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KEMPER COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2023**

KEMPER COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Kemper County School District

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kemper County School District as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise Kemper County School District's basic financial statements as listed in the contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kemper County School District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis-of-Matter

As discussed in Note 1 to financial statements, the school district implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), during the fiscal year ended June 30, 2023.

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 Kemper 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kemper County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kemper County School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-14, 52-54, 55, 56, 57 and 58, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2024, on our consideration of Kemper County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kemper 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 Kemper County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
July 26, 2024

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

The following discussion and analysis of Kemper County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2023. 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 2023 increased \$1,332,372, including a prior period adjustment of (\$54,410), which represents a 31% increase from fiscal year 2022. Total net position for 2022 increased \$735,447, including a prior period adjustment of (\$54,680) which represents a 15% increase from fiscal year 2021.
- General revenues amounted to \$14,653,432 and \$13,186,217, or 66% and 73% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,657,711, or 34% of total revenues for 2023, and \$4,817,413, or 27 % of total revenues for 2022.
- The District had \$20,924,361 and \$17,213,503 in expenses for fiscal years 2023 and 2022; only \$7,657,711 for 2023 and \$4,817,413 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,653,432 for 2023 and \$13,186,217 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,181,857 in revenues and \$13,529,325 in expenditures for 2023, and \$12,770,754 in revenues and \$12,949,753 in expenditures in 2022. The General Fund's fund balance decreased by \$242,395, which includes a prior period adjustment of \$4,962, from 2022 to 2023, and decreased by \$630,248, which includes a prior period adjustment of \$16,680, from 2021 to 2022.
- Capital assets, net of accumulated depreciation, increased by \$9,760,357, including a prior period adjustment of (\$50,909) for 2023 and increased by \$1,928,969, including a prior period adjustment of \$39,206, for 2022. The increase for 2023 was primarily due to the increase in construction in progress.
- Long-term debt increased by \$25,659,676 for 2023 and increased by \$2,655,653 for 2022. This increase for 2023 was due primarily to the issuance of new debt. The liability for compensated absences increased by \$1,985 for 2023 and decreased by \$8,542 for 2022.

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.

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 governmental funds.

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

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

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

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 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.

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 \$2,951,667 as of June 30, 2023.

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

Table 1 presents a summary of the District's net position at June 30, 2023 and June 30, 2022.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Current assets	\$ 30,942,154	\$ 12,339,351	150.76%
Restricted assets	1,712,702	1,711,846	0.05%
Lease receivable	675,123	686,037	-1.59%
Capital assets, net	16,889,040	7,128,683	136.92%
Total assets	<u>50,219,019</u>	<u>21,865,917</u>	129.67%
Deferred outflows of resources	<u>6,131,516</u>	<u>5,190,454</u>	18.13%
Current liabilities	1,917,744	1,227,317	56.25%
Long-term debt outstanding	29,657,795	4,016,013	638.49%
SBITA liability	17,894	-	N/A
Net OPEB liability	889,896	1,108,133	-19.69%
Net pension liability	25,575,171	17,168,808	48.96%
Total liabilities	<u>58,058,500</u>	<u>23,520,271</u>	146.84%
Deferred inflows of resources	<u>1,243,702</u>	<u>7,820,139</u>	-84.10%
Net position:			
Net investment in capital assets	4,510,410	5,301,203	-14.92%
Restricted	5,479,043	2,769,245	97.85%
Unrestricted	(12,941,120)	(12,354,487)	-4.75%
Total net position	<u>\$ (2,951,667)</u>	<u>\$ (4,284,039)</u>	31.10%

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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)	\$(12,941,120)
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	<u>20,908,226</u>
Unrestructured net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 7,967,106</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 \$9,760,357.
- The issuance of \$26,433,587 of long-term debt.

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$22,311,143 and \$18,003,630, respectively. The total cost of all programs and services was \$20,924,361 for 2023 and \$17,213,503 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 758,555	\$ 324,458	133.79%
Operating grants and contributions	5,056,969	4,492,955	12.55%
Capital Grants and Contributions	1,842,187	-	N/A
General revenues:			
Property taxes	7,865,750	7,709,356	2.03%
Grants and contributions not restricted	5,341,988	4,971,496	7.45%
Investment earnings	90,380	7,903	1043.62%
Sixteenth section sources	222,493	449,247	-50.47%
Other	1,132,821	48,215	2249.52%
Total revenues	<u>22,311,143</u>	<u>18,003,630</u>	23.93%
Expenses:			
Instruction	8,114,890	7,411,664	9.49%
Support services	7,847,060	7,757,205	1.16%
Non-instructional	869,462	682,341	27.42%
Sixteenth section	63,557	123,782	-48.65%
Pension expense	2,539,902	1,271,862	99.70%
OPEB expense	(108,072)	(60,600)	-78.34%
Interest on long-term liabilities	1,597,562	27,249	5762.83%
Total expenses	<u>20,924,361</u>	<u>17,213,503</u>	21.56%
Increase (Decrease) in net position	<u>1,386,782</u>	<u>790,127</u>	75.51%
Net Position, July 1, as previously reported	<u>(4,284,039)</u>	<u>(5,019,486)</u>	14.65%
Prior Period Adjustment	<u>(54,410)</u>	<u>(54,680)</u>	0.49%
Net Position, July 1, as restated	<u>(4,338,449)</u>	<u>(5,074,166)</u>	14.50%
Net Position, June 30	<u>\$ (2,951,667)</u>	<u>\$ (4,284,039)</u>	31.10%

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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
	2023	2022	
Instruction	\$ 8,114,890	\$ 7,411,664	9.49%
Support services	7,847,060	7,757,205	1.16%
Non-instructional	869,462	682,341	27.42%
Sixteenth section	63,557	123,782	-48.65%
Pension Expense	2,539,902	1,271,862	99.70%
OPEB Expense	(108,072)	(60,600)	-78.34%
Interest on long-term liabilities	1,597,562	27,249	5762.83%
Total expenses	\$ 20,924,361	\$ 17,213,503	21.56%

	Net (Expense) Revenue		Percentage Change
	2023	2022	
Instruction	\$ (4,361,998)	\$ (5,625,753)	22.46%
Support services	(5,705,932)	(5,706,073)	0.00%
Non-instructional	396,382	243,036	63.10%
Sixteenth section	434,290	(68,789)	731.34%
Pension Expense	(2,539,902)	(1,271,862)	-99.70%
OPEB Expense	108,072	60,600	78.34%
Interest on long-term liabilities	(1,597,562)	(27,249)	-5762.83%
Total net (expense) revenue	\$ (13,266,650)	\$ (12,396,090)	-7.02%

- Net cost of governmental activities (\$13,266,650 for 2023 and \$12,396,090 for 2022) was financed by general revenue, which is primarily made up of property taxes (\$7,865,750 for 2023 and \$7,709,356 for 2022) and state and federal revenues (\$5,341,988 for 2023 and \$4,971,496 for 2022). In addition, there was \$222,493 and \$449,247 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$90,380 for 2023 and \$7,903 for 2022.

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 \$30,855,576, an increase of \$18,013,264, which includes a prior period adjustment of (\$3,501) and a decrease in inventory of \$8,301. \$7,923,495 or 26% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$22,932,081 or 74% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$242,395, including a prior period adjustment of \$4,962. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,004,852, including a prior period adjustment of (\$8,463) and a decrease in reserve for inventory of \$8,301. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ARP ESSER Relief Fund	no increase or decrease
KCPSD Lease Fund	\$ 10,335,502
KCES Public Benefit Corporation	\$ 6,915,305

BUDGETARY HIGHLIGHTS

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

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

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the District's total capital assets were \$23,219,055, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$10,351,839 from 2022. Total accumulated depreciation and amortization as of June 30, 2023, was \$6,330,015, and total depreciation and amortization expense for the year was \$449,622, resulting in total net capital assets of \$16,889,040.

