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Pontotoc City School District

Audited Financial Statements
For the Year Ended June 30, 2023

Fortenberry & Ballard, PC
Certified Public Accountants

**Pontotoc City School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Pontotoc City School District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc City 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pontotoc City 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 the financial statements, the school district implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) during the fiscal year 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 the Pontotoc City School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of the Pontotoc City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pontotoc City 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 Pontotoc City School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 12, 2023

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The following discussion and analysis of Pontotoc City 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 decreased \$525,305, which represents a 4% decrease from fiscal year 2022. Total net position for 2022 increased \$2,185,277, which represents a 13.56% increase from fiscal year 2021.
- General revenues amounted to \$18,587,858 and \$17,723,727, or 66% and 69% 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 \$9,556,867, or 34% of total revenues for 2023, and \$7,916,211, or 31% of total revenues for 2022.
- The District had \$28,670,030 and \$23,454,661 in expenses for fiscal years 2023 and 2022; only \$9,556,867 for 2023 and only \$7,916,211 for 2022 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,587,858, for 2023 were not adequate to provide for these programs. However, general revenues of \$17,723,727, for 2022 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$20,302,673 in revenues and \$19,624,711 in expenditures for 2023, and \$18,616,229 in revenues and \$18,339,501 in expenditures for 2022. The General Fund's fund balance increased by \$591,752, from 2022 to 2023, and increased by \$351,203, from 2021 to 2022.
- Capital assets, net of accumulated depreciation, excluding leased assets and subscription-based assets, increased by \$920,700 for 2023 and increased by \$1,953,194 for 2022. The increase for 2023 was due primarily to the additions to construction in progress, improvements other than buildings, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$146,025 for 2023 and increased by \$1,324,320 for 2022. This decrease for 2023 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$10,760 for 2023 and increased by \$6,635 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.

Pontotoc City 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 services, 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 categorized as governmental funds.

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

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,457,155 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.

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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	\$ 6,380,349	6,959,949	(8)%
Restricted assets	2,795,570	2,677,006	4%
Capital assets, net	17,124,049	16,209,642	6%
Total assets	<u>26,299,968</u>	<u>25,846,597</u>	2%
 Deferred outflows of resources	 <u>15,762,467</u>	 <u>7,302,952</u>	 116%
 Current liabilities	 1,761,440	 2,713,528	 (35)%
Long-term debt outstanding	4,488,925	4,634,950	(3)%
Lease liability	25,558	46,765	(45)%
SBITA liability	15,981		N/A
Net OPEB liability	1,356,939	1,749,064	(22)%
Net pension liability	40,432,031	28,674,048	41%
Total liabilities	<u>48,080,874</u>	<u>37,818,355</u>	27%
 Deferred inflows of resources	 <u>8,438,716</u>	 <u>9,263,044</u>	 (9)%
 Net position:			
Net investment in capital assets	12,975,752	11,946,132	9%
Restricted	4,684,623	5,088,065	(8)%
Unrestricted	(32,117,530)	(30,966,047)	(4)%
Total net position (deficit)	<u>\$ (14,457,155)</u>	<u>(13,931,850)</u>	(4)%

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:

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Total unrestricted net position (deficit)	\$ (32,117,530)
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>34,465,219</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,347,689</u>

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

- Increase in net capital assets, excluding leased assets and subscription-based assets in the amount of \$920,700.
- The principal retirement of \$156,785 of long-term debt.
- GASB Statement 96, Subscription-Based Information Technology Arrangements (SBITAs) was implemented during the fiscal year 2023.
- The principal retirement of \$34,258 of leased assets and subscription-based assets.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$28,144,725 and \$25,639,938, respectively. The total cost of all programs and services was \$28,670,030 for 2023 and \$23,454,661 for 2022.

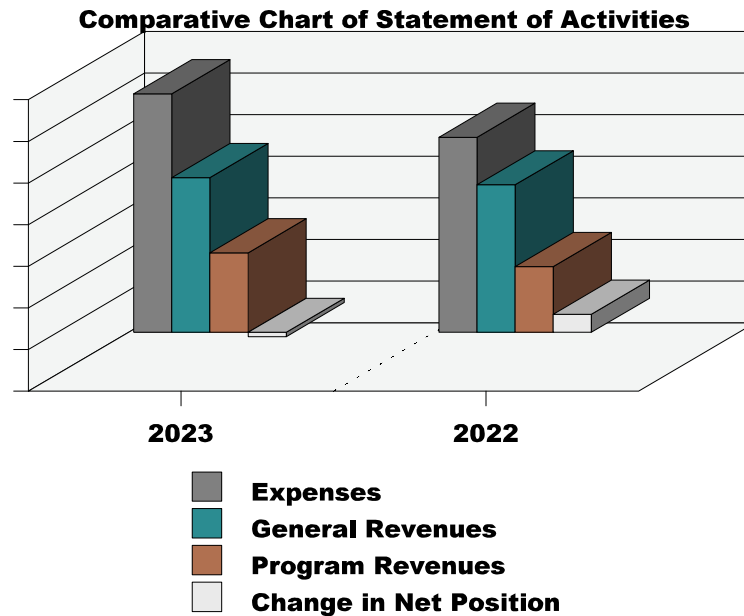
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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	\$ 671,236	681,297	(1)%
Operating grants and contributions	8,885,631	5,501,746	62%
Capital grants and contributions		1,733,168	(100)%
General Revenues:			
Property taxes	4,294,614	4,004,907	7%
Grants and contributions not restricted	13,982,271	13,515,556	3%
Unrestricted investment earnings	34,272	115,295	(70)%
Other	276,701	87,969	215%
Total revenues	<u>28,144,725</u>	<u>25,639,938</u>	10%
Expenses:			
Instruction	14,531,990	12,459,532	17%
Support services	7,831,631	7,296,302	7%
Non-instructional	1,410,277	1,326,059	6%
Pension expense	4,942,788	2,186,229	126%
OPEB expense	(129,636)	(49,668)	161%
Interest on long-term liabilities	82,980	236,207	(65)%
Total expenses	<u>28,670,030</u>	<u>23,454,661</u>	22%
Increase (Decrease) in net position	<u>(525,305)</u>	<u>2,185,277</u>	(124)%
Net Position (Deficit), July 1,	<u>(13,931,850)</u>	<u>(16,117,127)</u>	14%
Net Position (Deficit), June 30	<u><u>\$ (14,457,155)</u></u>	<u><u>(13,931,850)</u></u>	(4)%

