(48,953)</u>	<u>1,256,638</u>	<u>1,147,439</u>	<u>1,305,591</u>	<u>(109,199)</u>
<b>Other Financing Sources (Uses)</b>					
Insurance recovery	-	391,934	391,934	391,934	-
Operating transfers in	2,558,748	1,896,792	104,054	(661,956)	(1,792,738)
Operating transfers out	<u>(3,103,036)</u>	<u>(2,517,386)</u>	<u>(798,337)</u>	<u>585,650</u>	<u>1,719,049</u>
Total Other Financing Sources (Uses)	<u>(544,288)</u>	<u>(228,660)</u>	<u>(302,349)</u>	<u>315,628</u>	<u>(73,689)</u>
Net Change in Fund Balances	<u>(593,241)</u>	<u>1,027,978</u>	<u>845,090</u>	<u>1,621,219</u>	<u>(182,888)</u>
<b>Fund Balances</b>					
July 1, 2021 as previously reported	3,793,767	5,960,440	6,098,330	2,166,673	137,890
Prior period adjustments	<u>-</u>	<u>(73,445)</u>	<u>(28,445)</u>	<u>(73,445)</u>	<u>45,000</u>
July 1, 2021 as restated	<u>3,793,767</u>	<u>5,886,995</u>	<u>6,069,885</u>	<u>2,093,228</u>	<u>182,890</u>
June 30, 2022	<u>\$ 3,200,526</u>	<u>\$ 6,914,973</u>	<u>\$ 6,914,975</u>	<u>\$ 3,714,447</u>	<u>\$ 2</u>

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

**QUITMAN SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**EHA Part B**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ 583,892	\$ 477,619	\$ 477,619	\$ (106,273)	\$ -
Total Revenues	<u>583,892</u>	<u>477,619</u>	<u>477,619</u>	<u>(106,273)</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	293,761	218,247	218,247	75,514	-
Support services	286,881	261,050	261,050	25,831	-
Noninstructional services	3,750	-	-	3,750	-
Total Expenditures	<u>584,392</u>	<u>479,297</u>	<u>479,297</u>	<u>105,095</u>	<u>-</u>
Net Change in Fund Balances	<u>(500)</u>	<u>(1,678)</u>	<u>(1,678)</u>	<u>(1,178)</u>	<u>-</u>
<b>Fund Balances</b>					
July 1, 2021 as previously reported	-	-	-	-	-
Prior period adjustments	-	-	1,678	-	1,678
July 1, 2021 as restated	<u>-</u>	<u>-</u>	<u>1,678</u>	<u>-</u>	<u>1,678</u>
June 30, 2022	<u>\$ (500)</u>	<u>\$ (1,678)</u>	<u>\$ -</u>	<u>\$ (1,178)</u>	<u>\$ 1,678</u>

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

**Quitman School District**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years \***

		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability		0.150813%	0.151780%	0.147005%	0.147764%	0.150423%	0.161408%	0.163425%	0.158659%
District's proportionate share of the net pension liability	\$	22,290,821	29,382,844	25,861,080	24,577,544	25,005,408	28,831,499	25,262,282	19,258,297
District's covered payroll	\$	10,027,506	10,106,672	9,574,045	9,436,121	9,649,740	10,325,676	10,198,489	9,694,861
District's proportionate share of the net pension liability as a percentage of its covered payroll		222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	247.71%	198.64%
Plan fiduciary net position as a percentage of the total pension liability		70%	59%	62%	63%	61%	57%	62%	67%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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



**Quitman School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 1,769,779	\$ 1,744,786	\$ 1,758,561	\$ 1,507,912	\$ 1,486,189	\$ 1,519,834	\$ 1,626,294	\$ 1,606,262
Contributions in relation to the contractually required contribution	1,769,779	1,744,786	1,758,561	1,507,912	1,486,189	1,519,834	1,626,294	1,606,262
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	10,171,145	10,027,506	10,106,672	9,574,045	9,436,121	9,649,740	10,325,676	10,198,489
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

**Quitman School District**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**OPEB**  
**Last 10 Fiscal Years \***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.22476262%	0.22271765%	0.21919785%	0.21813605%	0.22278585%
District's proportionate share of the net OPEB liability	\$ 1,446,757	1,733,207	1,859,984	1,687,391	1,747,998
District's covered-employee payroll	\$ 10,027,506	10,106,672	9,574,045	9,436,121	10,009,156
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	14.43%	17.15%	19.43%	17.88%	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 amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

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

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

**Quitman School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**OPEB**  
**Last 10 Fiscal Years \***

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Actuarially determined contribution	\$ 43,748	\$ 58,150	\$ 69,120	\$ 74,554	\$ 74,520
Contributions in relation to the actuarially determined contribution	43,748	58,150	69,120	74,554	74,520
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	10,171,145	10,027,506	10,106,672	9,574,045	9,436,121
Contributions as a percentage of covered-employee payroll	0.43%	0.58%	0.68%	0.78%	0.79%

\* 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.