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

	June 30, 2023	June 30, 2022	Percentage Change
Land	\$ 171,010	\$ 171,010	0.00%
Construction in Progress	11,561,212	2,012,377	474.51%
Buildings	2,984,179	3,072,880	-2.89%
Building Improvements	1,051,348	461,177	127.97%
Improvements other than buildings	132,068	146,701	-9.97%
Mobile equipment	822,538	1,096,012	-24.95%
Furniture and equipment	148,089	168,526	-12.13%
Subscription IT assets	18,596	-	N/A
Total	\$ 16,889,040	\$ 7,128,683	136.92%

Additional information on the District's capital assets can be found in Notes 6 & 7 included in this report.

Debt Administration. At June 30, 2023, the District had \$29,675,689 in outstanding long-term debt, of which \$446,130 is due within one year. The liability for compensated absences increased \$1,985 from the prior year

**Table 5
Outstanding Long-Term Debt**

	June 30, 2023	June 30, 2022	Percentage Change
General obligation bonds payable	\$ 12,000,000	\$ -	N/A
Discount	(45,811)	-	N/A
Shortfall mill notes payable	-	661,746	-100.00%
Obligations under energy efficiency loans	3,193,926	3,300,000	-3.21%
Other loans payable	14,453,428	-	N/A
Subscription liability payable	17,894	-	N/A
Compensated absences payable	56,252	54,267	3.66%
Total	\$ 29,675,689	\$ 4,016,013	638.93%

Additional information on the District's long-term debt can be found in Notes 7 & 8 included in this report.

**KEMPER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

CURRENT ISSUES

The Kemper 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 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 Kemper County School District, P.O. Drawer 219, DeKalb, MS 39328.

BASIC FINANCIAL STATEMENTS

KEMPER COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

Exhibit A

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 19,352,192
Due from other governments	1,283,467
Leases receivable	675,123
Loans receivable	10,286,955
Inventories	9,540
Prepaid items	10,000
Restricted assets	1,712,702
Capital assets, non-depreciable:	
Land	171,010
Construction in progress	11,561,212
Capital assets, net of accumulated depreciation and amortization:	
Buildings	2,984,179
Building improvements	1,051,348
Improvements other than buildings	132,068
Mobile equipment	822,538
Furniture and equipment	148,089
Subscription IT assets	18,596
Total Assets	<u>50,219,019</u>
Deferred Outflows of Resources:	
Deferred outflows - pensions	5,822,748
Deferred outflows - OPEB	308,768
Total Deferred Outflows of Resources	<u>6,131,516</u>
Liabilities:	
Accounts payable and accrued liabilities	1,780,736
Unearned revenue	24,640
Interest payable on long-term liabilities	112,368
Long-term liabilities, due within one year:	
Capital related liabilities	437,517
SBITA liabilities	8,613
Net OPEB liability	44,043
Long-term liabilities, due beyond one year:	
Capital related liabilities	29,164,026
Non-capital related liabilities	56,252
SBITA liabilities	9,281
Net pension liability	25,575,171
Net OPEB liability	845,853
Total Liabilities	<u>58,058,500</u>
Deferred Inflows of Resources:	
Deferred inflows - pensions	42,255
Deferred inflows - OPEB	532,420
Deferred inflows - leases	669,027
Total Deferred Inflows of Resources	<u>1,243,702</u>
Net Position:	
Net investment in capital assets	4,510,410
Restricted for:	
Expendable:	
School-based activities	521,752
Debt service	265,690
Capital improvements	2,765,618
Forestry improvements	178,128
Unemployment benefits	35,153
Non-expendable:	
Sixteenth section	1,712,702
Unrestricted (deficit)	(12,941,120)
Total Net Position	<u>\$ (2,951,667)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

KEMPER COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2023

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 8,114,890	\$ 178,939	\$ 1,731,766	\$ 1,842,187	\$ (4,361,998)
Support services	7,847,060	66,429	2,074,699	-	(5,705,932)
Non-instructional	869,462	15,340	1,250,504	-	396,382
Sixteenth section	63,557	497,847	-	-	434,290
Pension expense	2,539,902	-	-	-	(2,539,902)
OPEB expense	(108,072)	-	-	-	108,072
Interest on long-term liabilities	1,597,562	-	-	-	(1,597,562)
Total Governmental Activities	<u>\$ 20,924,361</u>	<u>\$ 758,555</u>	<u>\$ 5,056,969</u>	<u>\$ 1,842,187</u>	<u>\$ (13,266,650)</u>
General Revenues:					
Taxes:					
General purpose levies					7,030,616
Debt purpose levies					835,134
Unrestricted grants and contributions:					
State					5,234,861
Federal					107,127
Unrestricted investment earnings					90,380
Sixteenth section sources					222,493
Other					1,132,821
Total General Revenues					<u>14,653,432</u>
Change in Net Position					<u>1,386,782</u>
Net Position - Beginning, as previously reported					(4,284,039)
Prior Period Adjustment					<u>(54,410)</u>
Net Position - Beginning, as restated					<u>(4,338,449)</u>
Net Position - Ending					<u>\$ (2,951,667)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

KEMPER COUNTY SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2023

Exhibit C

	Major Funds					
	General Fund	ARP ESSER Relief Fund	KCPSD Lease Fund	KCES Public Benefit Corporation	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 8,283,505	\$ -	\$ 48,547	\$ 7,655,447	\$ 5,077,395	\$ 21,064,894
Due from other governments	120,102	687,139	-	-	476,227	1,283,468
Loans receivable	-	-	10,286,955	-	-	10,286,955
Leases receivable	675,123	-	-	-	-	675,123
Due from other funds	590,186	-	-	-	-	590,186
Inventories	-	-	-	-	9,540	9,540
Prepaid items	-	-	-	10,000	-	10,000
Total Assets	<u>\$ 9,668,916</u>	<u>\$ 687,139</u>	<u>\$ 10,335,502</u>	<u>\$ 7,665,447</u>	<u>\$ 5,563,162</u>	<u>\$ 33,920,166</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 549,603	\$ 367,961	\$ -	\$ 750,142	\$ 113,031	\$ 1,780,737
Due to other funds	-	319,178	-	-	271,008	590,186
Unearned revenue	-	-	-	-	24,640	24,640
Total Liabilities	<u>549,603</u>	<u>687,139</u>	<u>-</u>	<u>750,142</u>	<u>408,679</u>	<u>2,395,563</u>
Deferred Inflows of Resources:						
Deferred Inflows - Leases	669,027	-	-	-	-	669,027
Total Deferred Inflows of Resources	<u>669,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>669,027</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	9,540	9,540
Permanent fund principal	-	-	-	-	1,712,702	1,712,702
Leverage loan receivable	-	-	10,335,502	-	-	10,335,502
Prepaid items	-	-	-	10,000	-	10,000
Restricted:						
Debt service	-	-	-	-	378,058	378,058
Capital projects	436,928	-	-	6,905,305	2,328,690	9,670,923
Forestry improvement purposes	-	-	-	-	178,128	178,128
Grant activities	-	-	-	-	504,902	504,902
Unemployment benefits	-	-	-	-	35,153	35,153
Other commitments	-	-	-	-	7,310	7,310
Assigned:						
Activity funds	88,043	-	-	-	-	88,043
Alternative education	1,820	-	-	-	-	1,820
Unassigned	<u>7,923,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,923,495</u>
Total Fund Balances	<u>8,450,286</u>	<u>-</u>	<u>10,335,502</u>	<u>6,915,305</u>	<u>5,154,483</u>	<u>30,855,576</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,668,916</u>	<u>\$ 687,139</u>	<u>\$ 10,335,502</u>	<u>\$ 7,665,447</u>	<u>\$ 5,563,162</u>	<u>\$ 33,920,166</u>

The accompanying notes to financial statements are an integral part of these financial statements.