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023



Governmental activities

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

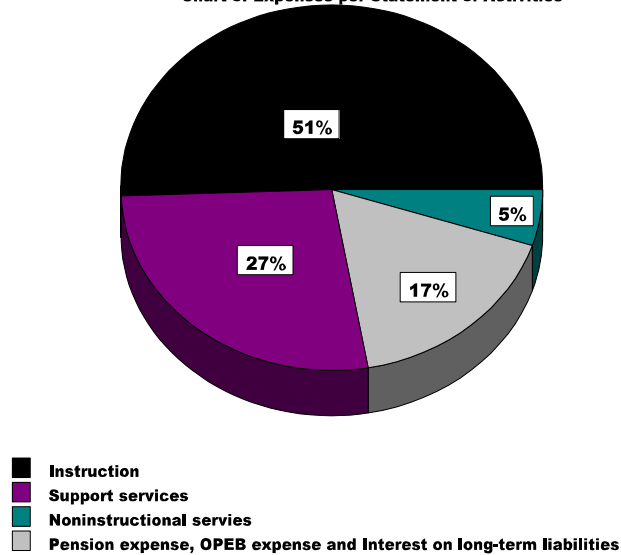
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	<u>2023</u>	<u>2022</u>	
Instruction	\$ 14,531,990	12,459,532	17%
Support services	7,831,631	7,296,302	7%
Non-instructional	1,410,277	1,326,059	6%
Pension expense	4,942,788	2,186,229	126%
OPEB expense	(129,636)	(49,668)	(161)%
Interest on long-term liabilities	82,980	236,207	(65)%
Total expenses	\$ 28,670,030	23,454,661	22%

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

	<u>Net (Expense) Revenue</u>		
	<u>2023</u>	<u>2022</u>	<u>Percentage Change</u>
Instruction	\$ (9,520,914)	(9,234,993)	(3)%
Support services	(4,802,651)	(4,622,211)	(4)%
Non-instructional	106,534	691,522	(85)%
Pension expense	(4,942,788)	(2,186,229)	(126)%
OPEB expense	129,636	49,668	161%
Interest on long-term liabilities	(82,980)	(236,207)	65%
Total net (expense) revenue	\$ (19,113,163)	(15,538,450)	(23)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$19,113,163 for 2023 and \$15,538,450 for 2022) was financed by general revenue, which is primarily made up of property taxes (\$4,294,614 for 2023 and \$4,004,907 for 2022) and state and federal revenues (\$13,982,271 for 2023 and \$13,515,556 for 2022).
- Investment earnings amounted to \$34,272 for 2023 and \$115,295 for 2022.

Pontotoc City 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 \$7,449,131, an increase of \$487,182, which includes an increase in inventory of \$19,573. \$2,422,493 or 33% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$5,026,638 or 67% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$591,752. The fund balance of Other Governmental Funds showed a decrease in the amount of \$299,992, which includes an increase in inventory of \$19,573. The increase (decrease) in the fund balance for the other major funds was as follows:

Major Fund		Increase (Decrease)
QSCB Debt Retirement Fund	\$	195,422

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 is provided in this report as required supplementary information.

Pontotoc City 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 \$32,064,432, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles, furniture and equipment and intangible right to use equipment. This amount represents an increase of \$1,674,286 from 2022. Total accumulated depreciation as of June 30, 2023, was \$14,980,169, and total depreciation expense for the year was \$753,586, resulting in total net capital assets of \$17,084,263.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Land	\$ 909,770	909,770	0%
Construction in progress	0	2,310,132	(100)%
Buildings	10,207,358	10,577,516	(3)%
Building improvements	4,677,467	1,174,064	298%
Improvements other than buildings	470,488	389,311	21%
Mobile equipment	600,432	581,618	3%
Furniture and equipment	218,748	221,152	(1)%
Total	\$ <u>17,084,263</u>	<u>16,163,563</u> *	<u>6%</u>

* The intangible right to use equipment in the amount of \$46,079 was reported in June 30, 2022. The amount was excluded from Table 4 to present it in a separate section.

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

Debt Administration. At June 30, 2023, the District had \$4,488,925 in outstanding long-term debt, of which \$160,806 is due within one year. The liability for compensated absences increased \$10,760 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Shortfall notes payable	\$ 139,491	227,828	(39)%
Energy efficiency loan	1,148,297	1,216,745	(6)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	201,137	190,377	6%
Total	\$ <u>4,488,925</u>	<u>4,634,950</u>	<u>(3)%</u>

Pontotoc City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Pontotoc City School District is financially stable. The District is proud of its community support of the public schools.

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

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

Average daily attendance for the 2022 - 2023 year increased by 2% to 2,004 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Pontotoc City School District, 140 Education Drive, Pontotoc, MS 38863.

