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SCOTT COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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Superintendent and School Board
Scott County School District

Qualified and Unmodified Opinions

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – Child Nutrition Fund	Qualified
Aggregate Remaining Fund Balance	Unmodified

Qualified Opinion on the Major Fund – Child Nutrition Fund

In my opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Major Fund – Child Nutrition Fund of Scott County School District, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, General Fund, and Aggregate Remaining Fund Information.

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

Basis for Qualified and Unqualified Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Scott County School District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Matter Giving Rise to the Qualified Opinion on the Major Fund – Child Nutrition Fund

Due to the timing of the audit engagement, I was unable to observe the counting of the physical ending inventories included in the Major Fund – Child Nutrition Fund. Furthermore, I was unable to apply other appropriate procedures to establish

the existence of the inventories. The possible effects on the Major Fund – Child Nutrition Fund of undetected misstatements, if any, could be material but not pervasive.

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

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

I am 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 I 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 7, 2023, on my consideration of the Scott County School District's internal control over financial reporting and on my 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 my 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 Scott County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
April 7, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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SCOTT COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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

FINANCIAL HIGHLIGHTS

- Total net position for 2022 increased \$8,955,885, including a prior period adjustment of \$770,974, which represents a 25% increase from fiscal year 2021. Total net position for 2021 decreased \$1,191,424, including a prior period adjustment of \$198,434, which represents a 3% decrease from fiscal year 2020.
- General revenues amounted to \$29,770,013 and \$29,096,475, or 66% and 72% 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 \$15,006,824, or 34% of total revenues for 2022, and \$11,532,064, or 28% of total revenues for 2021.
- The District had \$36,591,926 and \$42,018,397 in expenses for fiscal years 2022 and 2021; only \$15,006,824 for 2022 and \$11,532,064 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$29,770,013 for 2022 were adequate to provide for these programs. General revenues of \$29,096,475 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$28,649,290 in revenues and \$28,034,344 in expenditures for 2022, and \$28,263,936 in revenues and \$27,740,981 in expenditures in 2021. The General Fund's fund balance increased by \$1,849,941 from 2021 to 2022, and increased by \$446,789, including a prior period adjustment of \$193,919, from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$2,105,471 for 2022 and increased by \$991,747 for 2021. The increase for 2022 was due primarily to the addition of construction in progress.
- Long-term debt decreased by \$672,937 for 2022 and decreased by \$602,887 for 2021. This decrease for 2022 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$43,937 for 2022 and increased by \$12,113 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 are in the governmental funds category.

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 statements but are not reported on governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial

statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$26,360,889 as of June 30, 2022.

The District's financial position is a product of several financial transactions including the net result of activities, the 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

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 8,632,121	\$ 5,156,018	67.42 %
Restricted assets	3,655,331	2,573,011	42.06 %
Capital assets, net	20,016,587	17,911,116	11.76 %
Total assets	32,304,039	25,640,145	25.99 %
Deferred outflows of resources	7,500,743	8,967,314	(16.35) %
Current liabilities	1,623,444	1,607,282	1.01 %
Long-term debt outstanding	4,204,123	4,877,060	(13.80) %
Net OPEB liability	2,801,250	3,454,734	(18.92) %
Net pension liability	44,277,903	59,215,201	(25.23) %
Total liabilities	52,906,720	69,154,277	(23.49) %
Deferred inflows of resources	13,258,951	769,956	1622.04 %
Net position:			
Net investment in capital assets	16,029,587	13,295,116	20.57 %
Restricted	6,924,564	2,631,442	163.15 %
Unrestricted	(49,315,040)	(51,243,332)	3.76 %
Total net position	\$ (26,360,889)	\$ (35,316,774)	25.36 %

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)	\$ (49,315,040)
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	51,294,216
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,979,176</u>

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

- Increase in net capital assets in the amount of \$2,105,471.
- The principal retirement of \$629,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$44,776,837 and \$40,628,539, respectively. The total cost of all programs and services was \$36,591,926 for 2022 and \$42,018,397 for 2021.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,291,793	\$ 1,228,683	5.14 %
Operating grants and contributions	13,715,031	10,303,381	33.11 %
General revenues:			
Property taxes	5,186,782	5,032,759	3.06 %
Grants and contributions not restricted	24,256,332	22,997,738	5.47 %
Investment earnings	11,769	240,791	(95.11) %
Sixteenth section sources	240,519	755,792	(68.18) %
Other	74,611	69,395	7.52 %
Total revenues	44,776,837	40,628,539	10.21 %
Expenses:			
Instruction	22,364,023	21,572,828	3.67 %
Support services	11,207,003	11,034,164	1.57 %
Non-instructional	2,361,095	2,015,995	17.12 %
Sixteenth section	95,767	44,000	117.65 %
Pension expense	674,002	7,209,209	(90.65) %
OPEB expense	(134,649)	108,085	(224.58) %
Interest on long-term liabilities	24,685	34,116	(27.64) %
Total expenses	36,591,926	42,018,397	(12.91) %
Increase (Decrease) in net position	8,184,911	(1,389,858)	688.90 %
Net Position, July 1, as previously reported	(35,316,774)	(34,125,350)	(3.49) %
Prior Period Adjustment	770,974	198,434	288.53 %
Net Position, July 1, as restated	(34,545,800)	(33,926,916)	(1.82) %
Net Position, June 30	\$ (26,360,889)	\$ (35,316,774)	25.36 %