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

## QUITMAN 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%.

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

## QUITMAN SCHOOL DISTRICT

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

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%.

#### (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.

## QUITMAN SCHOOL DISTRICT

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

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

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

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

#### OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

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

## QUITMAN SCHOOL DISTRICT

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

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.*

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

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

## **SUPPLEMENTARY INFORMATION**



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**QUITMAN 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
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	225MS326N1099	1,651,482
Total Child Nutrition Cluster			1,651,482
Total Passed-through Mississippi Department of Education			1,651,482
<b>Total U.S. Department of Agriculture</b>			1,651,482
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
National Defense Education Program	12.006	N/A	28,371
<b>Total U.S. Department of Defense</b>			28,371
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A190024 S010A200024 S010A210024	1,228,275
Career and Technical Education - Basic Grants to States	84.048	V048A200024	30,649
Rural Education	84.358	S358B190024 S358B200024 S358B210024	31,451
Supporting Effective Instruction State Grants	84.367	S367A190023 S367A200023 S367A210023	135,063
Student Support and Academic Enrichment Program	84.424	S424A190025 S424A200025 S424A210025	43,127
Subtotal			1,468,565
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A190108 H027A200108 H027A210108	477,619
COVID-19 - Special Education - Grants to States	84.027	H027X210108	46,463
Special Education - Preschool Grants	84.173	H173A200113 H173A210113	27,681
COVID-19 - Special Education - Preschool Grants	84.173	H173X210113	83
Total Special Education Cluster			551,846
Elementary and Secondary School Emergency Relief Fund I	84.425D	S425D200031	210,081
Elementary and Secondary School Emergency Relief Fund II	84.425D	S425D210031	322,193
Elementary and Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	86,949
COVID-19 - Education Stabilization Fund (ESSER) Subtotal:			619,223
Total Passed-through Mississippi Department of Education			2,639,634
<b>Total U.S. Department of Education</b>			2,639,634
<b><u>Social Security Administration</u></b>			
Direct Program:			
Disability Insurance/SSI Cluster:			
Social Security Disability Insurance	96.001	N/A	630
<b>Total Social Security Administration</b>			630
<b>Total for All Federal Awards</b>			\$ 4,320,117

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

## QUITMAN 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 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Quitman School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

**QUITMAN SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2022**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,953,304	9,974,101	939,893	1,230,891	1,808,419
Other	<u>6,346,692</u>	<u>1,638,049</u>	<u>306,870</u>	<u>9,690</u>	<u>4,392,083</u>
Total	\$ <u>20,299,996</u>	<u>11,612,150</u>	<u>1,246,763</u>	<u>1,240,581</u>	<u>6,200,502</u>
Total number of students*	<u>1,549</u>				
Cost per student	\$ <u>13,106</u>	<u>7,497</u>	<u>805</u>	<u>801</u>	<u>4,003</u>

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

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

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

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

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

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

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## **OTHER INFORMATION**

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**QUITMAN SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2022	2021*	2020*	2019*
<b>Revenues</b>				
Local sources	\$ 6,502,139	6,498,220	6,202,325	5,898,258
State sources	8,889,842	8,618,712	8,892,609	8,622,249
Federal sources	29,002	29,300	81,815	73,896
Sixteenth section sources	194,151	229,805	206,340	170,229
Total Revenues	<u>15,615,134</u>	<u>15,376,037</u>	<u>15,383,089</u>	<u>14,764,632</u>
<b>Expenditures</b>				
Instruction	7,528,468	7,713,395	7,858,895	7,490,626
Support services	6,483,499	6,220,609	6,409,756	6,179,709
Noninstructional services	-	-	32	-
Sixteenth section	51,753	13,333	40,314	40,716
Facilities acquisition and construction	403,975	-	98,449	49,421
Debt service:				
Interest	-	75,577	-	-
Total Expenditures	<u>14,467,695</u>	<u>14,022,914</u>	<u>14,407,446</u>	<u>13,760,472</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,147,439</u>	<u>1,353,123</u>	<u>975,643</u>	<u>1,004,160</u>
<b>Other Financing Sources (Uses)</b>				
Insurance recovery	391,934	4,943	-	-
Operating transfers in	104,054	39,025	-	73,993
Operating transfers out	(798,337)	(584,641)	(2,575,468)	(656,687)
Total Other Financing Sources (Uses)	<u>(302,349)</u>	<u>(540,673)</u>	<u>(2,575,468)</u>	<u>(582,694)</u>
Net Change in Fund Balances	<u>845,090</u>	<u>812,450</u>	<u>(1,599,825)</u>	<u>421,466</u>
<b>Fund Balances</b>				
Beginning of period, as previously reported	6,098,330	5,285,880	6,835,034	6,502,387
Prior period adjustments	(28,445)	-	50,671	(88,819)
Beginning of period, as restated	<u>6,069,885</u>	<u>5,285,880</u>	<u>6,885,705</u>	<u>6,413,568</u>
End of Period	<u>\$ 6,914,975</u>	<u>6,098,330</u>	<u>5,285,880</u>	<u>6,835,034</u>