FINANCIAL STATEMENTS

PONTOTOC CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,832,161
Due from other governments	1,494,059
Inventories	54,129
Restricted assets	2,795,570
Capital assets, non-depreciable:	
Land	909,770
Capital assets, net of accumulated depreciation:	
Buildings	10,207,358
Building improvements	4,677,467
Improvements than other buildings	470,488
Mobile equipment	600,432
Furniture and equipment	218,748
Leased assets	24,812
Subscription IT assets	14,974
Total Assets	<u>26,299,968</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	15,318,723
Deferred outflows - OPEB	443,744
Total Deferred Outflows of Resources	<u>15,762,467</u>
Liabilities	
Accounts payable and accrued liabilities	1,686,568
Unearned revenue	40,220
Interest payable on long-term liabilities	34,652
Long-term liabilities, due within one year:	
Capital related liabilities	70,077
Non-capital related liabilities	90,729
Lease liabilities	21,852
SBITA liabilities	15,043
Net OPEB liability	64,428
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,078,220
Non-capital related liabilities	249,899
Lease liabilities	3,706
SBITA liabilities	938
Net pension liability	40,432,031
Net OPEB liability	1,292,511
Total Liabilities	<u>48,080,874</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	7,725,199
Deferred inflows - OPEB	713,517
Total Deferred Inflows of Resources	<u>8,438,716</u>
Net Position:	
Net Investment in Capital Assets	12,975,752
Restricted for:	
Expendable:	
School-based activities	958,563
Debt service	2,865,744
Capital improvements	817,058
Unemployment benefits	43,258
Unrestricted	(32,117,530)
Total Net Position (Deficit)	<u>\$ (14,457,155)</u>

The accompanying notes are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction	\$ 14,531,990	\$ 480,227	\$ 4,530,849	\$ (9,520,914)
Support services	7,831,631	1,321	3,027,659	(4,802,651)
Noninstructional services	1,410,277	189,688	1,327,123	106,534
Pension expense	4,942,788	--	--	(4,942,788)
OPEB expense	(129,636)	--	--	129,636
Interest on long-term liabilities	82,980	--	--	(82,980)
Total Governmental Activities	\$ 28,670,030	\$ 671,236	\$ 8,885,631	(19,113,163)
General Revenues:				
Taxes:				
General purpose levies				4,121,154
Debt purpose levies				173,460
Unrestricted grants and contributions:				
State				13,868,542
Federal				113,729
Unrestricted investment earnings				34,272
Other				276,701
Total General Revenues				18,587,858
Change in Net Position				(525,305)
Net Position (Deficit) - Beginning				(13,931,850)
Net Position (Deficit) - Ending				\$ (14,457,155)

The accompanying notes are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,722,435	\$ --	\$ 2,366,719	\$ 5,089,154
Investments	--	2,538,577	--	2,538,577
Due from other governments	711,666	--	782,393	1,494,059
Due from other funds	752,279	--	--	752,279
Inventories	--	--	54,129	54,129
Total Assets	<u>\$ 4,186,380</u>	<u>\$ 2,538,577</u>	<u>\$ 3,203,241</u>	<u>\$ 9,928,198</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,456,524	\$ --	\$ 230,044	\$ 1,686,568
Due to other funds	--	--	752,279	752,279
Unearned revenue	--	--	40,220	40,220
Total Liabilities	<u>1,456,524</u>	<u>--</u>	<u>1,022,543</u>	<u>2,479,067</u>
Fund Balances:				
Nonspendable:				
Inventory	--	--	54,129	54,129
Restricted:				
Unemployment benefits	--	--	43,258	43,258
Capital improvements	--	--	817,058	817,058
Debt service	--	2,538,577	361,819	2,900,396
Grant activities	--	--	183,169	183,169
Food service	--	--	721,265	721,265
Assigned:				
Activity funds	304,211	--	--	304,211
Special education	3,152	--	--	3,152
Unassigned	<u>2,422,493</u>	<u>--</u>	<u>--</u>	<u>2,422,493</u>
Total Fund Balances	<u>2,729,856</u>	<u>2,538,577</u>	<u>2,180,698</u>	<u>7,449,131</u>
Total Liabilities and Fund Balances	<u>\$ 4,186,380</u>	<u>\$ 2,538,577</u>	<u>\$ 3,203,241</u>	<u>\$ 9,928,198</u>

The accompanying notes are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023*

Total fund balances for governmental funds	\$ 7,449,131
--	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not reported in the funds.	17,084,263
Liabilities due in one year are not recognized in the funds.	(262,129)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,000,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(3,706)
Payables for debt interest which are not due in the current period are not reported in the funds.	(34,652)
Payables for notes which are not due in the current period are not reported in the funds.	(48,762)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(201,137)
Payables for energy efficiency loans which are not due in the current period are not reported in the funds.	(1,078,220)
Payables for subscription IT liabilities which are not due in the current period are not reported in the funds.	(938)
Right-to-use subscription IT assets used in governmental activities are not reported in the funds.	14,974
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(40,432,031)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(7,725,199)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	15,318,723
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,292,511)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(713,517)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	443,744
Right-to-use lease assets used in governmental activities are not reported in the funds.	24,812

Net position of governmental activities	\$ <u>(14,457,155)</u>
---	------------------------

The accompanying notes are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 4,761,843	\$ --	\$ 507,322	\$ 5,269,165
Intermediate sources	3,785	--	--	3,785
State sources	15,423,008	--	1,281,214	16,704,222
Federal sources	114,037	--	6,049,643	6,163,680
Total Revenues	<u>20,302,673</u>	<u>--</u>	<u>7,838,179</u>	<u>28,140,852</u>
Expenditures:				
Instruction	13,300,381	--	2,840,249	16,140,630
Support services	6,233,170	--	2,048,663	8,281,833
Noninstructional services	--	--	1,499,690	1,499,690
Facilities acquisition and construction	62,940	--	1,443,162	1,506,102
Debt service:				
Principal	26,514	--	164,529	191,043
Interest	1,706	25,200	36,416	63,322
Other	--	23,528	--	23,528
Total Expenditures	<u>19,624,711</u>	<u>48,728</u>	<u>8,032,709</u>	<u>27,706,148</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>677,962</u>	<u>(48,728)</u>	<u>(194,530)</u>	<u>434,704</u>
Other Financing Sources (Uses):				
SBITA issued	29,032	--	--	29,032
Insurance recovery	1,321	--	--	1,321
Payment held by QSCB escrow agent	--	244,150	--	244,150
Payment to QSCB bond escrow agent	--	--	(244,150)	(244,150)
Sale of other property	2,552	--	--	2,552
Operating transfers in	323,932	--	569,546	893,478
Operating transfers out	(443,047)	--	(450,431)	(893,478)
Total Other Financing Sources (Uses)	<u>(86,210)</u>	<u>244,150</u>	<u>(125,035)</u>	<u>32,905</u>
Net change in fund balances	<u>591,752</u>	<u>195,422</u>	<u>(319,565)</u>	<u>467,609</u>
Fund Balances:				
July 1, 2022	2,138,104	2,343,155	2,480,690	6,961,949
Increase (Decrease) in inventory	--	--	19,573	19,573
June 30, 2023	<u>\$ 2,729,856</u>	<u>\$ 2,538,577</u>	<u>\$ 2,180,698</u>	<u>\$ 7,449,131</u>