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	\$ 22,364,023	\$ 21,572,828	3.67 %
Support services	11,207,003	11,034,164	1.57 %
Non-instructional	2,361,095	2,015,995	17.12 %
Sixteenth section	95,767	44,000	117.65 %
Pension Expense	674,002	7,209,209	(90.65) %
OPEB Expense	(134,649)	108,085	(224.58) %
Interest on long-term liabilities	24,685	34,116	(27.64) %
Total expenses	\$ 36,591,926	\$ 42,018,397	(12.91) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (16,218,732)	\$ (16,686,154)	2.80 %
Support services	(6,312,148)	(7,429,762)	15.04 %
Non-instructional	1,605,583	1,024,993	56.64 %
Sixteenth section	(95,767)	(44,000)	(117.65) %
Pension Expense	(674,002)	(7,209,209)	90.65 %
OPEB Expense	134,649	(108,085)	224.58 %
Interest on long-term liabilities	(24,685)	(34,116)	27.64 %
Total net (expense) revenue	\$ (21,585,102)	\$ (30,486,333)	29.20 %

- Net cost of governmental activities (\$21,585,102 for 2022 and \$30,486,333 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$5,186,782 for 2022 and \$5,032,759 for 2021) and state and federal revenues (\$24,256,332 for 2022 and \$22,997,738 for 2021). In addition, there was \$240,519 and \$755,792 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$11,769 for 2022 and \$240,791 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 \$9,129,529, an increase of \$2,997,212, which includes a decrease in inventory of \$11,263. \$1,793,681 or 20% 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 \$7,335,848 or 80% 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 \$1,849,941. The fund balance of Other Governmental Funds showed an increase in the amount of \$41,979. The increase in the fund balance for the other major fund, School Lunch Fund, was \$1,105,292, which

includes a decrease in inventory of \$11,263.

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(s) 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 \$37,605,574, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,324,761 from 2021. Total accumulated depreciation as of June 30, 2022, was \$17,588,987, and total depreciation expense for the year was \$948,945, resulting in total net capital assets of \$20,016,587.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 323,100	\$ 233,200	38.55 %
Construction in Progress	1,689,641	0	N/A
Buildings	10,513,760	10,817,700	(2.81) %
Building improvements	5,091,241	4,568,144	11.45 %
Improvements other than buildings	276,475	278,154	(0.60) %
Mobile equipment	1,286,695	1,040,164	23.70 %
Furniture and equipment	835,675	973,754	(14.18) %
Total	\$ 20,016,587	\$ 17,911,116	11.76 %

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

Debt Administration. At June 30, 2022, the District had \$4,204,123 in outstanding long-term debt, of which \$561,856 is due within one year. The liability for compensated absences decreased \$43,937 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2022	June 30, 2021	Percentage Change
Three mill notes payable	717,000	1,076,000	(33.36) %
Qualified zone academy bonds payable	3,270,000	3,540,000	(7.63) %
Compensated absences payable	217,123	261,060	(16.83) %
Total	\$ 4,204,123	\$ 4,877,060	(13.80) %

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

CURRENT ISSUES

The Scott County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

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

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 Scott County School District, 110 Commerce Loop, Forest, Mississippi 39074.

BASIC FINANCIAL STATEMENTS

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SCOTT COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,051,511
Due from other governments	1,984,705
Lease receivable	1,543,145
Other receivables, net	656
Inventories	52,104
Restricted assets	3,655,331
Non-depreciable capital assets	2,012,741
Depreciable capital assets, net	18,003,846
Total Assets	<u>32,304,039</u>
Deferred Outflows of Resources	
Deferred outflow - pensions	6,861,868
Deferred outflow - OPEB	638,875
Total Deferred Outflows of Resources	<u>7,500,743</u>
Liabilities	
Accounts payable and accrued liabilities	1,579,872
Interest payable on long-term liabilities	8,666
Other payables	34,906
Long-term liabilities (Due within one year)	
Capital related liabilities	551,000
Non-capital related liabilities	10,856
Net OPEB liability	90,259
Long-term liabilities (Due beyond one year)	
Capital related liabilities	3,436,000
Non-capital related liabilities	206,267
Net OPEB liability	2,710,991
Net pension liability	44,277,903
Total Liabilities	<u>52,906,720</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	10,667,692
Deferred inflows - OPEB	1,048,114
Deferred inflow - leases	1,543,145
Total Deferred Inflows of Resources	<u>13,258,951</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

Exhibit A

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	16,029,587
Restricted net position	
Expendable	
School-based activities	2,420,155
Debt service	306
Contractual commitments	3,143,948
Forestry improvements	196,319
Unemployment benefits	74,458
Non-expendable	
Sixteenth section	1,089,378
Unrestricted	<u>(49,315,040)</u>
Total Net Position	<u><u>\$ (26,360,889)</u></u>

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

SCOTT COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2022

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 22,364,023	1,156,661	4,988,630	(16,218,732)
Support services	11,207,003	250	4,894,605	(6,312,148)
Non-instructional	2,361,095	134,882	3,831,796	1,605,583
Sixteenth section	95,767			(95,767)
Pension expense	674,002			(674,002)
OPEB expense	(134,649)			134,649
Interest on long-term liabilities	24,685			(24,685)
Total Governmental Activities	<u>36,591,926</u>	<u>1,291,793</u>	<u>13,715,031</u>	<u>(21,585,102)</u>
General Revenues				
Taxes				
				4,921,114
				265,668
Unrestricted grants and contributions				
				22,749,560
				1,506,772
				11,769
				240,519
				74,611
				<u>29,770,013</u>
Changes in Net Position				
				<u>8,184,911</u>
Net Position - Beginning, as previously reported				
				(35,316,774)
Prior Period Adjustments				
				770,974
Net Position - Beginning - as restated				
				<u>(34,545,800)</u>
Net Position - Ending				
				<u>\$ (26,360,889)</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022

