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RIGHTON SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2023

RICHTON SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Richton 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 Richton School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Richton 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 Richton 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 (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 Richton School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Richton 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 Richton 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 Richton 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 Richton 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 January 31, 2025, on our consideration of the Richton 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 Richton 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 Richton School District’s internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Madison, Mississippi
January 31, 2025



MANAGEMENT'S DISCUSSION AND ANALYSIS

RICHTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The following discussion and analysis of Richton 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 \$122,442, which represents a 4% decrease from fiscal year 2022. Total net position for 2022 increased \$1,441,022, including a prior period adjustment of (\$13,182), which represents a 34% increase from fiscal year 2021.
- General revenues amounted to \$4,672,760 and \$4,820,291, or 65% and 64% 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 \$2,555,806, or 35% of total revenues for 2023, and \$2,667,303, or 36% of total revenues for 2022.
- The District had \$7,351,008 and \$6,033,390 in expenses for fiscal years 2023 and 2022; only \$2,555,806 for 2023 and \$2,667,303 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,672,760 for 2023 were not adequate to provide for these programs. General revenues of \$4,820,291 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$4,635,535 in revenues and \$5,530,557 in expenditures for 2023, and \$4,711,852 in revenues and \$4,737,533 in expenditures in 2022. The General Fund's fund balance decreased by \$884,273 from 2022 to 2023, and decreased by \$30,059 from 2021 to 2022.
- Capital assets, net of accumulated depreciation, increased by \$894,309 for 2023 and increased by \$948,278 for 2022. The increase for 2023 was due primarily to the ongoing building improvements and the purchase of various items of mobile equipment and furniture and equipment.
- Long-term debt, including the liability for compensated absences, decreased by \$3,153 for 2023 and decreased by \$7,959 for 2022. The decrease for 2023 was due primarily to the principal payment on outstanding long-term debt. The liability for compensated absences decreased by \$153 for 2023 and decreased by \$4,959 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.

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.

RICHTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial

RICHTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

statements but are not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,968,927 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.

RICHTON 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	\$ 1,523,727	\$ 2,304,160	(33.87) %
Restricted assets	393,122	307,678	27.77 %
Lease receivable	-	19,692	(100.00) %
Capital assets, net	5,227,102	4,332,793	20.64 %
Total assets	<u>7,143,951</u>	<u>6,964,323</u>	2.58 %
 Deferred outflows of resources	 <u>1,817,451</u>	 <u>1,633,379</u>	 11.27 %
Current liabilities	320,379	184,801	73.36 %
Long-term debt outstanding	859,154	862,307	(0.37) %
Net OPEB liability	355,806	470,147	(24.32) %
Net pension liability	10,007,971	7,240,049	38.23 %
Total liabilities	<u>11,543,310</u>	<u>8,757,304</u>	31.81 %
 Deferred inflows of resources	 <u>387,019</u>	 <u>2,686,883</u>	 (85.60) %
 Net position:			
Net investment in capital assets	4,400,102	3,502,793	25.62 %
Restricted	789,216	741,811	6.39 %
Unrestricted	(8,158,245)	(7,091,089)	(15.05) %
Total net position	<u>\$ (2,968,927)</u>	<u>\$ (2,846,485)</u>	(4.30) %

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions and OPEB, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (8,158,245)
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>8,919,955</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 761,710</u>

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

- Increase in net capital assets in the amount of \$894,309.
- The principal retirement of \$3,000 of long-term debt.

RICHTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$7,228,566 and \$7,487,594, respectively. The total cost of all programs and services was \$7,351,008 for 2023 and \$6,033,390 for 2022.