KEMPER COUNTY SCHOOL DISTRICT**Exhibit C-1****Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position****June 30, 2023****Total fund balances for governmental funds****\$ 30,855,576**

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

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

Land	\$ 171,010	
Construction in progress	11,561,212	
Buildings	6,427,498	
Building improvements	1,239,273	
Improvements other than buildings	221,341	
Mobile equipment	2,875,803	
Furniture and equipment	695,024	
Subscription IT assets	27,894	
Accumulated amortization	(9,298)	
Accumulated depreciation	<u>(6,320,717)</u>	16,889,040

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

Net pension liability	\$ (25,575,171)	
Net OPEB liability	<u>(889,896)</u>	(26,465,067)

3. Deferred outflows and inflows related to the net pension and OPEB liabilities are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pension and OPEB	\$ 6,131,516	
Deferred inflows of resources related to pension and OPEB	<u>(574,675)</u>	5,556,841

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

General obligation bonds	\$ (12,000,000)	
Unamortized discount	45,811	
Energy efficiency loans	(3,193,926)	
Notes payable	(14,453,428)	
Compensated absences	(56,252)	
Subscription IT liabilities	(17,894)	
Accrued interest payable	<u>(112,368)</u>	<u>(29,788,057)</u>

Net position of governmental activities**\$ (2,951,667)**

The accompanying notes to financial statements are an integral part of these financial statements.

KEMPER COUNTY SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2023

Exhibit D

	Major Funds				Other	Total
	General	ARP ESSER	KCPSD	KCES	Governmental	Governmental
	Fund	Relief	Lease	Public Benefit	Funds	Funds
	Fund	Fund	Fund	Corporation		
Revenues:						
Local sources	\$ 8,352,413	\$ -	\$ 48,547	\$ -	\$ 858,321	\$ 9,259,281
State sources	5,978,447	-	-	-	424,191	6,402,638
Federal sources	195,067	2,231,418	-	-	3,404,069	5,830,554
Sixteenth section sources	655,930	-	-	-	96,312	752,242
Total Revenues	15,181,857	2,231,418	48,547	-	4,782,893	22,244,715
Expenditures:						
Instruction	6,861,050	465,885	-	-	1,733,354	9,060,289
Support services	6,249,415	426,802	-	-	1,611,582	8,287,799
Noninstructional services	-	-	-	-	879,818	879,818
Sixteenth section	20,772	-	-	-	42,785	63,557
Facilities acquisition and construction	398,088	1,362,187	-	6,435,957	1,952,448	10,148,680
Debt service:						
Principal	-	-	-	-	777,820	777,820
Interest	-	-	-	65,410	470,793	536,203
Other	-	-	-	449,228	516,271	965,499
Total Expenditures	13,529,325	2,254,874	-	6,950,595	7,984,871	30,719,665
Excess (Deficiency) of Revenues over (under) Expenditures	1,652,532	(23,456)	48,547	(6,950,595)	(3,201,978)	(8,474,950)
Other Financing Sources (Uses):						
Bonds and notes issued	436,928	-	-	14,016,500	12,000,000	26,453,428
Original issue discount	-	-	-	-	(47,735)	(47,735)
SBITA issued	-	-	-	-	27,894	27,894
Insurance recovery	66,429	-	-	-	-	66,429
Operating transfers in	-	23,456	10,286,955	-	-	10,310,411
Operating transfers out	(2,403,246)	-	-	(150,600)	(7,756,565)	(10,310,411)
Total Other Financing Sources (Uses)	(1,899,889)	23,456	10,286,955	13,865,900	4,223,594	26,500,016
Net Change in Fund Balances	(247,357)	-	10,335,502	6,915,305	1,021,616	18,025,066
Fund Balances:						
July 1, 2022, as originally stated	8,692,681	-	-	-	4,149,631	12,842,312
Prior period adjustment	4,962	-	-	-	(8,463)	(3,501)
July 1, 2022, as restated	8,697,643	-	-	-	4,141,168	12,838,811
Increase (Decrease) in reserve for inventory	-	-	-	-	(8,301)	(8,301)
June 30, 2023	\$ 8,450,286	\$ -	\$ 10,335,502	\$ 6,915,305	\$ 5,154,483	\$ 30,855,576

The accompanying notes to financial statements are an integral part of these financial statements.

KEMPER COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D-1

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023**

Net change in fund balances - total governmental funds **\$ 18,025,066**

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

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

Capital outlay	\$ 10,233,381	
Depreciation expense	(440,324)	
Subscription IT asset acquisition	27,894	
Amortization expense	(9,298)	9,811,653

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(387)

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

Bonds and notes issued	\$ (26,453,428)	
Original issue discount issued	47,735	
Subscription IT liability issued	(27,894)	
Payments of debt principal	777,820	
Amortization of original issue discount	(1,924)	
Accrued interest payable	(93,935)	(25,751,626)

4. The implementation of GASB 68 and 75 creates a change in the amount of pension and OPEB expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Recording of pension contributions made subsequent to the measurement date	\$ 1,700,148	
Recording of pension expense for the current period	(2,539,902)	
Recording of OPEB contributions made subsequent to the measurement date	44,043	
Recording of OPEB expense for the current period	108,072	(687,639)

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

Change in compensated absences	\$ (1,984)	
Change in inventory reserve	(8,301)	(10,285)

Change in net position of governmental activities **\$ 1,386,782**

The accompanying notes to financial statements are an integral part of these financial statements.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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

Blended component unit

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

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

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.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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 governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

ARP ESSER Relief Fund – This is a special revenue fund used to account for the federal Elementary and Secondary School Emergency Relief Fund grant in response to the COVID-19 pandemic, authorized by the CARES Act.

KCPSD Lease Fund – This is a special revenue fund used to account for the activity of the school district's leverage loan.

KCES Public Benefit Corporation – This is a debt service fund used to account for the activity of the KCES Public Benefit Corporation, which is a blended component unit of the District.

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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 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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the District are reported at fair market value.

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

governmental fund type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

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

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

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

The following schedule details the capitalization thresholds:

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

(**) The estimated useful life is based upon the terms of the lease or subscription agreement for which the intangible asset is reported. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to pension and OPEB liabilities. The school district also has a deferred inflow which is related to Sixteenth Section lease receivables reported under GASB 87.

See Note 15 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.

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 federal prime rate to calculate the present value of lease payments when the rate implicit in the lease is not known. The federal prime rate is the rate the District would expect to obtain for a similar financed purchase at the date of lease inception.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs. See Note 7 for further details.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

11. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 8 for details.

12. 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.

13. 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.

14. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the school board. Currently there is no committed fund balance for this school district.

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

The goal of the District is to maintain an unassigned fund balance in the General Fund at the fiscal year end of at least 7% of current year's general fund revenues or expenditures.

15. Accounting Standards Update

GASB 96, Subscription-Based Information Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

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 \$21,064,894.

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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	ARP ESSER Relief Fund	\$ 319,178
General Fund	Other Governmental Funds	271,008
Total		<u>\$ 590,186</u>

The purpose of the inter-fund transactions was to cover deficit cash balances at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	ARP ESSER Relief Fund	\$ 23,456
General Fund	KCPSD Lease Fund	2,379,790
KCES Public Benefit Corporation	KCPSD Lease Fund	150,600
Other Governmental Funds	KCPSD Lease Fund	7,756,565
		<u>\$10,310,411</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$1,712,702 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs.