\*Source - Prior Year Audit Reports



**QUITMAN SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2022	2021*	2020*	2019*
<b>Revenues</b>				
Local sources	\$ 6,842,133	6,830,717	6,537,659	6,235,850
State sources	9,418,662	9,198,227	9,470,818	9,192,359
Federal sources	4,387,494	4,388,602	2,855,868	3,080,832
Sixteenth section sources	1,373,576	652,650	1,279,294	1,456,546
Total Revenues	<u>22,021,865</u>	<u>21,070,196</u>	<u>20,143,639</u>	<u>19,965,587</u>
<b>Expenditures</b>				
Instruction	9,594,308	10,365,247	9,286,018	9,048,442
Support services	7,960,348	7,889,319	7,730,226	7,291,681
Noninstructional services	1,171,546	872,500	1,217,042	1,290,459
Sixteenth section	455,403	37,475	83,773	78,182
Facilities acquisition and construction	670,418	962,304	98,449	49,421
Debt service:				
Principal	310,000	325,000	320,000	315,000
Interest	130,350	212,407	142,663	152,777
Other	7,623	6,600	6,052	5,734
Total Expenditures	<u>20,299,996</u>	<u>20,670,852</u>	<u>18,884,223</u>	<u>18,231,696</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,721,869</u>	<u>399,344</u>	<u>1,259,416</u>	<u>1,733,891</u>
<b>Other Financing Sources (Uses)</b>				
Insurance recovery	391,934	4,943	-	-
Payments held by escrow agent	82,164	81,442	81,439	89,000
Operating transfers in	1,063,390	1,769,455	2,659,332	730,680
Payments to QSCB debt escrow agent	(82,164)	(81,442)	(81,439)	(89,000)
Operating transfers out	(1,063,390)	(1,769,455)	(2,659,332)	(730,680)
Total Other Financing Sources (Uses)	<u>391,934</u>	<u>4,943</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>2,113,803</u>	<u>404,287</u>	<u>1,259,416</u>	<u>1,733,891</u>
<b>Fund Balances</b>				
Beginning of period, as previously reported	18,778,587	18,406,526	17,057,912	15,412,316
Prior period adjustments	(26,767)	-	50,671	(88,819)
Beginning of period, as restated	<u>18,751,820</u>	<u>18,406,526</u>	<u>17,108,583</u>	<u>15,323,497</u>
Increase (Decrease) in reserve for inventory	<u>6,676</u>	<u>(32,226)</u>	<u>38,527</u>	<u>524</u>
End of Period	<u>\$ 20,872,299</u>	<u>18,778,587</u>	<u>18,406,526</u>	<u>17,057,912</u>

\*Source - Prior Year Audit Reports

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

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# ***Stephen D. Myrick C.P.A., L.L.C.***

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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 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 the Quitman 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 School District's basic financial statements, and have issued our report thereon dated November 10, 2022.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Quitman School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Quitman School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Quitman 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.  
Quitman, Mississippi  
November 10, 2022

# **Stephen D. Myrick C.P.A., L.L.C.**

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

Superintendent and School Board  
Quitman School District

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Quitman 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 the Quitman School District's major federal programs for the year ended June 30, 2022. The Quitman 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 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 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 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 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 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 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 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 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 School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is fluid and cursive, with the letters "S", "D", and "M" being particularly prominent.

Stephen D. Myrick, C.P.A., L.L.C.  
Quitman, Mississippi  
November 10, 2022

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



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

Superintendent and School Board  
Quitman School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2022, which collectively comprise Quitman School District's basic financial statements and have issued our report thereon dated November 10, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

**2022-001.      Deposits for athletic events were not always deposited timely.**

**Repeat Finding:**    No

**Criteria:**            The Mississippi Department of Education's Accounting Manual for School Districts requires that deposits for athletic events be deposited timely.