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

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 107,508	\$ 80,006	34.37 %
Operating grants and contributions	2,448,298	2,587,297	(5.37) %
General revenues:			
Property taxes	1,147,006	1,260,600	(9.01) %
Grants and contributions not restricted	3,447,159	3,491,283	(1.26) %
Investment earnings	12,075	7,712	56.57 %
Sixteenth section sources	18,511	19,006	(2.60) %
Other	48,009	41,690	15.16 %
Total revenues	<u>7,228,566</u>	<u>7,487,594</u>	(3.46) %
Expenses:			
Instruction	3,868,616	3,556,126	8.79 %
Support services	2,198,203	1,874,562	17.26 %
Non-instructional	383,607	316,572	21.18 %
Sixteenth section	22,101	4,480	393.33 %
Pension expense	928,332	309,144	200.29 %
OPEB expense	(61,054)	(38,617)	(58.10) %
Interest on long-term liabilities	11,203	11,123	0.72 %
Total expenses	<u>7,351,008</u>	<u>6,033,390</u>	21.84 %
Increase (Decrease) in net position	<u>(122,442)</u>	<u>1,454,204</u>	(108.42) %
Net Position, July 1, as previously reported	<u>(2,846,485)</u>	<u>(4,287,507)</u>	33.61 %
Prior Period Adjustment	<u>-</u>	<u>(13,182)</u>	100.00 %
Net Position, July 1, as restated	<u>(2,846,485)</u>	<u>(4,300,689)</u>	33.81 %
Net Position, June 30	<u>\$ (2,968,927)</u>	<u>\$ (2,846,485)</u>	(4.30) %

Governmental activities

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

RICHTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2023</u>	<u>2022</u>	
Instruction	\$ 3,868,616	\$ 3,556,126	8.79 %
Support services	2,198,203	1,874,562	17.26 %
Non-instructional	383,607	316,572	21.18 %
Sixteenth section	22,101	4,480	393.33 %
Pension Expense	928,332	309,144	200.29 %
OPEB Expense	(61,054)	(38,617)	(58.10) %
Interest on long-term liabilities	11,203	11,123	0.72 %
Total expenses	\$ 7,351,008	\$ 6,033,390	21.84 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2023</u>	<u>2022</u>	
Instruction	\$ (2,428,072)	\$ (2,873,388)	15.50 %
Support services	(1,451,212)	(308,296)	(370.72) %
Non-instructional	(15,336)	101,727	(115.08) %
Sixteenth section	(22,101)	(4,480)	(393.33) %
Pension Expense	(928,332)	(309,144)	(200.29) %
OPEB Expense	61,054	38,617	58.10 %
Interest on long-term liabilities	(11,203)	(11,123)	(0.72) %
Total net (expense) revenue	\$ (4,795,202)	\$ (3,366,087)	(42.46) %

- Net cost of governmental activities (\$4,795,202 for 2023 and \$3,366,087 for 2022) was financed by general revenue, which is primarily made up of property taxes (\$1,147,006 for 2023 and \$1,260,600 for 2022) and state and federal revenues (\$3,447,159 for 2023 and \$3,491,283 for 2022). In addition, there was \$18,511 and \$19,006 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$12,075 for 2023 and \$7,712 for 2022.

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 \$1,583,821, a decrease of \$836,875, which includes a decrease in inventory of \$10,930. \$768,090, or 48% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$815,731 or 52% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

RICHTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$884,273. The fund balance of Other Governmental Funds showed a decrease in the amount of \$38,611, which includes a decrease in inventory of \$10,930. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER II Fund	no increase or decrease
ARP ESSER Fund	no increase or decrease
QSCB Fund	\$ 86,009

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the District's total capital assets were \$10,841,108, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,147,028 from 2022. Total accumulated depreciation as of June 30, 2023, was \$5,614,006, and total depreciation expense for the year was \$264,479, resulting in total net capital assets of \$5,227,102.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 104,473	\$ 104,473	0.00 %
Construction in Progress	471,495	1,241,956	(62.04) %
Buildings	1,649,047	1,704,925	(3.28) %
Building improvements	2,375,971	693,993	242.36 %
Improvements other than buildings	235,669	245,876	(4.15) %
Mobile equipment	378,851	332,454	13.96 %
Furniture and equipment	11,596	9,116	27.20 %
Total	<u>\$ 5,227,102</u>	<u>\$ 4,332,793</u>	20.64 %

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

RICHTON SCHOOL DISTRICT
 Management's Discussion and Analysis
 For the Year Ended June 30, 2023

Debt Administration. At June 30, 2023, the District had \$859,154 in outstanding long-term debt, of which \$4,608 is due within one year. During the fiscal year, the District made principal payments totaling \$3,000 on outstanding long-term debt. The liability for compensated absences decreased \$153 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 327,000	\$ 330,000	(0.91) %
Qualified school construction bonds payable	500,000	500,000	0.00 %
Compensated absences payable	32,154	32,307	(0.47) %
Total	<u>\$ 859,154</u>	<u>\$ 862,307</u>	(0.37) %

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

CURRENT ISSUES

The Richton 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Richton School District, P.O. Box 568, Richton, MS 39476.