The accompanying notes are an integral part of this statement.

PONTOTOC CITY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023*

Net change in fund balances - total governmental funds	\$ 467,609
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,674,286
The depreciation of capital assets used in governmental activities is not reported in the funds.	(753,586)
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	21,207
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	68,448
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	88,337
Repayment of subscription IT liabilities principal is an expenditure in the funds but is not an expense in the SOA.	13,051
(Increase) decrease in accrued interest from beginning of period to end of period.	3,870
Change in inventory affects fund balance in the funds but affects expense in SOA.	19,573
The depreciation of leased assets used in governmental activities is not reported in the funds.	(21,267)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(10,760)
Outlays of right-to-use assets are not reported as expenses in the SOA.	29,032
Inception of subscription IT liabilities do not provide revenue in the SOA, but are reported as current resources in the funds.	(29,032)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	2,663,452
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(4,942,788)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	67,685
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	129,636
The amortization of subscription IT assets used in governmental activities is not reported in the funds.	(14,058)
Change in net position of governmental activities - Statement of Activities	\$ <u>(525,305)</u>

The accompanying notes are an integral part of this statement.

Pontotoc City School District

Notes to the Financial Statements
For the Year Ended June 30, 2023

Pontotoc City School District

Notes to the Financial Statements
For the 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pontotoc since the governing authority of the city selects a majority of the school district's board but does not have a financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Pontotoc City School District

Notes to the Financial Statements For the 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.

QSCB Debt Retirement Fund - This is a debt retirement fund that accounts for the investment and payment to escrow accounts held for the principal repayment of the QSCB bonds.

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.

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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

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

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

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

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

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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

Ad valorem property taxes are levied by the governing authority of the city 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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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.

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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	**	**
Intangible assets	**	**

(**) Intangible assets for the district represent right-to-use leased assets and are capitalized as a group for reporting purposes. The estimated useful life is the term of the lease or subscription agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

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

7. Deferred outflows/inflows of resources

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

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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

See Note 12 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 its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known. See Note 6 for details.

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 6 for details.

Pontotoc City School District

Notes to the Financial Statements For the 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 7 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 nonspendable, restricted,

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

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

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

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

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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of district maintenance fund revenues.

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 and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,089,154.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Institution Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2023, none of the district's bank balance of \$5,475,408 was exposed to custodial credit risk.

Investments

As of June 30, 2023, the district had the following investments.

Investment	Rating	Maturities (in years)	Fair Value
Fixed Income	N/A	Less than 1 year	\$ 2,538,577

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

The district has the following recurring fair value measurements as of June 30, 2023:

Level 1 type of investments of \$2,538,577 are valued using quoted market prices (Level 1 inputs)

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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

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

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2023, the district had the following investments:

Issuer	Fair Value	% of Total Investments
QSCB Common Trust Fund	\$ 2,538,577	100%

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ <u>752,279</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 323,932
Other Governmental Funds	General Fund	443,047
	Other Governmental Funds	126,499
Total		\$ <u>893,478</u>

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$256,993 of the QSCB Note Fund.

In addition, the restricted assets represent the investment balance, totaling \$2,538,577 of the QSCB Debt Retirement Fund.

Note 5 - Capital Assets

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

	Balance 7-1-2022	Additions	Deletions	Completed Construction	Balance 6-30-2023
<u>Non-depreciable capital assets:</u>					
Land	\$ 909,770				909,770
Construction in progress	2,310,132	1,401,656		(3,711,788)	0
Total non-depreciable capital assets	3,219,902	1,401,656	0	(3,711,788)	909,770
<u>Depreciable capital assets:</u>					
Buildings	19,629,432				19,629,432
Building improvements	3,485,626			3,697,800	7,183,426
Improvements other than buildings	771,708	104,446			876,154
Mobile equipment	2,400,218	114,856			2,515,074
Furniture and equipment	883,260	53,328		13,988	950,576
Total depreciable capital assets	27,170,244	272,630	0	3,711,788	31,154,662
<u>Less accumulated depreciation for:</u>					
Buildings	9,051,916	370,158			9,422,074
Building improvements	2,311,562	194,397			2,505,959
Improvements other than buildings	382,397	23,269			405,666
Mobile equipment	1,818,600	96,042			1,914,642
Furniture and equipment	662,108	69,720			731,828
Total accumulated depreciation	14,226,583	753,586	0	0	14,980,169
Total depreciable capital assets, net	12,943,661	(480,956)	0	3,711,788	16,174,493
Governmental activities capital assets, net	\$ 16,163,563 *	920,700	0	0	17,084,263
Lease and subscription IT assets, net (Note 6)					39,786
Total capital assets, net, as reported in the statement of net position					17,124,049

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

* The beginning balance from prior year was \$16,209,642 less the lease asset in the amount of \$46,079 (see Note 6) equals the \$16,163,563 which is the revised beginning balance shown above.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 254,578
Support services	487,018
Non-instructional	11,990
Total depreciation expense	\$ 753,586