**Condition:**          As a result of our audit procedures, we observed two instances where funds received for an athletic event were not deposited into the bank timely, as much as 17 days after the event.

**Cause:** District personnel failed to deposit receipts timely.

**Effect:** Failure to timely deposit funds received from athletic events increases the risk that inaccurate information may be reported, and a loss or misappropriation of public assets could occur.

**Recommendation:** The District should implement internal controls over ticket reconciliations for athletic events to ensure that they are accurately prepared, and funds are deposited timely.

**Response:** Quitman School District finance department was aware of the two instances where athletic deposits were deposited untimely. The athletic bookkeeper requested proof of deposit from the athletic director numerous times for these instances. We feel this adequately reflects good faith effort to follow proper depositing procedures in the finance department. We are confident the issue has been resolved for the upcoming year.

**2022-002. High School principal was not properly bonded as required by Mississippi Statute.**

**Repeat Finding:** No

**Criteria:** Mississippi Statute 37-9-31 states that “all school principals... shall furnish good and sufficient surety bonds in like manner as required by superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000.00), with sufficient surety.”

**Condition:** As a result of our audit procedures, we observed one instance where the high school principal was not properly bonded for the first three months of the fiscal year.

**Cause:** The District did not have the necessary internal control system in place to ensure compliance with state laws.

**Effect:** Failure to comply with state law would limit the amount available for recovery if a loss occurred.

**Recommendation:** The District should strengthen its internal control system to ensure compliance with Mississippi Statute 37-9-31 which requires school principals be bonded.

**Response:** We acknowledge one principal was not bonded for three months of the current fiscal year and also the previous fiscal year. A bond was secured for this principal in September 2022. The district does retain bonds on all required staff and acknowledges the oversight for this employee. For the remainder of Fiscal Year 2022 all staff were bonded and currently all required staff are appropriately bonded.

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

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

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

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.  
Quitman, Mississippi  
November 10, 2022

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Quitman School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022**

**Section I: Summary of Auditor's Results**

Financial Statements:

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

Federal Awards:

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

<u>ALNs</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
84.425D	Elementary and Secondary School Emergency Relief Fund I and II
84.425U	Elementary and Secondary School Emergency Relief Fund ARP III

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



**Section II: Financial Statement Findings.**

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

**Section III: Federal Award Findings and Questioned Costs.**

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



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## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

### 2021-001 Finding

The District's monitoring activities element of its internal control system was inadequate to ensure compliance with requirements of the Mississippi Department of Education's Accounting Manual for School Districts requiring accurately reconciled bank statements. Specifically, we observed on the monthly bank reconciliations items reflected as reconciling items that represented accounting errors or misclassifications.

**Status:** Corrective Action Taken and Finding is Fully Corrected

### 2021-002 Finding

The District's monitoring activities element of its internal control system is inadequate to ensure compliance with requirements of the Mississippi Department of Education's Accounting Manual for School Districts. As a result of our audit procedures, we observed the following items that represent weaknesses in the internal control system over payroll and payroll benefits:

- One instance where a new hourly employee was paid for the entire pay period but only worked one week in that pay period.
- One instance where an employee began working prior to the approval of the contract by the superintendent.
- Two instances where there were no contracts at the District for employees.
- Nineteen instances where no withholding or other deduction authorizations were available at the District to document withholdings.

**Status:** Corrective Action Taken and Finding is Fully Corrected

### 2021-003 Finding

The District's monitoring activities element of its internal control policy was inadequate to ensure that the District complies with its internal control policy, "Fixed (Capital) Asset Accountability" which requires all assets above a certain threshold and others regardless of cost to be listed. As a result of our audit

procedures we observed one asset with a cost of \$35,983 that should have been capitalized and depreciated in accordance with District policy that was not. We also observed \$1,725,980 of assets that should have been listed regardless of cost according to District policy that were not.

**Status:** Corrective Action Taken and Finding is Fully Corrected

**2021-004 Finding**

The District's monitoring activities element of its internal control policy was inadequate to ensure that the District complied with its internal control policy, which requires all assets above a certain threshold and others regardless of cost to be listed in its fixed asset system. As a result, we observed \$1,494,446 in equipment purchased with federal grant funds that were not properly included in the District's fixed asset system.

**Status:** Corrective Action Taken and Finding is Fully Corrected

**2021-005 Finding**

The District's monitoring activities element of its internal control system was inadequate to ensure that the District fulfilled the Federal compliance requirements for "Reporting", which required the District to close out its grants upon completion of grant activities.

**Status:** Corrective Action Taken and Finding is Fully Corrected