FINANCIAL STATEMENTS

RIGHTON SCHOOL DISTRICT

**Statement of Net Position
June 30, 2023**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 961,295
Due from other governments	543,293
Accrued interest receivable	870
Inventories	18,269
Restricted assets	393,122
Capital assets, non-depreciable:	
Land	104,473
Construction in progress	471,495
Capital assets, net of accumulated depreciation:	
Buildings	1,649,047
Building improvements	2,375,971
Improvements other than buildings	235,669
Mobile equipment	378,851
Furniture and equipment	11,596
Total Assets	7,143,951
Deferred Outflows of Resources	
Deferred outflows - pensions	1,743,500
Deferred outflows - OPEB	73,951
Total Deferred Outflows of Resources	1,817,451
Liabilities	
Accounts payable and accrued liabilities	319,638
Interest payable on long-term liabilities	741
Long-term liabilities, due within one year:	
Capital related liabilities	3,000
Non-capital related liabilities	1,608
Net OPEB liability	17,178
Long-term liabilities, due beyond one year:	
Capital related liabilities	824,000
Non-capital related liabilities	30,546
Net pension liability	10,007,971
Net OPEB liability	338,628
Total Liabilities	11,543,310
Deferred Inflows of Resources	
Deferred inflows - pensions	154,528
Deferred inflows - OPEB	219,101
Deferred inflows - leases	13,390
Total Deferred Inflows of Resources	387,019
Net Position	
Net investment in capital assets	4,400,102
Restricted for:	
Expendable:	
School-based activities	241,704
Debt service	415,719
Forestry improvements	68,044
Unemployment benefits	18,947
Non-expendable:	
Sixteenth section	44,802
Unrestricted	(8,158,245)
Total Net Position	\$ (2,968,927)

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

RIGHTON SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2023**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	\$ 3,868,616	\$ 79,056	\$ 1,361,488	\$ -	\$ (2,428,072)
Support services	2,198,203	-	746,991	-	(1,451,212)
Non-instructional	383,607	28,452	339,819	-	(15,336)
Sixteenth section	22,101	-	-	-	(22,101)
Pension expense	928,332	-	-	-	(928,332)
OPEB expense	(61,054)	-	-	-	61,054
Interest on long-term liabilities	11,203	-	-	-	(11,203)
Total Governmental Activities	\$ 7,351,008	\$ 107,508	\$ 2,448,298	\$ -	\$ (4,795,202)
General Revenues:					
Taxes:					
					1,087,181
					59,825
Unrestricted grants and contributions:					
					3,447,117
					42
					12,075
					18,511
					48,009
					4,672,760
					(122,442)
					(2,846,485)
					\$ (2,968,927)

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

RIGHTON SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2023

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	ESSER II Fund	ARP ESSER Fund	QSCB Fund		
Assets						
Cash and cash equivalents	\$ 10,741	\$ 93,583	\$ 456,974	\$ -	\$ 444,799	\$ 1,006,097
Cash with fiscal agents	-	-	-	168,520	-	168,520
Investments	-	-	-	179,800	-	179,800
Due from other governments	114,627	90,222	234,856	-	103,588	543,293
Accrued interest receivable	-	-	-	870	-	870
Due from other funds	960,701	-	-	-	-	960,701
Inventories	-	-	-	-	18,269	18,269
Total Assets	<u>\$ 1,086,069</u>	<u>\$ 183,805</u>	<u>\$ 691,830</u>	<u>\$ 349,190</u>	<u>\$ 566,656</u>	<u>\$ 2,877,550</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 278,815	\$ -	\$ 23,233	\$ -	\$ 17,590	\$ 319,638
Due to other funds	-	183,805	668,597	-	108,299	960,701
Total Liabilities	<u>278,815</u>	<u>183,805</u>	<u>691,830</u>	<u>-</u>	<u>125,889</u>	<u>1,280,339</u>
Deferred Inflows of Resources						
Leases	13,390	-	-	-	-	13,390
Total Deferred Inflows of Resources	<u>13,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,390</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	18,269	18,269
Permanent fund principal	-	-	-	-	44,802	44,802
Restricted:						
Debt service	-	-	-	349,190	67,270	416,460
Forestry improvement purposes	-	-	-	-	68,044	68,044
Grant activities	-	-	-	-	223,435	223,435
Unemployment benefits	-	-	-	-	18,947	18,947
Assigned:						
Activity funds	25,774	-	-	-	-	25,774
Unassigned						
Total Fund Balances	<u>768,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,090</u>
Total Fund Balances	<u>793,864</u>	<u>-</u>	<u>-</u>	<u>349,190</u>	<u>440,767</u>	<u>1,583,821</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,086,069</u>	<u>\$ 183,805</u>	<u>\$ 691,830</u>	<u>\$ 349,190</u>	<u>\$ 566,656</u>	<u>\$ 2,877,550</u>