Note 5 – Loans Receivable

Kemper County School District holds a promissory note from COCRF Investor 245, LLC, a Delaware limited liability company, in the principal amount of \$10,286,955, dated January 13, 2023. This note was issued in connection with New Market Tax Credits and bears interest at a rate of 1.011276% per annum. The maturity date of the note is January 12, 2049.

The following is a schedule by years of the total payments that will be received on this loan:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 104,028	\$ 104,028
2025	-	104,028	104,028
2026	-	104,028	104,028
2027	-	104,028	104,028
2028	-	104,028	104,028
2029-2033	1,732,761	492,121	2,224,882
2034-2038	2,608,464	370,438	2,978,902
2039-2043	2,743,573	235,327	2,978,900
2044-2048	2,885,678	93,222	2,978,900
2049	316,479	1,233	317,712
Total	<u>\$ 10,286,955</u>	<u>\$ 1,712,481</u>	<u>\$ 11,999,436</u>

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Note 6 – Capital Assets

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

	Balance 7/1/2022	Increases	Decreases	Adjustments	Balance 6/30/2023
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 171,010	\$ -	\$ -	\$ -	171,010
Construction-in-progress	2,012,377	10,148,679	-	(599,844)	11,561,212
Total non-depreciable capital assets	2,183,387	10,148,679	-	(599,844)	11,732,222
<u>Depreciable capital assets:</u>					
Buildings	6,427,498	-	-	-	6,427,498
Building improvements	576,472	-	-	662,801	1,239,273
Improvements other than buildings	221,341	-	-	-	221,341
Mobile equipment	2,875,803	-	-	-	2,875,803
Furniture and equipment	582,715	84,702	38,663	66,270	695,024
Total depreciable capital assets	10,683,829	84,702	38,663	729,071	11,458,939
<u>Less accumulated depreciation for:</u>					
Buildings	3,354,618	88,701	-	-	3,443,319
Building improvements	115,295	49,571	-	23,059	187,925
Improvements other than buildings	74,640	7,317	-	7,316	89,273
Mobile equipment	1,779,791	237,671	-	35,803	2,053,265
Furniture and equipment	414,189	57,064	38,276	113,958	546,935
Total accumulated depreciation	5,738,533	440,324	38,276	180,136	6,320,717
Total depreciable capital assets, net	4,945,296	(355,622)	387	548,935	5,138,222
Governmental activities capital assets, net	\$ 7,128,683	\$ 9,793,057	\$ 387	\$ (50,909)	\$ 16,870,444
Lease and subscription IT assets, net (Note 7)					18,596
Total capital assets, net, as reported in the statement of net position					<u>\$ 16,889,040</u>

Adjustments were made to correct prior period errors in capital assets and to capitalize construction projects completed during the year.

Depreciation expense was charged to the following governmental functions:

Governmental Activities:

Instruction	\$ 138,452
Support services	276,726
Non-instructional	25,146
	<u>\$ 440,324</u>

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Governmental Activities:	Spent to June 30, 2023	Remaining Commitment
Entegrity EE Safety Security Upgrades	\$ 3,513,290	\$ 289,377
Kemper County Elementary School	7,982,968	22,017,032
Football Concession Stand	64,954	35,000
Total	<u>\$ 11,561,212</u>	<u>\$ 22,341,409</u>

Construction projects included in governmental activities are funded with ARP ESSER Relief funds, proceeds from HOPE QLICI loans, and local District funds.

Note 7 – Subscription Based IT Assets

A summary of subscription IT asset activity during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurements	Deductions	Balance 6/30/2023
Subscription IT assets	\$ -	\$ 27,894	\$ -	\$ -	\$ 27,894
Less accumulated amortization	-	(9,298)	-	-	(9,298)
Subscription IT assets, net	-	18,596	-	-	18,596
Total lease and subscription IT assets, net	\$ -	\$ 18,596	\$ -	\$ -	\$ 18,596

A summary of subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurements	Deductions	Balance 6/30/2023	Amounts due within one year
Subscription IT liabilities	\$ -	\$ 27,894	\$ -	\$ 10,000	\$ 17,894	\$ 8,613
Total	\$ -	\$ 27,894	\$ -	\$ 10,000	\$ 17,894	\$ 8,613

Leases

The school district uses the federal prime rate to calculate the present value of Sixteenth Section lease rental payments based on the lease inception date, since a rate implicit in the Sixteenth Section leases are not a part of the contracts.

The District, acting as a lessor, has entered into 95 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The school district has included in its financial statements at year end the net present value of future lease payments of \$675,123 as lease receivable and \$669,027 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization. For the year ending June 30, 2023, the District recognized \$141,739 in revenue related to its Sixteenth Section lease receivables.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Sixteenth Section Lands

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

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 107,785	\$ 29,004	\$ 136,789
2025	98,619	23,993	122,612
2026	92,356	19,165	111,521
2027	91,093	14,420	105,513
2028	12,365	9,583	21,948
2029-2033	67,723	41,505	109,228
2034-2038	69,924	29,895	99,819
2039-2043	76,396	17,973	94,369
Thereafter	58,862	9,049	67,911
	<u>\$ 675,123</u>	<u>\$ 194,587</u>	<u>\$ 869,710</u>

SBITA

The District has entered into a subscription-based information technology agreement (SBITA) with Glimpse K12, Inc. for an Achieve Investment Matrix service application for the District. The district entered into a three-year agreement for this service beginning February 9, 2023 and ending February 8, 2026. The District is to make payments of \$10,000 on an annual basis. The district is in the 1st year of the contract in the year of implementation of GASB 96. The school district used the federal prime rate to calculate the present value of the subscription payments since a rate implicit in the subscription agreement is not a part of the subscription contract.

Year Ending June 30	Principal	Interest	Total
2024	\$ 8,613	\$ 1,387	\$ 10,000
2025	9,281	719	10,000
Total	<u>\$ 17,894</u>	<u>\$ 2,106</u>	<u>\$ 20,000</u>

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Note 8 – Long-term Liabilities

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due within one year
A. General obligation bonds payable	\$ -	\$ 12,000,000	\$ -	\$ 12,000,000	\$ 285,000
Discount	-	(47,735)	(1,924)	(45,811)	(2,437)
B. Shortfall notes payable	661,746	-	661,746	-	-
C. Obligations under energy efficiency loans	3,300,000	-	106,074	3,193,926	111,261
D. Other loans payable	-	14,453,428	-	14,453,428	43,693
E. Compensated absences payable	54,267	1,985	-	56,252	-
Total	\$ 4,016,013	\$ 26,407,678	\$ 765,896	\$ 29,657,795	\$ 437,517

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation					
1. bonds, Series 2022A	3.25%-4.25%	9/14/2022	5/1/2042	\$ 3,000,000	\$ 3,000,000
General obligation					
2. bonds, Series 2022B	3.908%-5.578%	9/14/2022	5/1/2040	9,000,000	9,000,000
Total				\$ 12,000,000	\$ 12,000,000

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

1. General obligation bond issue of 9/14/2022:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 123,225	\$ 123,225
2025	-	123,225	123,225
2026	-	123,225	123,225
2027	-	123,225	123,225
2028	-	123,225	123,225
2029 – 2033	400,000	590,775	990,775
2034 – 2038	465,000	512,138	977,138
2039 – 2042	2,135,000	300,262	2,435,262
Total	\$ 3,000,000	\$ 2,019,300	\$ 5,019,300

This debt will be retired from the General Obligation Bond 2022A Fund (Debt Service Fund).