Exhibit C

	Major Funds			
	General Fund	School Lunch Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,051,509	1,775,119	1,880,214	8,706,842
Due from other governments	658,150	27,266	1,299,289	1,984,705
Other receivables, net	656			656
Lease receivable	1,543,145			1,543,145
Due from other funds	966,016			966,016
Inventories		52,104		52,104
Total Assets	8,219,476	1,854,489	3,179,503	13,253,468
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	1,304,805	1,325	273,742	1,579,872
Due to other funds			966,016	966,016
Other payables	31,279		3,627	34,906
Total Liabilities	1,336,084	1,325	1,243,385	2,580,794
Deferred Inflows of Resources				
Leases	1,543,145			1,543,145
Total Deferred Inflows of Resources	1,543,145	0	0	1,543,145
Total Liabilities and Deferred Inflows of Resources	2,879,229	1,325	1,243,385	4,123,939
Fund Balances				
Nonspendable				
Inventory		52,104		52,104
Permanent fund principal			1,089,378	1,089,378
Restricted				
Debt service			8,972	8,972
Forestry improvements			196,319	196,319
Unemployment benefits			74,458	74,458
Grant activities		1,801,060	566,991	2,368,051
Contractual commitments	3,143,948			3,143,948
Assigned				
School activities	402,618			402,618
Unassigned	1,793,681			1,793,681
Total Fund Balances	5,340,247	1,853,164	1,936,118	9,129,529
Total Liabilities and Deferred Inflows of Resources				
Resources and Fund Balances	\$ 8,219,476	1,854,489	3,179,503	13,253,468

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

SCOTT COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds	\$	9,129,529
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	323,100	
Construction in progress	1,689,641	
Buildings	21,758,019	
Building improvements	6,357,925	
Improvement other than buildings	921,420	
Mobile equipment	4,591,567	
Furniture and equipment	1,963,902	
Accumulated depreciation	<u>(17,588,987)</u>	20,016,587
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	(44,277,903)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	6,861,868	
Deferred inflows of resources related to pensions	<u>(10,667,692)</u>	(48,083,727)
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	(2,801,250)	
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	638,875	
Deferred inflows of resources related to OPEB	<u>(1,048,114)</u>	(3,210,489)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes and bonds payable	(3,987,000)	
Compensated absences	(217,123)	
Accrued interest payable	<u>(8,666)</u>	<u>(4,212,789)</u>
Total Net Position - Governmental Activities	\$	<u><u>(26,360,889)</u></u>

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2022

	Major Funds			
	General Fund	School Lunch Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 5,472,161	137,756	880,430	6,490,347
State sources	22,327,333	26,042	1,043,994	23,397,369
Federal sources	619,472	3,797,856	10,004,347	14,421,675
Sixteenth section sources	230,324		162,511	392,835
Total Revenues	28,649,290	3,961,654	12,091,282	44,702,226
Expenditures				
Instruction	18,404,924		5,796,365	24,201,289
Support services	9,033,440	141,829	3,234,200	12,409,469
Noninstructional services		2,591,458	35,249	2,626,707
Sixteenth section	14,213		81,554	95,767
Facilities acquisition and construction	311,767		1,467,774	1,779,541
Debt service				
Principal	270,000		359,000	629,000
Interest			26,589	26,589
Total Expenditures	28,034,344	2,733,287	11,000,731	41,768,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	614,946	1,228,367	1,090,551	2,933,864
Other Financing Sources (Uses)				
Insurance loss recoveries	74,611			74,611
Operating transfers in	1,306,762	20,971	172,949	1,500,682
Operating transfers out	(146,378)	(132,783)	(1,221,521)	(1,500,682)
Total Other Financing Sources (Uses)	1,234,995	(111,812)	(1,048,572)	74,611
Net Change in Fund Balances	1,849,941	1,116,555	41,979	3,008,475
Fund Balances				
July 1, 2021	3,490,306	747,872	1,894,139	6,132,317
Decrease in reserve for inventory		(11,263)		(11,263)
June 30, 2022	\$ 5,340,247	1,853,164	1,936,118	9,129,529

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ 3,008,475
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	2,416,444	
Depreciation expense	<u>(948,945)</u>	1,467,499
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 asset sold.		
		(133,002)
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	629,000	
Accrued interest payable	<u>1,904</u>	630,904
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	(674,002)	
Contributions made subsequent to the measurement date	<u>3,627,455</u>	2,953,453
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	134,649	
Contributions made subsequent to the measurement date	<u>90,259</u>	224,908
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 the governmental funds. These activities include:		
Change in compensated absences	43,937	
Change in inventory reserve	<u>(11,263)</u>	<u>32,674</u>
Changes in Net Position of Governmental Activities		<u>\$ 8,184,911</u>

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

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SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for the governmental funds. Major

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

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.

School Lunch Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with providing school breakfast and lunch meals to students.

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 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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the

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

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.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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.

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For 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:

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

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting, OPEB reporting and the deferred inflow related to 16th section future lease payments.