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

**RIGHTON SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023**

Exhibit C-1

Total fund balances for governmental funds \$ 1,583,821

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

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

Land	\$	104,473	
Construction in progress		471,495	
Buildings		4,496,105	
Building improvements		3,443,456	
Improvements other than buildings		502,997	
Mobile equipment		1,299,325	
Furniture and equipment		523,257	
Accumulated depreciation		<u>(5,614,006)</u>	5,227,102

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

Net pension liability		(10,007,971)	
-----------------------	--	--------------	--

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

Deferred outflows of resources related to pensions		1,743,500	
Deferred inflows of resources related to pensions		<u>(154,528)</u>	(8,418,999)

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

Net OPEB liability		(355,806)	
--------------------	--	-----------	--

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

Deferred outflows of resources related to OPEB		73,951	
Deferred inflows of resources related to OPEB		<u>(219,101)</u>	(500,956)

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

Other bonds payable		(500,000)	
Notes payable		(327,000)	
Compensated absences		(32,154)	
Accrued interest payable		<u>(741)</u>	(859,895)

Net Position of governmental activities **\$ (2,968,927)**

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

RIGHTON SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	ESSER II Fund	ARP ESSER Fund	QSCB Fund		
Revenues:						
Local sources	\$ 1,215,164	\$ -	\$ -	\$ 6,009	\$ 88,531	\$ 1,309,704
State sources	3,400,411	-	-	-	467,546	3,867,957
Federal sources	42	349,051	928,972	-	749,435	2,027,500
Sixteenth section sources	19,918	-	-	-	3,487	23,405
Total Revenues	4,635,535	349,051	928,972	6,009	1,308,999	7,228,566
Expenditures:						
Instruction	3,564,461	-	211,560	-	529,512	4,305,533
Support services	1,948,475	4,897	12,311	-	309,430	2,275,113
Noninstructional services	-	-	-	-	388,299	388,299
Sixteenth section	17,621	-	-	-	4,480	22,101
Facilities acquisition and construction	-	344,154	705,101	-	-	1,049,255
Debt service:						
Principal	-	-	-	-	3,000	3,000
Interest	-	-	-	-	8,803	8,803
Other	-	-	-	-	2,407	2,407
Total Expenditures	5,530,557	349,051	928,972	-	1,245,931	8,054,511
Excess (Deficiency) of Revenues over (under) Expenditures	(895,022)	-	-	6,009	63,068	(825,945)
Other Financing Sources (Uses):						
Payments held by escrow agent	-	-	-	80,000	-	80,000
Payment to QSCB debt escrow agent	-	-	-	-	(80,000)	(80,000)
Operating transfers in	10,749	-	-	-	-	10,749
Operating transfers out	-	-	-	-	(10,749)	(10,749)
Total Other Financing Sources (Uses)	10,749	-	-	80,000	(90,749)	-
Net Change in Fund Balances	(884,273)	-	-	86,009	(27,681)	(825,945)
Fund Balances:						
July 1, 2022	1,678,137	-	-	263,181	479,378	2,420,696
Increase (Decrease) in inventory	-	-	-	-	(10,930)	(10,930)
June 30, 2023	\$ 793,864	\$ -	\$ -	\$ 349,190	\$ 440,767	\$ 1,583,821