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

2. General obligation bond issue of 9/14/2022:

Year Ending June 30	Principal	Interest	Total
2024	\$ 285,000	\$ 453,419	\$ 738,419
2025	300,000	442,281	742,281
2026	315,000	430,266	745,266
2027	330,000	417,556	747,556
2028	345,000	403,544	748,544
2029 – 2033	2,560,000	1,719,598	4,279,598
2034 – 2038	3,285,000	995,542	4,280,542
2039 – 2040	1,580,000	133,315	1,713,315
Total	<u>\$ 9,000,000</u>	<u>\$ 4,995,521</u>	<u>\$ 13,995,521</u>

This debt will be retired from the General Obligation Bond 2022B Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 285,000	\$ 576,644	\$ 861,644
2025	300,000	565,506	865,506
2026	315,000	553,491	868,491
2027	330,000	540,781	870,781
2028	345,000	526,769	871,769
2029 – 2033	2,960,000	2,310,373	5,270,373
2034 – 2038	3,750,000	1,507,680	5,257,680
2039 – 2042	3,715,000	433,577	4,148,577
Total	<u>\$ 12,000,000</u>	<u>\$ 7,014,821</u>	<u>\$ 19,014,821</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2023, the amount of outstanding bonded indebtedness was equal to 3.5% of property assessments as of October 1, 2022.

B. Shortfall notes payable

This debt was retired during the year.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

C. Obligations under energy efficiency loans

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2022 Energy Efficiency Loan	2.72%	5/26/2022	11/26/2038	\$ 3,300,000	\$ 3,193,926
Total				<u>\$ 3,300,000</u>	<u>\$ 3,193,926</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 111,261	\$ 86,939	\$ 198,200
2025	116,590	83,910	200,500
2026	122,163	80,737	202,900
2027	127,989	77,411	205,400
2028	134,072	73,927	207,999
2029 – 2033	768,908	311,392	1,080,300
2034 – 2038	1,373,221	191,292	1,564,513
2039	439,722	5,985	445,707
Total	<u>\$ 3,193,926</u>	<u>\$ 911,593</u>	<u>\$ 4,105,519</u>

This debt will be retired from the Lease Purchase Debt Fund (Debt Service Fund).

An energy efficiency loan agreement dated May 26, 2022, was executed by and between the District and Banc of America Public Capital Corp.

The agreement authorized the borrowing of \$3,300,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments shall be made from the Lease Purchase Debt Fund and not exceed twenty (20) years.

The district entered into this energy efficiency agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

D. Other loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. MDE Revolving Loan	0.00%	5/1/2023	5/1/2033	\$ 436,928	\$ 436,928
2. HOPE QLICI Loan A-1	1.00%	1/13/2023	1/12/2053	6,051,150	6,051,150
3. HOPE QLICI Loan A-2	1.00%	1/13/2023	1/12/2053	4,235,805	4,235,805
4. HOPE QLICI Loan B-1	1.00%	1/13/2023	1/12/2053	2,193,850	2,193,850
5. HOPE QLICI Loan B-2	1.00%	1/13/2023	1/12/2053	1,535,695	1,535,695
Total				<u>\$ 14,453,428</u>	<u>\$ 14,453,428</u>

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

1. Other loan issue of May 1, 2023:

Year Ending June 30	Principal	Interest	Total
2024	\$ 43,693	\$ -	\$ 43,693
2025	43,693	-	43,693
2026	43,693	-	43,693
2027	43,693	-	43,693
2028	43,693	-	43,693
2029 – 2033	218,463	-	218,463
Total	<u>\$ 436,928</u>	<u>\$ -</u>	<u>\$ 436,928</u>

This debt will be retired from the KCES Public Benefit Corporation Fund (Debt Service Fund).

2. Other loan issue of January 13, 2023:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 60,512	\$ 60,512
2025	-	60,512	60,512
2026	-	60,512	60,512
2027	-	60,512	60,512
2028	-	60,512	60,512
2029 – 2033	825,526	289,354	1,114,880
2034 – 2038	1,242,138	232,038	1,474,176
2039 – 2043	1,305,743	168,433	1,474,176
2044 – 2048	1,372,604	101,572	1,474,176
2049 – 2053	1,305,139	31,430	1,336,569
Total	<u>\$ 6,051,150</u>	<u>\$ 1,125,387</u>	<u>\$ 7,176,537</u>

This debt will be retired from the KCES Public Benefit Corporation Fund (Debt Service Fund).

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

3. Other loan issue of January 13, 2023:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 42,358	\$ 42,358
2025	-	42,358	42,358
2026	-	42,358	42,358
2027	-	42,358	42,358
2028	-	42,358	42,358
2029 – 2033	577,868	202,548	780,416
2034 – 2038	869,497	162,427	1,031,924
2039 – 2043	914,020	117,904	1,031,924
2044 – 2048	960,823	71,101	1,031,924
2049 – 2053	913,597	22,002	935,599
Total	\$ 4,235,805	\$ 787,772	\$ 5,023,577

This debt will be retired from the KCES Public Benefit Corporation Fund (Debt Service Fund).

4. Other loan issue of January 13, 2023:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 21,939	\$ 21,939
2025	-	21,939	21,939
2026	-	21,939	21,939
2027	-	21,939	21,939
2028	-	21,939	21,939
2029 – 2033	299,295	104,906	404,201
2034 – 2038	450,338	84,126	534,464
2039 – 2043	473,398	61,065	534,463
2044 – 2048	497,639	36,824	534,463
2049 – 2053	473,180	11,394	484,574
Total	\$ 2,193,850	\$ 408,010	\$ 2,601,860

This debt will be retired from the KCES Public Benefit Corporation Fund (Debt Service Fund).

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

5. Other loan issue of January 13, 2023:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 15,357	\$ 15,357
2025	-	15,357	15,357
2026	-	15,357	15,357
2027	-	15,357	15,357
2028	-	15,357	15,357
2029 – 2033	209,507	73,434	282,941
2034 – 2038	315,247	58,878	374,125
2039 – 2043	331,379	42,746	374,125
2044 – 2048	348,347	25,778	374,125
2049 – 2053	331,215	7,986	339,201
Total	\$ 1,535,695	\$ 285,607	\$ 1,821,302

This debt will be retired from the KCES Public Benefit Corporation Fund (Debt Service Fund).

Total other loans payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 43,693	\$ 140,166	\$ 183,859
2025	43,693	140,166	183,859
2026	43,693	140,166	183,859
2027	43,693	140,166	183,859
2028	43,693	140,166	183,859
2029 – 2033	2,130,659	670,242	2,800,901
2034 – 2038	2,877,220	537,469	3,414,689
2039 – 2043	3,024,540	390,148	3,414,688
2044 – 2048	3,179,413	235,275	3,414,688
2049 – 2053	3,023,131	72,812	3,095,943
Total	\$ 14,453,428	\$ 2,606,776	\$ 17,060,204

E. 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.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 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, 2023 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, 2023, 2022 and 2021 were \$1,700,148, \$1,488,350 and \$1,343,866, 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, 2023, the school district reported a liability of \$25,575,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023 net pension liability was 0.124250 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.008091 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

For the year ended June 30, 2023, the District recognized pension expense of \$2,539,902. At June 30, 2023 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	\$ 349,552	\$ -
Net difference between projected and actual earnings on pension plan investments	1,586,186	-
Changes of assumptions	826,945	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,359,917	42,255
District contributions subsequent to the measurement date	1,700,148	-
Total	\$ <u>5,822,748</u>	\$ <u>42,255</u>

\$1,700,148 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, 2024. 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:	
2024	\$ 1,372,834
2025	1,189,018
2026	130,716
2027	1,387,777