See Note 18 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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For 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 incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

10. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

11. Pensions

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

12. Postemployment Benefits Other than Pensions (OPEB)

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

13. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

authority. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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

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 10% of general fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

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

Note 2 – Cash and Cash Equivalents

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

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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$8,706,842.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 966,016

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 146,378
Major fund - School Lunch Fund	General Fund	132,783
Other governmental funds	General Fund	1,173,979
	Major fund - School Lunch Fund	20,971
	Other governmental funds	26,571
Total		\$ 1,500,682

The transfer out of the General Fund was for the purpose of funding the vocational program and school nurse program in the Other Governmental Funds. The transfers from the Major Fund - School Lunch Fund and Other Governmental funds to the General Fund were for indirect cost. The transfer from Other Governmental Funds to the Major Fund - School Lunch Fund was to transfer fund balance from summer feeding to the school lunch fund. The transfer within the Other Governmental Funds was to fund debt service with the EEF Building & Bus fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance of \$3,655,331 of various funds which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

SCOTT COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2022

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 233,200	\$ 89,900	\$	\$	\$ 323,100
Construction-in-progress	0	1,689,641			1,689,641
Total non-depreciable capital assets	233,200	1,779,541	0	0	2,012,741
Depreciable capital assets:					
Buildings	21,758,018			1	21,758,019
Building improvements	5,550,453			807,472	6,357,925
Improvements other than buildings	921,420				921,420
Mobile equipment	5,019,853	562,734	(991,020)		4,591,567
Furniture and equipment	1,797,869	74,169	(47,441)	139,305	1,963,902
Total depreciable capital assets	35,047,613	636,903	(1,038,461)	946,778	35,592,833
Less accumulated depreciation for:					
Buildings	10,940,318	327,927		(23,986)	11,244,259
Building improvements	982,309	252,779		31,596	1,266,684
Improvements other than buildings	643,266	7,187		(5,508)	644,945
Mobile equipment	3,979,689	167,178	(858,492)	16,497	3,304,872
Furniture and equipment	824,115	193,874	(46,967)	157,205	1,128,227
Total accumulated depreciation	17,369,697	948,945	(905,459)	175,804	17,588,987
Total depreciable capital assets, net	17,677,916	(312,042)	(133,002)	770,974	18,003,846
Governmental activities capital assets, net	\$ 17,911,116	\$ 1,467,499	\$ (133,002)	\$ 770,974	\$ 20,016,587

The adjustments to capital assets were the result of capturing certain capital assets that were misclassified in prior years and adjustments to accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 510,994
Support services	343,055
Non-instructional	94,896
Total depreciation expense - Governmental activities	\$ 948,945

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

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
ESSER II HVAC Project	\$ 1,689,641	\$ 3,143,959

Construction projects included in governmental activities will be funded with future COVID-19 - Education Stabilization Fund (ESSER) II Funds.

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

Note 6 – Leases

As Lessee:

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

Currently, the school district does not have any leases of equipment, buildings, etc. that have a lease term of more than 12 months.

As Lessor:

The school district is a lessor for multiple leases on sixteenth section lands for residential, hunting and fishing, commercial and other leases. The lease maturities range from 1 – 67 years. The net present value of future lease payments has been calculated using the 4% statutory minimum rate the district would pay on sixteenth section permanent fund loans. At lease inception, the district records a lease receivable and a deferred inflow of resources for future lease payments. The lease receivable is reduced by the principal portion of the payments received over the term of the lease. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation (by lease agreement) is received for all uses of the trust lands, except for uses by the public schools. These future rental payments are from existing leases and do not anticipate renewals or new leases.

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 \$1,543,145 for future lease payments as a lease receivable and as deferred inflows of resources.

The total amount of inflows of resources including lease revenue and interest revenue recognized during the current fiscal year is \$165,579.

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. Three mill notes payable	\$ 1,076,000	\$	\$ 359,000	\$ 717,000	\$ 276,000
B. Qualified zone academy bonds payable	3,540,000		270,000	3,270,000	275,000
C. Compensated absences payable	261,060		43,937	217,123	10,856
Total	\$ 4,877,060	\$ 0	\$ 672,937	\$ 4,204,123	\$ 561,856

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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A. Three mill notes payable

Three mill notes are direct obligations and pledge the full faith and credit of the school district. Three mill notes currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill notes, 2016	1.0-2.4	10/21/16	10/21/26	\$ 1,300,000	\$ 542,000
2. Three mill notes, 2018	2.93	06/01/18	06/01/23	1,200,000	175,000
Total				<u>\$ 2,500,000</u>	<u>\$ 717,000</u>

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

1. Three mill notes, 2016:

Year Ending June 30	Principal	Interest	Total
2023	\$ 101,000	\$ 13,843	\$ 114,843
2024	104,000	11,962	115,962
2025	109,000	9,942	118,942
2026	112,000	7,758	119,758
2027	116,000	5,360	121,360
Total	<u>\$ 542,000</u>	<u>\$ 48,865</u>	<u>\$ 590,865</u>

This debt will be retired from the 2016-2017 three mill note fund (Debt Service Fund).

2. Three mill notes, 2018:

Year Ending June 30	Principal	Interest	Total
2023	\$ 175,000	\$ 5,127	\$ 180,127

This debt will be retired from the 2016-2017 three mill note fund (Debt Service Fund).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2023	\$ 276,000	\$ 18,970	\$ 294,970
2024	104,000	11,962	115,962
2025	109,000	9,942	118,942
2026	112,000	7,758	119,758
2027	116,000	5,360	121,360
Total	<u>\$ 717,000</u>	<u>\$ 53,992</u>	<u>\$ 770,992</u>

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

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Both three mill debts are partially secured by an irrevocable pledge of building and bus fund revenues (\$23,248) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972).

B. Qualified zone academy bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone construction bonds, 2017	0	04/14/17	04/14/33	\$ 4,350,000	\$ 3,270,000

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 275,000	\$	275,000
2024	285,000		285,000
2025	295,000		295,000
2026	300,000		300,000
2027	302,000		302,000
2028 – 2032	1,510,000		1,510,000
2033	303,000		303,000
Total	\$ 3,270,000	\$ 0	\$ 3,270,000

This debt will be retired from the district maintenance fund (General Fund).