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

McKenzie CPA, PLLC

**RIGHTON SCHOOL DISTRICT
Governmental Funds**

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (825,945)

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay and net lease and subscription based assets	\$ 1,158,907	
	Depreciation and amortization expense	<u>(264,479)</u>	894,428
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(119)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	3,000	
	Accrued interest payable	<u>7</u>	3,007
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	Pension expense	(928,332)	
	Contributions subsequent to the measurement date	<u>666,105</u>	(262,227)
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	OPEB expense	61,054	
	Contributions subsequent to the measurement date	<u>18,137</u>	79,191
6.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	153	
	Change in inventory	<u>(10,930)</u>	(10,777)
Change in Net Position of governmental activities			<u><u>\$ (122,442)</u></u>

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

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 Richton since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

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

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.

ESSER II Fund – This is a special revenue fund that is used to account for federal sources received and expenditures incurred related to the District's Elementary and Secondary School Emergency Relief (ESSER) program.

ARP ESSER Fund – This is a special revenue fund that is used to account for federal sources received and expenditures incurred related to the District's Elementary and Secondary School Emergency Relief (ESSER) ARP program.

QSCB Fund – This is a debt service fund that is used to accumulate funds associated with the repayment of the district's Qualified School Construction 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.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as deferred outflows related to pensions and deferred outflows related to OPEB. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred deferred inflows which are presented as deferred inflows related to pensions, deferred inflows related to OPEB, and deferred inflows related to leases. See Note 14 for further details.

8. Compensated Absences

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

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

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.

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

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.

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

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

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

14. Fund Balances

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

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

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

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

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

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

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

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

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

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

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, Cash with Fiscal Agents, and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$1,006,097. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$961,295 and a portion of restricted assets in the amount of \$44,802 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2023, none of the district's bank balance of \$1,549,224 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$168,520.

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

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	Less than 5 years	\$ 179,800
Total			<u>\$ 179,800</u>

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:

- U.S. Treasury SLGS Deposits of \$179,800 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2023, the district did not have any investments to which this would apply.

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	ESSER II Fund	\$ 183,805
	ARP ESSER Fund	668,597
	Other governmental funds	<u>108,299</u>
Total		<u>\$ 960,701</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
Other governmental funds	General Fund	\$ 10,749
Total		<u>\$ 10,749</u>

Operating transfers were for indirect costs from federal programs to the General Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$44,802 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$168,520 and \$179,800, respectively, of the QSCB Fund (Debt Service Fund).

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

Note 5 – Capital Assets

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

	Balance 7/1/2022	Increases	Decreases	Completed Construction	Balance 6/30/2023
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 104,473				\$ 104,473
Construction-in-progress	1,241,956	1,049,255		(1,819,716)	471,495
Total non-depreciable capital assets	<u>1,346,429</u>	<u>1,049,255</u>	<u>-</u>	<u>(1,819,716)</u>	<u>575,968</u>
<u>Depreciable capital assets:</u>					
Buildings	4,496,105				4,496,105
Building improvements	1,623,740			1,819,716	3,443,456
Improvements other than buildings	502,997				502,997
Mobile equipment	1,196,412	102,913			1,299,325
Furniture and equipment	528,397	6,739	11,879		523,257
Total depreciable capital assets	<u>8,347,651</u>	<u>109,652</u>	<u>11,879</u>	<u>1,819,716</u>	<u>10,265,140</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,791,180	55,878			2,847,058
Building improvements	929,747	137,738			1,067,485
Improvements other than buildings	257,121	10,207			267,328
Mobile equipment	863,958	56,516			920,474
Furniture and equipment	519,281	4,140	11,760		511,661
Total accumulated depreciation	<u>5,361,287</u>	<u>264,479</u>	<u>11,760</u>	<u>-</u>	<u>5,614,006</u>
Total depreciable capital assets, net	<u>2,986,364</u>	<u>(154,827)</u>	<u>119</u>	<u>1,819,716</u>	<u>4,651,134</u>
Governmental activities capital assets, net	<u>\$ 4,332,793</u>	<u>\$ 894,428</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 5,227,102</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 42,160
Support services	203,721
Non-instructional	18,598
Total depreciation expense - Governmental activities	<u>\$ 264,479</u>

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

	Spent to June 30, 2023	Remaining Commitment
Governmental Activities:		
Schneider Electric Project - Part 2	\$ 471,495	\$ 152,176
Total construction in progress	<u>\$ 471,495</u>	<u>\$ 152,176</u>

Construction projects included in governmental activities are funded with ESSER federal funds.