Note 6 - Intangible Right-to-Use Leases and Subscription Based IT Assets

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

	Balance 7-1-2022	Additions	Balance 6-30-2023
<u>Lease assets:</u>			
Furniture and equipment	\$ 67,346		67,346
Total lease assets	67,346	0	67,346
<u>Less accumulated depreciation:</u>			
Furniture and equipment	21,267	21,267	42,534
Total accumulated depreciation	21,267	21,267	42,534
Total lease assets, net	46,079	(21,267)	24,812
 Subscription IT assets	\$	29,032	29,032
Less accumulated amortization		14,058	14,058
Subscription IT assets, net	0	14,974	14,974
 Total lease and subscription IT assets, net	\$ 46,079	(6,293)	39,786

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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

		Balance 7-1-2022	Additions	Reductions	Balance 6-30-2023	Amounts due within one year
Lease liabilities	\$	46,765	0	21,207	25,558	21,852
Subscription IT liabilities		0	29,032	13,051	15,981	15,043
Total	\$	<u>46,765</u>	<u>29,032</u>	<u>34,258</u>	<u>41,539</u>	<u>36,895</u>

Leases

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

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

The school district generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the district would expect to obtain for a similar financed purchase at the date of lease inception.

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

Pontotoc City School District

Notes to the Financial Statements
For the Year Ended June 30, 2023

As Lessee:

RJ Young Copier Lease

The district has entered into a 60 month lease of copiers for a fixed \$1,850 per month. The lease agreement can only be cancelled if both parties agree or if either party fails to comply with the terms and conditions of the lease agreement. The lease agreement states “unless you give us least 30 days written notice before the end of the initial term, the lease will automatically renew for an additional one-year term. There are no variable payment options.

Description	Discount Rate	Term	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Copiers	3.00%	60 months	09-01-19	08-01-24	\$ 1,850	25,558

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

Year Ending June 30		Principal Payments	Interest Payments	Total
2024	\$	21,852	468	22,320
2025		3,706	14	3,720
Total	\$	25,558	482	26,040

SBITA Liability

RJ Young Uniform Software

The district has entered into a 60 month Uniform software agreement for a fixed \$491 per month. The software can only be cancelled if both parties agree or if either party fails to comply with the terms and conditions of the software agreement. The software agreement states “unless you give at least 30 days written notice before the end of the initial term, the lease will automatically renew for an additional one-year term. There are no variable payment options.

Description	Discount Rate	Term	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Software	3.00%	60 months	09-01-19	08-01-24	\$ 491	6,591

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

The following is a schedule by years of the total payments due on subscription-based IT liability:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 5,653	256	5,909
2025	939	9	948
Total	\$ 6,592	265	6,857

SPED Track Software

The district has entered into a 3 year software agreement for a fixed \$8,830 per year. The software can only be cancelled if both parties agree or if either party fails to comply with the terms and conditions of the software agreement.

Description	Discount Rate	Term	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Software	6.34%	3 Years	07-01-19	06-30-24	\$ 17,134	9,390

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

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 9,390	595	9,895

Note 7 - Long-term liabilities

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

	Balance 7-1-2022	Additions	Reductions	Balance 6-30-2023	Amounts due within one year
A. Shortfall notes payable	\$ 227,828		88,337	139,491	90,729
B. Obligations under energy efficiency loans	1,216,745		68,448	1,148,297	70,077
C. Qualified school construction bonds payable	3,000,000			3,000,000	
D. Compensated absences payable	190,377	10,760		201,137	
Total	\$ 4,634,950	10,760	156,785	4,488,925	160,806

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

A. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2020 Shortfall Note	2.50%	08-27-20	08-27-23	\$ 126,888	43,345
2021 Shortfall Note	3.00%	09-03-21	09-15-24	142,196	96,146
Total				\$ <u>269,084</u>	<u>139,491</u>

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

1. Series 2020:

Year Ending June 30	Principal	Interest	Total
2024	\$ 43,345	1,084	44,429

This debt will be retired from the Shortfall Note Fund.

2. Series 2021:

Year Ending June 30	Principal	Interest	Total
2024	\$ 47,384	2,886	50,270
2025	48,762	1,464	50,226
Total	\$ 96,146	4,350	100,496

This debt will be retired from the Shortfall Note Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 90,729	3,970	94,699
2025	48,762	1,464	50,226
Total	\$ 139,491	5,434	144,925

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

B. Obligations under energy efficiency loans

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency loan	2.38%	01-27-22	01-14-37	\$ <u>1,216,745</u>	<u>1,148,297</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 70,077	27,329	97,406
2025	71,745	25,662	97,407
2026	73,453	23,954	97,407
2027	75,201	22,206	97,407
2028	76,991	20,416	97,407
2029 - 2033	413,327	73,708	487,035
2034 - 2037	<u>367,503</u>	<u>22,123</u>	<u>389,626</u>
Total	\$ <u>1,148,297</u>	<u>215,398</u>	<u>1,363,695</u>

This debt will be retired from the General Fund.

An energy efficiency loan agreement dated January 27, 2022, was executed by and between the district and Truist Financial Corporation.

The agreement authorized the borrowing of \$1,126,745 for the purchase of energy efficiency equipment and supplies. Payments shall be made from the district maintenance fund and not to exceed 15 years.

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

C. Qualified school construction bonds payable

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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond	0.84%	09-15-09	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

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

Year Ending June 30		Principal	Interest	Total
2024	\$		25,200	25,200
2025		3,000,000	25,200	3,025,200
Total	\$	<u>3,000,000</u>	<u>50,400</u>	<u>3,050,400</u>

The debt will be retired from the QSCB Debt Retirement Fund.