C. Compensated absences payable

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$3,627,455, \$3,465,806 and \$3,544,024, 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 \$44,277,903 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 0.299571 percent, which was based on a measurement date of June 30, 2021. This was a decrease of 0.006311 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 \$674,002. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 525,528	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	10,667,692
Changes of assumptions	2,529,027	0
Changes in proportion and differences between District contributions and proportionate share of contributions	179,858	0
District contributions subsequent to the measurement date	3,627,455	0
Total	\$ 6,861,868	\$ 10,667,692

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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\$3,627,455 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2023	\$ (1,543,863)
2024	(1,543,863)
2025	(1,678,631)
2026	(2,666,922)

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

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

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

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

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

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

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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	\$ 62,707,891	\$ 44,277,903	\$ 29,090,127

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

SCOTT COUNTY SCHOOL DISTRICT
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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 \$90,259 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 \$2,801,250 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 0.43519167 percent. This was a decrease of 0.00874284 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$134,649). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,046	\$ 875,915
Changes of assumptions	453,683	94,741
Net difference between projected and actual earnings on OPEB plan investments	131	0
Changes in proportion and differences between District contributions and proportionate share of contributions	91,756	77,458
District contributions subsequent to the measurement date	90,259	0
Total	\$ <u>638,875</u>	\$ <u>1,048,114</u>

\$90,259 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:

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Year Ending June 30:	
2023	\$ (102,949)
2024	(102,508)
2025	(98,164)
2026	(117,574)
2027	(78,303)

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

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

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

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2022

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	\$ 3,100,584	\$ 2,801,250	\$ 2,546,024

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	\$ 2,594,682	\$ 2,801,250	\$ 3,035,018

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

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Error corrections - adjustments to capital assets	\$ 770,974

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.

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

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.]

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

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

Note 13 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark Bank, has entered into such an arrangement dated April 14, 2017.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to make annual principal payments on or before March 15 of each year. See Note 7 for details of annual principal payments.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Note 14 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated April 12, 1994, creating the East Central Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Scott County School District, Enterprise School District, Forest Municipal School District, Kemper County School District, Newton Municipal School District, Philadelphia School District and Newton County School District.

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

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

Note 15 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 16, 1994, creating the Forest Scott County Career and Technology Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Scott County School District and the Forest Municipal School District.

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

The Scott County School district has been designated as the fiscal agent for the Forest Scott County Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the consortium.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2022

Revenues

Local sources:

Tuition from other LEA's within the state:

Forest Municipal School District

\$ 196,876

Total tuition from other LEA's within the state

196,876

Ad valorem

271,395

Total local sources

468,271

State sources

796,706

Federal sources

61,372

Total Revenues

1,326,349

Expenditures

Salaries

925,595

Employee benefits

325,329

Purchased professional and technical services

16,900

Purchased property services

40,671

Other purchased services

29,530

Supplies

47,899

Property

50,684

Other

814

Total Expenditures

1,437,422

Excess (Deficiency) of Revenues Over (Under) Expenditures

(111,073)

Other Financing Sources/Uses:

Transfers in

114,304

Total Other Financing Sources/Uses

114,304

Net Change in Fund Balance

3,231

Fund Balance:

July 1, 2021

11,231

June 30, 2022

\$ 14,462

Note 16 – Mississippi Public School Consortium for Educational Access

The school district entered into a cooperative agreement dated June 15, 2018, creating the Mississippi Public School Consortium for Educational Access. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Scott County School District, Aberdeen School District, Booneville School District, Coahoma Agriculture High School, Holmes County Consolidated School District, Pontotoc County School District, Quitman County School District and the South Panola

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

School District. The agreement was extended on May 1, 2021 until May 31, 2024.

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

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Mississippi Public School Consortium for Educational Access.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2022

Revenues

Local sources:

Contributions and donations \$ 144,550

Interest income 726

Total Revenues 145,276

Expenditures

Professional services 119,143

Total Expenditures 119,143

Excess (Deficiency) of Revenues Over (Under) Expenditures 26,133

Net Change in Fund Balance 26,133

Fund Balance:

July 1, 2021 211,433

June 30, 2022 \$ 237,566

Note 17 - Insurance Loss Recoveries

The School District received \$74,611 in insurance loss recoveries related to storm damage during the 2021-2022 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

Note 18 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$49,315,040) 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 \$3,627,455 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 \$3,234,413 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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

The unrestricted net position amount of (\$49,315,040) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$10,667,692 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$49,315,040) 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 \$90,259 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 \$548,616 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 (\$49,315,040) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,048,114 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 19 - 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 School District evaluated the activity of the district through April 7, 2023, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 5,426,828	5,472,161	5,472,161	45,333	0
State sources	22,375,294	22,327,333	22,327,333	(47,961)	0
Federal sources	154,100	619,472	619,472	465,372	0
Sixteenth section sources	360,000	230,324	230,324	(129,676)	0
Total Revenues	28,316,222	28,649,290	28,649,290	333,068	0
Expenditures					
Instruction	18,413,703	18,390,539	18,404,924	23,164	(14,385)
Support services	8,989,939	9,033,440	9,033,440	(43,501)	0
Sixteenth section	41,000	14,213	14,213	26,787	0
Facilities acquisition and construction	419,241	311,767	311,767	107,474	0
Debt service					
Principal	270,000	270,000	270,000	0	0
Total Expenditures	28,133,883	28,019,959	28,034,344	113,924	(14,385)
Excess (Deficiency) of Revenues Over (Under) Expenditures	182,339	629,331	614,946	446,992	(14,385)
Other Financing Sources (Uses)					
Insurance loss recoveries		74,611	74,611	74,611	0
Operating transfers in	4,048,929	4,110,551	1,306,762	61,622	(2,803,789)
Operating transfers out	(3,973,738)	(3,837,469)	(146,378)	136,269	3,691,091
Total Other Financing Sources (Uses)	75,191	347,693	1,234,995	272,502	887,302
Net Change in Fund Balances			1,849,941		
Fund Balances					
July 1, 2021			3,490,306		
June 30, 2022			\$ 5,340,247		