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

Leases

As Lessee:

The school district has no leases of equipment, buildings, etc. that were required to be reported under GASB 87.

As Lessor:

Sixteenth Section Lands

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

The District uses the rate of 4% minimum interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 4 leases involving the lease of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The school district's lease receivable balance as of June 30, 2023, was \$0, and the deferred inflows of resources balance was \$13,390. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The total amount of inflows of resources recognized during the current fiscal year is \$18,511.

Subscription Based IT Arrangements

The school district has no contracts for subscription-based IT arrangements for items such as software, site licenses, etc. that were required to be reported under GASB 96.

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

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. Three mill notes payable	\$ 330,000	\$	3,000	\$ 327,000	\$ 3,000
B. Qualified school construction bonds payable	500,000			500,000	-
C. Compensated absences payable	32,307		153	32,154	1,608
Total	\$ 862,307	\$ -	3,153	\$ 859,154	\$ 4,608

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes,					
Series 2016	2.425%-2.725%	5/31/2016	5/30/2028	\$ 500,000	\$ 327,000
Total				\$ 500,000	\$ 327,000

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 3,000	\$ 8,725	\$ 11,725
2025	82,000	8,648	90,648
2026	83,000	6,495	89,495
2027	83,000	4,291	87,291
2028	76,000	2,071	78,071
Total	\$ 327,000	\$ 30,230	\$ 357,230

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

B. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, Series 2009	0%	11/20/2009	9/15/2024	\$ 500,000	\$ 500,000
Total				\$ 500,000	\$ 500,000

C. Compensated absences payable

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2023 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2023, 2022 and 2021 were \$666,105, \$582,422, and \$566,702, 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 \$10,007,971 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 0.048621 percent, which was based on a measurement date of June 30, 2022. This was a decrease of 0.000363 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.

For the year ended June 30, 2023, the District recognized pension expense of \$928,332. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions

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

from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 141,831	\$
Net difference between projected and actual earnings on pension plan investments	511,173	
Changes of assumptions	348,722	
Changes in proportion and differences between District contributions and proportionate share of contributions	75,669	154,528
District contributions subsequent to the measurement date	666,105	
Total	\$ 1,743,500	\$ 154,528

\$666,105 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	\$ 228,598
2025	248,431
2026	(97,223)
2027	543,061

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods included in the measurement:

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

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

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

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

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

return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	%	<u>Long-Term Expected Real Rate of Return</u>	%
Domestic Equity	25.00	%	4.60	%
International Equity	20.00		4.50	
Global Equity	12.00		4.85	
Fixed Income	18.00		1.40	
Real Estate	10.00		3.65	
Private Equity	10.00		6.00	
Private Infrastructure	2.00		4.00	
Private Credit	2.00		4.00	
Cash Equivalents	1.00		(0.10)	
Total	100	%		

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

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

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 13,061,424	\$ 10,007,971	\$ 7,490,554

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may 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 \$18,137 for the year ended June 30, 2023.

RICHTON SCHOOL DISTRICT
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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 \$355,806 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 0.07221791 percent. This was a decrease of 0.00082232 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 (\$61,054). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 295	\$ 154,150
Changes of assumptions	55,494	32,943
Net difference between projected and actual earnings on OPEB plan investments	25	
Changes in proportion and differences between District contributions and proportionate share of contributions		32,008
District contributions subsequent to the measurement date	18,137	
Total	\$ <u>73,951</u>	\$ <u>219,101</u>

\$18,137 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	\$ (44,145)
2025	(36,480)
2026	(37,371)
2027	(26,414)
2028	(13,486)
Thereafter	(5,391)

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2029 FYE
Pre-Medicare	

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

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 391,964	\$ 355,806	\$ 324,747

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	\$ 331,052	\$ 355,806	\$ 383,663

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 – Deficit Fund Balance of Individual Funds

The District Maintenance Fund, included in the General Fund for financial reporting purposes, has a deficit fund balance in the amount of \$88,070. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

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.