D. Compensated absences payable

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

Note 8 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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 district. 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,

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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 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 \$2,663,452, \$2,352,955, and \$2,245,974, 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 \$40,432,031 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 0.196428 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.00230 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.

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$4,942,788. 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	\$ 568,124	\$
Net difference between projected and actual earnings on pension plan investments	2,173,899	
Change in assumptions	1,382,048	
Changes in proportion and differences between District contributions and proportionate share of contributions	8,531,200	7,725,199
District contributions subsequent to the measurement date	2,663,452	
Total	<u>\$ 15,318,723</u>	<u>\$ 7,725,199</u>

\$2,663,452 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	\$ 1,786,024
2025	1,184,174
2026	(234,080)
2027	2,193,954
Total	<u>\$ 4,930,072</u>

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%

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimates 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	<u>100.00%</u>	

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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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 lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 52,767,929	40,432,031	30,261,709

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

Note 9 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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 \$67,685 for the 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 \$1,356,939 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 0.27541776 percent. This was an increase of 0.00368982 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 (\$129,636). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Pontotoc City School District

Notes to the Financial Statements
For the Year Ended June 30, 2023

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	1,124	\$	587,882
Changes of assumptions		211,637		125,635
Net difference between projected and actual earnings on OPEB plan investments		94		
Changes in proportion and differences between District contributions and proportionate share of contributions		163,204		
District contributions subsequent to the measurement date		67,685		
Total	\$	<u>443,744</u>	\$	<u>713,517</u>

\$67,685 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	\$	(70,366)
2025		(58,631)
2026		(77,813)
2027		(70,018)
2028		(43,305)
Thereafter		(17,325)
Total	\$	<u>(337,458)</u>

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:

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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
Pre-Medicare	ultimate 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 an 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

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

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 Buyer General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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	\$	1,494,835	\$	1,356,939	\$	1,238,488

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

		1% Decrease		Healthcare Cost Trend Rates Current		1% Increase
Net OPEB liability	\$	1,262,534	\$	1,356,939	\$	1,463,179

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

Note 10 - 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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

any of the past three fiscal years.

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 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,117,530) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$2,663,452 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$12,655,271 balance of deferred outflow of resources, 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 (\$32,117,530) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$7,725,199 balance of deferred inflow of resources, at June 30, 2023 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$32,117,530) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$67,685 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$376,059 balance of deferred outflow of resources, 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 (\$32,117,530) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$713,517

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

balance of deferred inflow of resources, at June 30, 2023 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 13 - Insurance Loss Recoveries

The Pontotoc City School District received \$1,321 in insurance loss recoveries related to bus accident 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 to the expense function support services.

Note 14 - Vocational School Consortium

The school district entered a Vocational Educational Agreement dated January 31, 1984 creating the Pontotoc Ridge Career and Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Pontotoc County School District and the Pontotoc City School District.

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

The Pontotoc County School District has been designated as the fiscal agent for the Pontotoc Ridge Career and Technical Center, and the operations of the consortium are included in its financial statements.

Note 15 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

include the amount of any supplemental interest paid on a QSCB. The school district did not receive any subsidy payments as of June 30, 2023.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2023 was \$2,795,571. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30,		Amount
2024	\$	217,000
2025		217,000
Total	\$	<u>434,000</u>

The EEF building and buses revenue has been pledged for this debt. On November 9, 2009 the Pontotoc City School Board pledged revenue of \$62,647 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repair, and equipment for the school district. The commitment began in the fiscal year 2010-11 and will end with the 2024-25 school year. The revenue from the state varies from year to year but is all used for the debt retirement. For the year 2022-2023 the EEF revenue was \$72,128, of which \$72,128 was applied to the debt payment of the Qualified School Construction Bonds.

Note 16 - Unearned Revenue

The Pontotoc City School District received \$12,814 from upfront payments for participation in the child nutrition program for breakfast and lunch in the school cafeterias, \$2,336 from a non-reimbursable grant received from University of Southern Mississippi and \$4,490 from a State behavior specialist grant.

Note 17 - Juvenile Detention Center

The school district was required to participate in the Lee County Juvenile Detention Center. This consortium was created pursuant to the provisions of Section 43-21-321, Mississippi Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Calhoun County School District, Itawamba County School District, Lafayette County School District, Nettleton School District, New Albany

Pontotoc City School District

Notes to the Financial Statements For the Year Ended June 30, 2023

School District, Oxford Public School District, Pontotoc City School District, Pontotoc County School District, Starkville-Oktibbeha Consolidated School District, Tupelo Public School District and Union County School District.

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 Pontotoc City School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statement:

On August 14, 2023, the school was issued a \$232,371 shortfall note. The note will mature on August 14, 2026 with an interest rate of 6.34%.

REQUIRED SUPPLEMENTARY INFORMATION

PONTOTOC CITY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2023

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,582,237	4,761,842	4,761,843	179,605	1
Intermediate sources	1,000	3,785	3,785	2,785	-
State sources	15,421,698	15,423,007	15,423,008	1,309	1
Federal sources	89,044	114,037	114,037	24,993	-
Total Revenues	20,093,979	20,302,671	20,302,673	208,692	2
Expenditures:					
Instruction	13,310,541	13,300,381	13,300,381	10,160	-
Support services	6,715,883	6,233,170	6,233,170	482,713	-
Facilities acquisition and construction	-	62,940	62,940	(62,940)	-
Debt service:					
Principal	-	26,514	26,514	(26,514)	-
Interest	-	1,113	1,706	(1,113)	(593)
Other	-	593	-	(593)	593
Total Expenditures	20,026,424	19,624,711	19,624,711	401,713	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,555	677,960	677,962	610,405	2
Other Financing Sources (Uses):					
SBITA issued	-	29,032	29,032	29,032	-
Insurance recovery	-	1,321	1,321	1,321	-
Sale of other property	-	2,552	2,552	2,552	-
Operating transfers in	1,705,279	1,300,494	323,932	(404,785)	(976,562)
Operating transfers out	(1,590,007)	(1,419,608)	(443,047)	170,399	976,561
Total Other Financing Sources (Uses)	115,272	(86,209)	(86,210)	(201,481)	(1)
Net Change in Fund Balances	182,827	591,751	591,752	408,924	1
Fund Balances:					
July 1, 2022	1,738,677	2,138,104	2,138,104	399,427	-
June 30, 2023	\$ 1,921,504	2,729,855	2,729,856	808,351	1