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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	25.00	%	4.60	%
International Equity	20.00		4.50	
Global Equity	12.00		4.85	
Fixed Income	18.00		1.40	
Real Estate	10.00		3.65	
Private Equity	10.00		6.00	
Private Infrastructure	2.00		4.00	
Private Credit	2.00		4.00	
Cash Equivalents	1.00		(0.10)	
Total	100	%		

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

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

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 33,378,211	\$ 25,575,171	\$ 19,141,962

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Note 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

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 \$44,043 for the year ended June 30, 2023.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2023, the District reported a liability of \$889,896 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.18062209 percent. This was an increase of 0.00846673 percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(108,072). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 737	\$ 385,540
Changes of assumptions	138,794	82,393
Net difference between projected and actual earnings on OPEB plan investments	61	-
Changes in proportion and differences between District contributions and proportionate share of contributions	125,133	64,487
District contributions subsequent to the measurement date	44,043	-
Total	\$ <u>308,768</u>	\$ <u>532,420</u>

\$44,043 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2024	\$ (68,202)
2025	(63,185)
2026	(69,688)
2027	(36,936)
2028	(21,203)
Thereafter	(8,481)

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, 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	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2029 FYE

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, 2022 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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. 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, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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 (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 980,330	\$ 889,896	\$ 812,214

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	\$ 827,984	\$ 889,896	\$ 959,569

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

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

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

Note 13 - Insurance Loss Recoveries

The Kemper County School District received \$66,429 in insurance loss recoveries related to storm damage during the 2022-2023 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated entirely to the support services expense function.

Note 14 – Fee In Lieu Agreement

On October 3, 2016, Kemper County School District ("the District") and the Kemper County Board of Supervisors ("the Board") agreed to send one-third of in-lieu collections received from Mississippi Power. The agreement starting in tax year 2016 is for ten years between the aforementioned parties per the Fee In Lieu agreement. The Kemper County Tax Assessor/Collector forwards the in lieu collection to the Board upon receipt who then prepares the calculation and forwards the District's share subsequently.

The information below represents a summary of what the school district has received up to the end of the fiscal year ended June 30, 2023:

Date	Amount
3/22/2017	\$ 5,966,075
3/20/2018	6,218,496
2/19/2019	3,000,000
2/20/2020	4,243,694
3/19/2021	5,016,556
3/17/2022	5,605,889
2/28/2023	5,016,556
	<u>\$ 35,067,266</u>

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$12,941,120) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,700,148 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, 2024. The \$4,122,600 balance of deferred outflow of resources related to pensions, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$12,941,120) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$42,255 balance of deferred inflow of resources related to pension, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$12,941,120) 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 \$44,043 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, 2024. The \$264,725 balance of deferred outflow of resources related to OPEB, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$12,941,120) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$532,420 balance of deferred inflow of resources related to OPEB, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$12,941,120) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$669,027 balance of deferred inflow of resources related to leases at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 40 years.

Note 16 – Prior Period Adjustment

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior period errors in capital assets	\$ (50,909)
2. To correct prior period errors in receivables and payables	(3,501)
Total	<u>\$ (54,410)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior period error in receivables and payables	\$ 4,962
Other governmental funds	To correct prior period error in receivables and payables	(8,463)
Total		<u>\$ (3,501)</u>

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023**

Note 17 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 19, 1994 creating the East Central Alternative School Consortium. 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 Newton County School District, Newton Municipal School District, Forest Municipal School District, Scott County School District, Kemper County School District, Philadelphia Public School District, and Enterprise Municipal 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 East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Kemper County School District evaluated the activity of the District through July 26, 2024, (the date the financial statements were available to be issued), and determined that no subsequent event has occurred requiring disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,547,185	\$ 8,503,013	\$ 8,352,413	\$ 955,828	\$ (150,600)
State sources	5,962,696	5,977,196	5,978,447	14,500	1,251
Federal sources	202,500	195,067	195,067	(7,433)	-
Sixteenth section sources	506,700	655,930	655,930	149,230	-
Total Revenues	14,219,081	15,331,206	15,181,857	1,112,125	(149,349)
Expenditures:					
Instruction	5,959,976	6,868,637	6,861,050	(908,661)	7,587
Support services	7,378,068	6,313,517	6,249,415	1,064,551	64,102
Noninstructional services	1,810	-	-	1,810	-
Sixteenth section	32,109	20,772	20,772	11,337	-
Facilities acquisition and construction	500,000	390,716	398,088	109,284	(7,372)
Debt service:					
Principal	195,900	-	-	195,900	-
Interest	89,826	-	-	89,826	-
Total Expenditures	14,157,689	13,593,642	13,529,325	564,047	64,317
Excess (Deficiency) of Revenues over (under) Expenditures	61,392	1,737,564	1,652,532	1,676,172	(85,032)
Other Financing Sources (Uses):					
Proceeds of Loans	-	436,928	436,928	436,928	-
Insurance recovery	50,000	66,429	66,429	16,429	-
Operating transfers in	1,841,084	1,698,007	-	(143,077)	(1,698,007)
Operating transfers out	(2,185,449)	(4,235,443)	(2,403,246)	(2,049,994)	1,832,197
Total Other Financing Sources (Uses)	(294,365)	(2,034,079)	(1,899,889)	(1,739,714)	134,190
Net Change in Fund Balances	(232,973)	(296,515)	(247,357)	(63,542)	49,158
Fund Balances:					
July 1, 2022, as previously reported	9,699,307	8,698,923	8,692,681	(1,000,384)	(6,242)
Prior period adjustments		(1,279)	4,962	(1,279)	6,241
July 1, 2022,	9,699,307	8,697,644	8,697,643	(1,001,663)	(1)
June 30, 2023	\$ 9,466,334	\$ 8,401,129	\$ 8,450,286	\$ (1,065,205)	\$ 49,157

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

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
ARP ESSER Relief Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 64,088	\$ 5,328,165	\$ 2,231,418	\$ 5,264,077	\$ (3,096,747)
Total Revenues	64,088	5,328,165	2,231,418	5,264,077	(3,096,747)
Expenditures:					
Instruction	25,000	511,921	465,885	(486,921)	46,036
Support services	39,088	839,700	426,802	(800,612)	412,898
Facilities acquisition and construction	-	4,000,000	1,362,187	(4,000,000)	2,637,813
Total Expenditures	64,088	5,351,621	2,254,874	(5,287,533)	3,096,747
Excess (Deficiency) of Revenues over (under) Expenditures	-	(23,456)	(23,456)	(23,456)	-
Other Financing Sources (Uses):					
Operating transfers in	-	23,456	23,456	23,456	-
Total Other Financing Sources (Uses)	-	23,456	23,456	23,456	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -

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

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
KCPSD - Lease Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ 48,547	\$ -	\$ 48,547
Total Revenues	-	-	48,547	-	48,547
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	48,547	-	48,547
Other Financing Sources (Uses):					
Operating transfers in	-	-	10,286,955	-	10,286,955
Total Other Financing Sources (Uses)	-	-	10,286,955	-	10,286,955
Net Change in Fund Balances	-	-	10,335,502	-	10,335,502
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ -	\$ -	\$ 10,335,502	\$ -	\$ 10,335,502

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

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net Pension Liability
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.124250%	0.116159%	0.110735%	0.111984%	0.120893%	0.105210%	0.111170%	0.113099%	0.101934%
District's proportionate share of the net pension liability	\$ 25,575,171	17,168,808	21,437,009	19,700,195	20,108,098	17,489,473	19,857,738	17,482,875	12,372,921
District's covered payroll	\$ 8,553,736	7,723,368	7,373,586	6,601,638	7,720,171	6,749,302	7,111,841	7,065,803	6,225,835
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	298.41%	260.46%	259.13%	279.22%	247.43%	198.74%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to 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 June 30th of the year prior to the fiscal year presented.