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

SCOTT COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - School Lunch Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 168,500	137,756	137,756	(30,744)	0
State sources	27,000	26,042	26,042	(958)	0
Federal sources	2,678,000	3,797,856	3,797,856	1,119,856	0
Total Revenues	<u>2,873,500</u>	<u>3,961,654</u>	<u>3,961,654</u>	<u>1,088,154</u>	<u>0</u>
Expenditures					
Support services	143,563	141,829	141,829	1,734	0
Noninstructional services	2,668,456	2,591,458	2,591,458	76,998	0
Total Expenditures	<u>2,812,019</u>	<u>2,733,287</u>	<u>2,733,287</u>	<u>78,732</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,481</u>	<u>1,228,367</u>	<u>1,228,367</u>	<u>1,166,886</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	0	20,971	20,971	20,971	0
Operating transfers out	(61,481)	(132,783)	(132,783)	(71,302)	0
Total Other Financing Sources (Uses)	<u>(61,481)</u>	<u>(111,812)</u>	<u>(111,812)</u>	<u>(50,331)</u>	<u>0</u>
Net Change in Fund Balances			<u>1,116,555</u>		
Fund Balances					
July 1, 2021			747,872		
Decrease in reserve for inventory			<u>(11,263)</u>		
June 30, 2022			<u>\$ 1,853,164</u>		

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

SCOTT COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	2022	2021	2020
District's proportion of the net pension liability	0.299571%	0.305882%	0.293408%
District's proportionate share of the net pension liability	\$ 44,277,903	59,215,201	51,616,256
District's covered payroll	\$ 19,918,425	20,367,954	19,108,895
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	270.12%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.292432%	0.292806%	0.278867%	0.267573%	0.260010%
District's proportionate share of the net pension liability	48,640,130	48,674,295	49,812,610	41,736,676	31,559,239
District's covered payroll	18,674,590	18,783,702	17,839,810	16,716,438	15,887,962
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	249.67%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the 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.

SCOTT COUNTY SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2022	2021	2020
Contractually required contribution	\$ 3,627,455	\$ 3,465,806	3,544,024
Contributions in relation to the contractually required contribution	\$ 3,627,455	3,465,806	3,544,024
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	20,847,443	19,918,425	20,367,954
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%

	2019	2018	2017	2016	2015
Contractually required contribution	3,009,651	2,941,248	2,958,433	2,809,770	2,632,839
Contributions in relation to the contractually required contribution	3,009,651	2,941,248	2,958,433	2,809,770	2,632,839
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	19,108,895	18,674,590	18,783,702	17,839,810	16,716,438
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 68 was implemented in the 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.

SCOTT COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years *

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.43519167%	0.44393451%	0.44110185%	0.44510230%	0.43651597%
District's proportionate share of the net OPEB liability	2,801,250	3,454,734	3,742,930	3,443,089	3,424,944
Covered employee payroll	19,918,425	20,367,954	19,108,895	18,674,590	18,783,695
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	14.06%	16.96%	19.59%	18.44%	18.23%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

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

SCOTT COUNTY SCHOOL DISTRICT
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 90,259	112,592	137,774	150,028	146,010
Contributions in relation to the actuarially determined contribution	90,259	112,592	137,774	150,028	146,010
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 20,847,443	\$ 19,918,425	20,367,954	19,108,895	18,674,590
Contributions as a percentage of covered employee payroll	0.43%	0.57%	0.68%	0.79%	0.78%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 75 was implemented in the FYE 6-30-18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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

2019:

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

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

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

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

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

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

2021:

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

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

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

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

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

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

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

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

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

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

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

SUPPLEMENTARY INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
COVID 19 - National school lunch program - seamless summer option	10.555	225MS326N1099	\$ 2,874,042
Total child nutrition cluster			2,874,042
Total passed-through Mississippi Department of Education			2,874,042
Total U.S. Department of Agriculture			2,874,042
<u>U.S. Department of Education</u>			
Direct programs:			
Education innovation and research	84.411	N/A	681,821
Total			681,821
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A210024	2,275,065
Career and technical education - basic grants to states	84.048	V048A210024	61,372
Rural education	84.358	S358B210024	72,875
English language acquisition grants	84.365	S365A210024	62,363
Supporting effective instruction - state grants	84.367	S367A210023	55,730
Student support and academic enrichment program	84.424	S424A210025	97,502
Total			2,624,907
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	245,149
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	2,895,841
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	2,303,462
COVID-19 - CTE ESSER Grant	84.425D	S425D200031	13,799
Total education stabilization funds			5,458,251
Special education cluster:			
Special education - grants to states	84.027	H027A210108	1,096,169
IDEA, Part B ARP Grant	84.027x	S425D200031	106,457
Special education - preschool grants	84.173	H173A210113	29,261
Total special education cluster			1,231,887
Total passed-through Mississippi Department of Education			9,315,045
Total U.S. Department of Education			9,996,866
<u>U.S. Department of Health and Human Services</u>			
Medical assistance program	93.778	2205MS5ADM	41,853
Total passed-through Mississippi Department of Education			41,853
Total U.S. Department of Health and Human Services			41,853
Total for All Federal Awards			\$ 12,912,761

The notes to the Supplementary Information are an integral part of this schedule.