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

Pontotoc City School District

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

PERS

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 40,432,031	28,674,048	36,827,479	32,072,631	27,763,423	30,338,691	32,148,208	27,043,665	21,363,177
District's proportion of the net pension liability	0.196428%	0.194000%	0.190618%	0.182314%	0.166918%	0.182506%	0.179976%	0.174949%	0.176300%
District's covered payroll	13,522,730	12,907,897	12,692,782	10,747,672	10,659,289	11,707,879	11,513,524	10,929,784	10,772,787
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.14%	290.15%	298.41%	260.46%	259.13%	279.22%	247.43%	198.31%
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 the required supplementary information are an integral part of this schedule.

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

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

Pontotoc City School District
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	\$ 2,663,452	2,352,955	2,245,974	2,208,544	1,870,095	1,678,838	1,843,991	1,813,380	1,721,441
Contributions in relation to the contractually required contribution	2,663,452	2,352,955	2,245,974	2,208,544	1,870,095	1,678,838	1,843,991	1,813,380	1,721,441
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	\$ 15,307,195	13,522,730	12,907,897	12,692,782	11,873,619	10,659,289	11,707,879	11,513,524	10,929,784
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 the required supplementary information are an integral part of this schedule.

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

Pontotoc City School District

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

OPEB

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 1,356,939	1,749,064	2,016,429	2,124,693	1,884,206	1,873,928
District's proportion of the net OPEB liability	0.27541776%	0.27172790%	0.25911200%	0.25039400%	0.24357902%	0.23883586%
District's covered-employee payroll	\$ 13,533,908	12,918,482	12,487,530	11,466,608	11,016,913	10,730,238 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	10.03%	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 the required supplementary information are an integral part of this schedule.

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

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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

Pontotoc City School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 67,685	55,298	70,301	80,415	85,164	79,888 **
Contributions in relation to the actuarially determined contribution	67,685	55,298	70,301	80,415	85,164	79,888 **
Contribution deficiency (excess)	\$ -	-	-	-	-	-
District's covered-employee payroll	\$ 13,451,665	13,070,385	12,647,369	12,202,412	11,515,764	11,104,668
Contributions as a percentage of covered-employee payroll	0.50%	0.42%	0.56%	0.66%	0.74%	0.72%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Pontotoc City School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2023

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 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.

Pontotoc City School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2023

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

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

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for 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

Pontotoc City School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2023

be used to project future improvements in life expectancy generationally.

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

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

(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	7.75 percent, net of pension plan investment expense, including inflation

Pontotoc City School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2023

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.

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

Pontotoc City School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2023

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

SUPPLEMENTARY INFORMATION

PONTOTOC CITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	235MS326N1099	10.553	\$ 284,311
National School Lunch Program	235MS326N1099	10.555	1,063,409
Total Child Nutrition Cluster			1,347,720
Total passed-through the Mississippi Department of Education			1,347,720
Total U.S. Department of Agriculture			1,347,720
<u>Federal Communications Commission</u>			
Direct Program:			
Emergency Connectivity Fund Program	N/A	32.009	21,340
Total Federal Communications Commission			21,340
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	S010A220024	84.010	813,370
Career and Technical Education - Basic Grants to States	V048A220024	84.048	43,777
Rural Education	S358B220024	84.358	57,480
English Language Acquisition State Grants	S365A220024	84.365	26,017
Supporting Effective Instruction State Grants	S367A220023	84.367	114,219
School Improvement Grants	S010A210024	84.377	11,242
Student Support and Academic Enrichment Program	S424A220025	84.424	55,499
Subtotal			1,121,604
Special Education Cluster:			
Special Education - Grants to States	H027A220108	84.027A	632,923
COVID-19 - IDEA, Part B ARP Grant	H027X210108	84.027X	78,577
Special Education - Preschool Grants	H173A220113	84.173A	24,660
Total Special Education Cluster			736,160
Education Stabilization Funds:			
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	S425D200031	84.425D	9,693
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	S425D210031	84.425D	837,402
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ARP III)	S425U210031	84.425U	2,015,634
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			2,862,729
Total passed-through the Mississippi Department of Education			4,720,493
Total U.S. Department of Education			4,720,493
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	2305MS5ADM	93.778	52,220
Total passed-through the Mississippi Department of Education			52,220
Total U.S. Department of Health and Human Services			52,220
<u>U. S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	04-23-04MSD100	96.001	308
Total passed-through the Mississippi Department of Rehabilitation Services			308
Total U.S. Department of Social Security Administration			308
Total for All Federal Awards			\$ 6,142,081

The notes to the schedule of expenditures of federal awards is an integral part of this schedule.

Pontotoc City School District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the school district under programs of the federal government for the year ended June 30, 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 school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities of \$83,366 are included in the National School Lunch Program.

PONTOTOC CITY SCHOOL DISTRICT

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 \$	21,039,227	16,755,010	775,498	1,234,760	2,273,959
Other	6,666,921	2,209,255	149,125	12,234	4,296,307
Total	\$ 27,706,148	18,964,265	924,623	1,246,994	6,570,266
Total number of students *	2,004				
Cost per student	\$ 13,825	9,463	461	622	3,279

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 functions: Support Services - School Administration.