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

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions (PERS)
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,700,148	\$ 1,488,350	1,343,866	1,283,004	1,148,685	1,215,927	1,063,015	1,120,115	1,112,864
Contribution in relation to the contractually required contribution	1,700,148	1,488,350	1,343,866	1,283,004	1,148,685	1,215,927	1,063,015	1,120,115	1,112,864
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	9,770,963	8,553,736	7,723,368	7,373,586	7,293,238	7,720,171	6,749,302	7,111,841	7,065,803
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net OPEB Liability
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.18062209%	0.17215536%	0.16246082%	0.17214098%	0.17982193%	0.17021841%
District's proportionate share of the net OPEB liability	\$ 889,896	1,108,133	1,264,283	1,460,687	1,391,013	1,335,549
District's covered-employee payroll	\$ 8,553,736	8,184,607	7,829,565	7,883,069	8,133,224	7,647,445
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	10.40%	13.54%	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

The notes to 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.

The 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.

KEMPER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions (OPEB)
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 44,043	36,265	44,540	50,419	58,549	56,936
Contribution in relation to the actuarially determined contribution	44,043	36,265	44,540	50,419	58,549	56,936
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	9,770,963	8,782,125	6,872,086	6,785,162	5,532,620	7,351,153
Contributions as a percentage of covered-employee payroll	0.45%	0.41%	0.65%	0.74%	1.06%	0.77%

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

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to 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%.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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%.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

(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, 2020 valuation for the June 30, 2022 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	27.7 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	7.55 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.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

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

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

(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, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

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	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

SUPPLEMENTARY INFORMATION

KEMPER COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	235MS326N1099	\$ 831,540
National school lunch program	10.555	235MS326N1099	67,817
Summer food service program for children	10.559	235MS326N1099	3,414
Total child nutrition cluster			<u>902,771</u>
State administrative expenses for child nutrition	10.560	235MS907N2533	6,352
Total passed-through Mississippi Department of Education			<u>909,123</u>
Total U.S. Department of Agriculture			<u>909,123</u>
U.S. Department of Defense			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	87,941
Total U.S. Department of Defense			<u>87,941</u>
U.S. Department of Education			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A200024 ES010A210024 ES010A220024 ES010A230024	817,428
Career and technical education - basic grants to states	84.048	V048A220024	26,363
Twenty-first century community learning centers	84.287	ES287C100024	310,521
Reading first state grants	84.357	N/A	80,770
Rural education	84.358	ES358B210024 ES358B220024 ES358B230024	42,399
Supporting effective instruction state grants	84.367	ES367A200023 ES367A210023 ES367A220023 ES367A230024	137,869
Student support and academic enrichment grants	84.424A	ES424A200025 ES424A210025 ES424A220025 ES424A230025	68,221
Subtotal			<u>1,483,571</u>
Special education cluster:			
Special education - grants to states	84.027	H027A210108 H027A220108 H027A230108	265,706
IDEA, Part B ARP grant	84.027X	H027X220108	15,948
Subtotal			<u>281,654</u>
Special education - preschool grants	84.173	H173A210113 H173A220113 H173A230113	7,223
IDEA, Part B preschool ARP grant	84.173X	H173X220113	476
Subtotal			<u>7,699</u>
Total special education cluster			<u>289,353</u>
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	61,022
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	664,020
Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	2,231,418
COVID-19 - education stabilization fund (ESSER) subtotal			<u>2,956,460</u>
Total passed-through Mississippi Department of Education			<u>4,729,384</u>
Passed-through Mississippi Department of Rehabilitative Services			
Vocational Rehabilitation Grants to States	84.126	N/A	182
Total passed-through Mississippi Department of Rehabilitative Services			<u>182</u>
Total U.S. Department of Education			<u>4,729,566</u>
Total for All Federal Awards			<u>\$ 5,726,630</u>

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

**KEMPER COUNTY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Kemper County School District under programs of the federal government for the year ended June 30, 2023. 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 Kemper County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Kemper County School District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the current financial resource measurement focus and 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 the previous year.

Note 3 – Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the district and reported under the National School Lunch Program Assistance listing # 10.555. The value of the commodities received during the fiscal year was \$67,817.

Note 4 – Indirect Cost Rate

The district has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

KEMPER COUNTY SCHOOL DISTRICT**Supplementary Information****Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds****For the Year Ended June 30, 2023**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 13,637,344	9,719,444	987,091	1,094,240	1,836,569
Other	17,082,321	1,615,221	386,160	150,298	14,930,642
Total	<u>\$ 30,719,665</u>	<u>11,334,665</u>	<u>1,373,251</u>	<u>1,244,538</u>	<u>16,767,211</u>
Total number of students *	<u>884</u>				
Cost per student	<u>\$ 34,750</u>	<u>12,822</u>	<u>1,553</u>	<u>1,408</u>	<u>18,967</u>

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

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

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

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

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

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

OTHER INFORMATION

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

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 8,352,413	\$ 7,151,742	\$ 7,350,114	\$ 6,802,310
State sources	5,978,447	4,999,145	4,921,421	5,130,253
Federal sources	195,067	131,558	230,435	145,918
Sixteenth section sources	655,930	488,309	411,884	253,493
Total Revenues	<u>15,181,857</u>	<u>12,770,754</u>	<u>12,913,854</u>	<u>12,331,974</u>
Expenditures:				
Instruction	6,861,050	5,998,988	5,865,209	6,143,285
Support services	6,249,415	6,592,064	5,006,262	4,885,973
Noninstructional services	-	1,810	-	-
Sixteenth section	20,772	21,466	31,898	12,654
Facilities acquisition and construction	398,088	335,425	-	-
Total Expenditures	<u>13,529,325</u>	<u>12,949,753</u>	<u>10,903,369</u>	<u>11,041,912</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,652,532</u>	<u>(178,999)</u>	<u>2,010,485</u>	<u>1,290,062</u>
Other Financing Sources (Uses):				
Bonds and notes issued	436,928	-	-	1,933,500
Insurance recovery	66,429	43,729	-	56,273
Sale of transportation equipment	-	-	2,886	-
Operating transfers in	-	285,108	-	39,430
Operating transfers out	(2,403,246)	(796,766)	(577,566)	(450,451)
Total Other Financing Sources (Uses)	<u>(1,899,889)</u>	<u>(467,929)</u>	<u>(574,680)</u>	<u>1,578,752</u>
Net Change in Fund Balances	<u>(247,357)</u>	<u>(646,928)</u>	<u>1,435,805</u>	<u>2,868,814</u>
Fund Balances:				
Beginning of period, as previously reported	8,692,681	9,322,929	7,887,124	6,916,785
Prior period adjustments	4,962	16,680	-	(1,898,475)
Beginning of period, as restated	<u>8,697,643</u>	<u>9,339,609</u>	<u>7,887,124</u>	<u>5,018,310</u>
End of Period	<u>\$ 8,450,286</u>	<u>\$ 8,692,681</u>	<u>\$ 9,322,929</u>	<u>\$ 7,887,124</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 9,259,281	\$ 7,984,779	\$ 8,154,743	\$ 6,832,209
State sources	6,402,638	5,345,845	5,243,382	5,468,522
Federal sources	5,830,554	4,120,974	2,937,434	2,053,238
Sixteenth section sources	752,242	508,303	485,342	319,606
Total Revenues	<u>22,244,715</u>	<u>17,959,901</u>	<u>16,820,901</u>	<u>14,673,575</u>
Expenditures:				
Instruction	9,060,289	8,020,132	7,216,365	7,065,515
Support services	8,287,799	8,404,897	6,814,272	6,090,707
Noninstructional services	879,818	690,257	520,780	886,326
Sixteenth section	63,557	123,782	56,325	65,242
Facilities acquisition and construction	10,148,680	2,162,977	-	-
Debt service:				
Principal	777,820	644,347	627,407	-
Interest	536,203	35,265	86,691	-
Other	965,499	-	-	-
Total Expenditures	<u>30,719,665</u>	<u>20,081,657</u>	<u>15,321,840</u>	<u>14,107,790</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(8,474,950)</u>	<u>(2,121,756)</u>	<u>1,499,061</u>	<u>565,785</u>
Other Financing Sources (Uses):				
Bonds and notes issued	26,453,428	3,300,000	-	1,933,500
Original issue discount	(47,735)	-	-	-
Insurance recovery	66,429	43,729	-	56,273
SBITAs issued	27,894	-	-	-
Sale of transportation equipment	-	-	2,886	-
Operating transfers in	10,310,411	1,153,819	617,567	522,802
Operating transfers out	(10,310,411)	(1,153,819)	(617,567)	(522,802)
Total Other Financing Sources (Uses)	<u>26,500,016</u>	<u>3,343,729</u>	<u>2,886</u>	<u>1,989,773</u>
Net Change in Fund Balances	<u>18,025,066</u>	<u>1,221,973</u>	<u>1,501,947</u>	<u>2,555,558</u>
Fund Balances:				
Beginning of period, as previously reported	12,842,312	11,710,078	10,255,553	9,575,858
Prior period adjustments	(3,501)	(93,886)	-	(1,928,368)
Beginning of period, as restated	<u>12,838,811</u>	<u>11,616,192</u>	<u>10,255,553</u>	<u>7,647,490</u>
Increase (Decrease) in reserve for inventory	<u>(8,301)</u>	<u>4,147</u>	<u>(47,422)</u>	<u>52,505</u>
End of Period	<u>\$ 30,855,576</u>	<u>\$ 12,842,312</u>	<u>\$ 11,710,078</u>	<u>\$ 10,255,553</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
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Dana R. Estes, CPA
April W. Posey, CPA