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

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$227,622 are included in the national school lunch program - seamless summer option.

(5) Other Items

As allowed by federal regulations, the school district elected to transfer program funds. The district expended \$133,370 from its Supporting Effective Instruction - State Grants ALN# 84.367 and \$63,568 from Student Support and Academic Enrichment Program ALN# 84.424 on allowable activities of the Title I - Grants to Local Educational Agencies ALN# 84.010. These amounts are reflected in the expenditures of Title I - Grants to Local Educational Agencies.

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

SCOTT COUNTY SCHOOL DISTRICT

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	\$28,953,498	22,949,856	1,270,022	1,933,692	2,799,928
Other	12,814,864	4,567,538	299,108	12,752	7,935,466
Total	<u>41,768,362</u>	<u>27,517,394</u>	<u>1,569,130</u>	<u>1,946,444</u>	<u>10,735,394</u>
Total number of students	<u>3,502</u>				
Cost per student	<u>\$ 11,928</u>	<u>7,858</u>	<u>448</u>	<u>556</u>	<u>3,066</u>

Notes to the schedule.

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.

Total number of students - 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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SCOTT COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	UNAUDITED			
	2022	2021*	2020*	2019*
Revenues				
Local sources	\$ 5,472,161	5,072,952	4,716,315	4,362,230
State sources	22,327,333	22,315,581	22,846,216	21,523,281
Federal sources	619,472	287,357	331,471	380,645
Sixteenth section sources	230,324	588,046	311,987	480,652
Total Revenues	<u>28,649,290</u>	<u>28,263,936</u>	<u>28,205,989</u>	<u>26,746,808</u>
Expenditures				
Instruction	18,404,924	18,522,414	18,903,208	17,394,886
Support services	9,033,440	8,832,876	9,154,443	9,104,939
Noninstructional services	0	0	46,132	27,584
Sixteenth section	14,213	35,579	0	0
Facilities acquisition and construction	311,767	105,950	0	0
Debt service				
Principal	270,000	244,162	254,647	366,710
Interest	0	0	0	3,858
Total Expenditures	<u>28,034,344</u>	<u>27,740,981</u>	<u>28,358,430</u>	<u>26,897,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>614,946</u>	<u>522,955</u>	<u>(152,441)</u>	<u>(151,169)</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	74,611	69,395	0	0
Operating transfers in	1,306,762	219,098	11,763	259,069
Operating transfers out	(146,378)	(558,578)	(47,034)	(43,278)
Total Other Financing Sources (Uses)	<u>1,234,995</u>	<u>(270,085)</u>	<u>(35,271)</u>	<u>215,791</u>
Net Change in Fund Balances	<u>1,849,941</u>	<u>252,870</u>	<u>(187,712)</u>	<u>64,622</u>
Fund Balances:				
Beginning of period, as previously reported	3,490,306	3,043,517	3,235,175	3,029,831
Prior period adjustments	<u>0</u>	<u>193,919</u>	<u>(3,946)</u>	<u>140,722</u>
Beginning of period, as restated	3,490,306	3,237,436	3,231,229	3,170,553
End of period	<u>\$ 5,340,247</u>	<u>3,490,306</u>	<u>3,043,517</u>	<u>3,235,175</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2022	2021*	2020*	2019*
Revenues				
Local sources	\$ 6,490,347	6,273,997	5,931,075	5,560,327
State sources	23,397,369	23,576,361	23,970,026	22,505,592
Federal sources	14,421,675	9,952,994	5,939,238	5,578,723
Sixteenth section sources	392,835	755,792	524,056	963,211
Total Revenues	44,702,226	40,559,144	36,364,395	34,607,853
Expenditures				
Instruction	24,201,289	23,418,570	22,219,887	20,281,357
Support services	12,409,469	11,735,096	11,273,409	10,849,272
Noninstructional services	2,626,707	2,254,136	2,311,505	2,565,341
Sixteenth section	95,767	44,000	63,348	75,808
Facilities acquisition and construction	1,779,541	1,739,890	52,170	1,112,428
Debt service				
Principal	629,000	615,000	603,000	854,710
Interest	26,589	35,869	44,735	58,894
Other	0	0	0	14,718
Total Expenditures	41,768,362	39,842,561	36,568,054	35,812,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,933,864	716,583	(203,659)	(1,204,675)
Other Financing Sources (Uses)				
Insurance loss recoveries	74,611	69,395	0	0
Operating transfers in	1,500,682	1,586,470	694,586	610,680
Operating transfers out	(1,500,682)	(1,586,470)	(694,586)	(610,680)
Total Other Financing Sources (Uses)	74,611	69,395	0	0
Net Change in Fund Balances	3,008,475	785,978	(203,659)	(1,204,675)
Fund Balances:				
Beginning of period, as previously reported	6,132,317	5,181,232	5,337,825	6,388,334
Prior period adjustments	0	198,434	(3,946)	142,032
Beginning of period, as restated	6,132,317	5,379,666	5,333,879	6,530,366
Increase (Decrease) in reserve for inventory	(11,263)	(33,327)	51,012	12,134
End of period	\$ 9,129,529	6,132,317	5,181,232	5,337,825

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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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*

Independent Auditor's Report

Superintendent and School Board
Scott County School District

I 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 Scott County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Scott County School District's basic financial statements, and have issued my report thereon dated April 7, 2023.

Report on Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness [2022-001].

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. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency [2022-002].

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Scott County School District's Response to Findings

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

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
April 7, 2023

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Scott County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My 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.

I am required to be independent of Scott County School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Scott County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I did

- 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 Scott County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Scott County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Scott County School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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.