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

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

OTHER INFORMATION

PONTOTOC CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 4,761,843	4,586,059	4,164,837	4,290,892
Intermediate sources	3,785	-	-	-
State sources	15,423,008	13,919,399	13,407,953	12,969,731
Federal sources	114,037	110,771	90,867	81,476
Total Revenues	<u>20,302,673</u>	<u>18,616,229</u>	<u>17,663,657</u>	<u>17,342,099</u>
Expenditures:				
Instruction	13,300,381	11,980,455	11,417,914	11,746,628
Support services	6,233,170	6,336,726	5,929,382	6,516,194
Facilities acquisition and construction	62,940	-	-	-
Debt service:				
Principal	26,514	20,581	-	18,309
Interest	1,706	1,739	6,439	2,563
Total Expenditures	<u>19,624,711</u>	<u>18,339,501</u>	<u>17,353,735</u>	<u>18,283,694</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>677,962</u>	<u>276,728</u>	<u>309,922</u>	<u>(941,595)</u>
Other Financing Sources (Uses):				
Notes issued	-	142,196	126,888	-
Leases issued	-	67,346	-	-
SBITA issued	29,032	-	-	-
Insurance recovery	1,321	6,197	-	7,700
Sale of other property	2,552	-	-	-
Sale of transportation equipment	-	7,080	10,998	-
Operating transfers in	323,932	264,797	42,719	2,122,490
Operating transfers out	(443,047)	(413,141)	(252,376)	(254,973)
Total Other Financing Sources (Uses)	<u>(86,210)</u>	<u>74,475</u>	<u>(71,771)</u>	<u>1,875,217</u>
Net Change in Fund Balances	<u>591,752</u>	<u>351,203</u>	<u>238,151</u>	<u>933,622</u>
Fund Balances:				
Beginning of period	2,138,104	1,786,901	1,548,750	615,128
End of period	<u>\$ 2,729,856</u>	<u>2,138,104</u>	<u>1,786,901</u>	<u>1,548,750</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

PONTOTOC CITY SCHOOL DISTRICT

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

"UNAUDITED"

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 5,269,165	5,005,043	4,567,419	5,032,434
Intermediate sources	3,785	-	-	-
State sources	16,704,222	14,370,316	14,132,300	13,590,979
Federal sources	6,163,680	6,264,580	4,148,598	2,495,284
Total Revenues	<u>28,140,852</u>	<u>25,639,939</u>	<u>22,848,317</u>	<u>21,118,697</u>
Expenditures:				
Instruction	16,140,630	13,960,524	13,485,003	13,275,533
Support services	8,281,833	10,146,978	7,635,213	7,343,298
Noninstructional services	1,499,690	1,369,265	1,195,665	1,244,603
Facilities acquisition and construction	1,506,102	-	-	-
Debt service:				
Principal	191,043	61,837	-	18,309
Interest	63,322	30,111	31,639	27,763
Other	23,528	190,126	14,600	1,950
Total Expenditures	<u>27,706,148</u>	<u>25,758,841</u>	<u>22,362,120</u>	<u>21,911,456</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>434,704</u>	<u>(118,902)</u>	<u>486,197</u>	<u>(792,759)</u>
Other Financing Sources (Uses):				
Notes issued	-	-	126,888	-
Proceeds of loans	-	1,358,941	-	-
Leases issued	-	67,346	-	-
SBITA issued	29,032	-	-	-
Insurance recovery	1,321	6197	-	7,700
Payment heldy by QSCB escrow agent	244,150	244,148	243,891	243,901
Payment to QSCB debt escrow agent	(244,150)	(244,148)	(243,891)	(243,901)
Sale of transportation equipment	-	7,080	10,998	-
Sale of other property	2,552	-	-	-
Operating transfers in	893,478	820,964	767,160	2,665,976
Operating transfers out	(893,478)	(820,964)	(767,160)	(2,665,976)
Total Other Financing Sources (Uses)	<u>32,905</u>	<u>1,439,564</u>	<u>137,886</u>	<u>7,700</u>
Net Change in Fund Balances	<u>467,609</u>	<u>1,320,662</u>	<u>624,083</u>	<u>(785,059)</u>
Fund Balances:				
Beginning of period	6,961,949	5,660,582	5,034,332	5,793,967
Increase (decrease) in reserve for inventory	19,573	(19,295)	2,167	25,424
End of period	<u>\$ 7,449,131</u>	<u>6,961,949</u>	<u>5,660,582</u>	<u>5,034,332</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc City 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 (Government Auditing Standards), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pontotoc City School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pontotoc City School District's basic financial statements, and have issued our report thereon dated October 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pontotoc City 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 12, 2023

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc City School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Pontotoc City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pontotoc City 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 Pontotoc City 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 Pontotoc City School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Pontotoc City 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 Pontotoc City 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 Pontotoc City School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 12, 2023

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc City School District as of and for the year ended June 30, 2023, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated October 12, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

Finding 1:

Criteria:

Section 25-11-127(4), Mississippi Code Annotated. (1972), states, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, “To lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

Condition:

During the review of the School District’s PERS Form 4Bs, the auditor noted two out of four PERS Form 4Bs were not filed within five days of the rehire date.

Cause:

The condition exists due to the difficulty of getting employees to come to the central office to sign off on the forms in the beginning of the fiscal year.

Effect:

The Mississippi Public Employees Retirement System could assess a penalty per occurrence payable by the District for not properly filing PERS Form 4B.

Recommendation:

We recommend the Pontotoc City School District should ensure compliance with state law and PERS by properly filing Form 4Bs within five days of rehire.

Response:

The district will be more proactive in communicating with retirees in order to get their Form 4B’s completed and sent to PERS on a timely basis.

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

The Pontotoc City School District’s response to the finding included in this report was 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 12, 2023

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pontotoc City School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2023

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: 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? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major federal programs:

Assistance Listing Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
*84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)
*84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)
*84.425U	COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ARP III)

* These two programs were audited as one major program - Education Stabilization Fund.

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 findings(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 2 CFR 200.511(b). No.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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