INDEPENDENT AUDITORS' 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

To the Superintendent and School Board
Kemper County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the Kemper County School District's basic financial statements and have issued our report thereon dated July 26, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
July 26, 2024

Watkins Ward and Stafford, PLLC

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

To the Superintendent and School Board
Kemper County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kemper 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 Kemper County School District's major federal programs for the year ended June 30, 2023. Kemper County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kemper County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Kemper County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kemper 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 Kemper County School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kemper 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 Kemper 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 Kemper County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item **2023-001**. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2023-001** to be a significant deficiency.

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

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

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi

July 26, 2024

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Superintendent and School Board
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kemper County School District as of and for the year ended June 30, 2023, which collectively comprise Kemper County School District's basic financial statements and have issued our report thereon dated July 26, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

Finding 1: The District Should Ensure Compliance with State Law Regarding Surety Bonds.

Applicable State Law: Section 25-1-12(1), Mississippi Code Annotated (1972), states, "any public officer or employee handling or having the custody of public funds, by virtue of his or her office or employment, shall give an individual bond or be covered by a blanket bond. The amount of such bonds shall not be less than Twenty-five Thousand Dollars (\$25,000.00) for each public officer or employee, unless a specific amount is otherwise required by law."

Finding Detail: During the review of compliance for Kemper County School District we noted the District issues two blanket bonds for employees who handle cash. The blanket bonds did not list the employees out by name and positions in accordance with Section 25-1-12(1), Mississippi Code Annotated (1972). In addition, 13 of the 16 positions included in the blanket bonds were covered for less than the \$25,000 minimum. Also, the blanket bonds were not on file with the chancery clerk's office.

Failure to have a blanket bond in place that does list the employees covered by name and position could limit the amount available for recovery if a loss occurs. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

Recommendation: We recommend that the District ensure compliance by making sure all employees are properly and sufficiently bonded, as required by State Law.

District's Response: We will work with the bonding company to ensure all bonds conform to the requirements of the Mississippi Code Sections for the position.

Repeat Finding: No.

Finding 2: The District Should Ensure Compliance with State Law Regarding Forestry Escrow Funds.

Applicable State Law: Section 29-3-47, Mississippi Code Annotated (1972), states, "For its services the state forestry commission shall be entitled to receive its actual expenses incurred in the discharge of the duties herein imposed. In order to provide funds with which to pay for the general supervision and sale of forest products, fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund and reserved to pay for work performed by the state forestry commission. Such payments shall be equal to the actual expenses incurred by the commission as substantiated by itemized bills presented to the board."

Finding Detail: During the testing of Kemper County School District's forestry escrow, we noted the District failed to deposit 15% of four timber sales within its Forestry Escrow fund, totaling \$4,157.

Failure to deposit 15% of timber sales within the Forestry Escrow fund resulted in noncompliance with State Law.

Recommendation: We recommend that the District ensure compliance by assuring 15% of all timber sales are deposited within the Forestry Escrow fund, as required by State Law.

District's Response: We will ensure that 15% of all timber sales are deposited into the Forestry Escrow fund in order to be in compliance with State Law.

Repeat Finding: No.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
July 26, 2024

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**KEMPER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? Yes
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

7. Identification of major programs:

<u>ALNs</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, & 10.559	Child Nutrition Cluster
Education Stabilization Fund (ESSER)	
84.425D	Elementary & Secondary School Emergency Relief Fund I
84.425D	Elementary & Secondary School Emergency Relief Fund II
84.425U	Elementary & Secondary School Emergency Relief Fund ARP III

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

**KEMPER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency and Noncompliance

Finding 2023-001. Passed-through Mississippi Department of Education. ALN 10.553, 10.555, and 10.559 Child Nutrition Cluster. Allowable costs/cost principles.

CRITERIA: Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of federal program assets.

CONDITION: During our testing of 22 general disbursements charged to the Child Nutrition Cluster, we noted 16 instances where purchase orders were dated after the purchase occurred.

CAUSE: The cause is a result of not properly implementing a designed system of accounting and internal controls.

EFFECT: The effect of this condition could result in expenditures being made that are not allowable with Child Nutrition Cluster funds.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend the District implement controls and procedures to ensure that all expenditures are reasonable and necessary for proper and efficient performance and administration of the Child Nutrition Cluster.

VIEW OF RESPONSIBLE OFFICIALS OF THE AUDITEE: See the District's response in the Auditee's Corrective Action Plan in this report.



KEMPER COUNTY SCHOOLS

Office of the Superintendent of Education

Dr. Hilute Hudson, Superintendent

Post Office Box 219

DeKalb, Mississippi 39328

Phone (601) 743-2657

Fax (601) 743-9297

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The Kemper 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, 2023:

Finding	Corrective Action Plan Details
2023-001	A. Name of contact person responsible for corrective action: Dr. Matilda Miller, Business Manager
	B. Corrective action planned: The District will implement controls and procedures to ensure that all expenditures are reasonable and necessary for proper and efficient performance and administration of the Child Nutrition Cluster.
	C. Anticipated completion date: Immediately

Sincerely,

Dr. Matilda Miller, Business Manager



KEMPER COUNTY SCHOOLS

Office of the Superintendent of Education

Dr. Hilute Hudson, Superintendent

Post Office Box 219

DeKalb, Mississippi 39328

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SUMMARY OF PRIOR YEAR AUDIT FINDINGS FOLLOW UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Kemper County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2023:

Finding	Status
2022-001	Corrected