My 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 my audit I did not identify any deficiencies in internal control over compliance that I 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.

My 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 my 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

April 7, 2023

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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
Scott County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2022, which collectively comprise Scott County School District's basic financial statements and have issued my report thereon dated April 7, 2023. I conducted my 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. My report differed from the standard report because of a scope limitation due to the timing of the audit engagement. I was unable to observe the counting of physical material food service inventories included in Major Fund – School Lunch Fund.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and Scott County School District's response are as follows:

CONDITION: The school district owns twelve houses and/or house trailers. Eight of those properties are occupied by district employees rent-free. The fair rental value of those properties is not being reported to the IRS on the employees Federal Form W-2 as required by federal law.

CRITERIA: The fair rental value of rent-free housing must be reported to the IRS on the employees Federal Form W-2 as required by federal law.

CAUSE OF CONDITION: The cause of the condition is an oversight by school district management.

POTENTIAL EFFECT OF CONDITION: The effect of the condition could result in IRS assessments and /or penalties against the school district and/or school district employees.

RECOMMENDATION: It is recommended that the fair rental value of the rent-free properties be reported to the IRS for each employee occupying district owned houses.

SCHOOL DISTRICT RESPONSE: Scott County School District will add fair rental value to the 2023 Federal Form W-2 for employees who live in district owned housing rent-free.

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

The Scott County School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

April 7, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--------------------------------------------------------|------------------------|
| 1. Type of auditor's report issued: | |
| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
| Governmental Activities | Unmodified |
| General Fund | Unmodified |
| Major Fund – Child Nutrition Fund | Qualified |
| Aggregate Remaining Fund Balance | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | Yes |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards:

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

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
84.425D	COVID-19 – Education Stabilization Fund (ESSER) I
84.425D	COVID-19 – Education Stabilization Fund (ESSER) II
84.425U	COVID-19 – Education Stabilization Fund (ESSER) ARP III
84.425D	COVID-19 – CTE ESSER Grant

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

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

Section II: Financial Statement Findings

Deficiency identified that is a material weakness.

Finding 2022-001

CONDITION: There was no independent observation of the year-end Child Nutrition Program inventory account balance. This account balance was material to the financial statements.

CRITERIA: Auditing standards require that an independent observation and testing of a material inventory account balance be performed.

CAUSE OF CONDITION: The cause of this condition was an oversight by management regarding independent observation and testing of the inventory account balance when that account is material to financial statements.

EFFECT OF CONDITION: The effect of this condition results in a modified opinion on the financial statements.

RECOMMENDATION: It is recommended that the Child Nutrition Program inventory account balance be closely monitored at or near year-end to determine whether the account balance appears to be material to the financial statements. When the account balance appears to be material, then management should employ the services of an independent auditor to observe and test the year-end procedures performed by the district's staff.

VIEWS OF RESPONSIBLE OFFICIAL: See management's response at the Corrective Action Plan.

Deficiency identified that is a significant deficiency.

Finding 2022-002

CRITERIA: Expenditure transactions must be adequately documented. Uniform Guidance provides the following:

200.400(d) – "the accounting practices of the non-Federal entity...must provide for adequate documentation to support costs charged to the Federal award".

200.400(g) – "costs must meet the following general criteria in order to be allowable under Federal awards...be adequately documented"

CONDITION: Five program expenditure transactions were tested. Three of those transactions contained several line items that were not adequately documented.

CAUSE FOR THE CONDITION: The cause of this condition is an oversight by management when reviewing the details of expenditure transactions.

POSSIBLE EFFECT OF THE CONDITION: The effect of this condition could result in improper payments and/or unallowable cost to the program.

QUESTIONED COSTS: None

PERSPECTIVE FOR JUDGING THE PREVALENCE AND CONSEQUENCE: This matter appears limited to the three transactions tested. Subsequent expenditure transactions were adequately documented.

REPEAT OF A FINDING: Not a repeat finding.

RECOMMENDATION: It is recommended that management continue to enhance accounting controls to prevent and/or detect insufficient support detail for expenditure transactions.

VIEWS OF RESPONSIBLE OFFICIAL: See management's response at the Corrective Action Plan.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS

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Alan Lumpkin, Superintendent
Chad Harrison, Assistant Superintendent

110 Commerce Loop
Forest, MS 39074
Office: 601-469-3861
Fax: 601-469-3874
www.scott.k12.ms.us

Corrective Action Plan

April 7, 2023

As required by 2 CFR 200.516(a), the Scott County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2022.

Finding 2022-001

Corrective Action Plan

- a. Contact person responsible for corrective action:
 - Name: Veronica Martin
 - Title: Business Manager
- b. Description of correction action to be taken:
 - Business Manager will review account balance by May of each year to determine if it is material. When material, district will notify contracted independent auditor.
- c. Anticipated completion date of corrective action:
 - May 1, 2023

Finding 2022-002

Corrective Action Plan

- a. Contact person responsible for corrective action:
 - Name: Veronica Martin
 - Title: Business Manager
- b. Description of correction action to be taken:
 - Management has enhanced the accounting controls to prevent insufficient support for expenditures.
- c. Anticipated completion date of corrective action:
 - Immediately

Sincerely,

A handwritten signature in dark ink, appearing to read "Alan Lumpkin", is written over a horizontal line.

Superintendent of Education



Alan Lumpkin, Superintendent
Chad Harrison, Assistant Superintendent

110 Commerce Loop
Forest, MS 39074
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Summary Schedule of Prior Audit Findings

April 7, 2023

As required by 2 CFR 200.51 l(b), the Scott County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2022.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Lumpkin", written over a horizontal line.

Superintendent of Education