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Qualified School Construction Bonds

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

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

The school district 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 \$349,190, including accrued income of \$870. 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	\$ 80,000
2025	80,000
Total	<u>\$ 160,000</u>

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

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$8,158,245) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$666,105 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 \$1,077,395 balance of deferred outflow of resources related to pensions at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$8,158,245) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$154,528 balance of deferred inflow of resources related to pensions at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$8,158,245) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$18,137 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$55,814 balance of deferred outflow of resources related to OPEB at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$8,158,245) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$219,101 balance of deferred inflow of resources related to OPEB at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$8,158,245) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$13,390 balance of deferred inflow of resources related to leases at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 15 – State Compliance Testing

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

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Richton School District evaluated the activity of the district through January 31, 2025, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,591,934	\$ 1,215,164	\$ 1,215,164	\$ (376,770)	\$ -
State sources	4,028,425	3,400,411	3,400,411	(628,014)	-
Federal sources	252	42	42	(210)	-
Sixteenth section sources	11,060	26,219	19,918	15,159	(6,301)
Total Revenues	5,631,671	4,641,836	4,635,535	(989,835)	(6,301)
Expenditures:					
Instruction	3,611,343	3,564,461	3,564,461	46,882	-
Support services	1,946,541	1,964,274	1,948,475	(17,733)	15,799
Sixteenth section	2,000	17,621	17,621	(15,621)	-
Total Expenditures	5,559,884	5,546,356	5,530,557	13,528	15,799
Excess (Deficiency) of Revenues over (under) Expenditures	71,787	(904,520)	(895,022)	(976,307)	9,498
Other Financing Sources (Uses):					
Operating transfers in	429,305	449,585	10,749	20,280	(438,836)
Operating transfers out	(237,065)	(438,836)	-	(201,771)	438,836
Total Other Financing Sources (Uses)	192,240	10,749	10,749	(181,491)	-
Net Change in Fund Balances	264,027	(893,771)	(884,273)	(1,157,798)	9,498
Fund Balances:					
July 1, 2022, as previously reported	1,664,683	1,664,683	1,678,137	-	13,454
Prior period adjustments	164,640	164,640	-	-	(164,640)
July 1, 2022, as restated	1,829,323	1,829,323	1,678,137	-	(151,186)
June 30, 2023	\$ 2,093,350	\$ 935,552	\$ 793,864	\$ (1,157,798)	\$ (141,688)

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

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ESSER II Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,868,000	\$ -	\$ 349,051	\$ (1,868,000)	\$ 349,051
Total Revenues	1,868,000	-	349,051	(1,868,000)	349,051
Expenditures:					
Support services	38,338	4,897	4,897	33,441	-
Facilities acquisition and construction	1,829,042	344,154	344,154	1,484,888	-
Total Expenditures	1,867,380	349,051	349,051	1,518,329	-
Excess (Deficiency) of Revenues over (under) Expenditures	620	(349,051)	-	(349,671)	349,051
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	620	(349,051)	-	(349,671)	349,051
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ 620	\$ (349,051)	\$ -	\$ (349,671)	\$ 349,051

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

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ARP ESSER Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,734,700	\$ -	\$ 928,972	\$ (1,734,700)	\$ 928,972
Total Revenues	1,734,700	-	928,972	(1,734,700)	928,972
Expenditures:					
Instruction	192,673	505,500	211,560	(312,827)	293,940
Support services	42,000	28,960	12,311	13,040	16,649
Facilities acquisition and construction	1,500,000	867,276	705,101	632,724	162,175
Total Expenditures	1,734,673	1,401,736	928,972	332,937	472,764
Excess (Deficiency) of Revenues over (under) Expenditures	27	(1,401,736)	-	(1,401,763)	1,401,736
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	27	(1,401,736)	-	(1,401,763)	1,401,736
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ 27	\$ (1,401,736)	\$ -	\$ (1,401,763)	\$ 1,401,736

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

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability
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>
District's proportion of the net pension liability	0.048621%	0.048984%	0.048145%	0.051595%	0.046482%	0.050335%	0.054593%	0.050181%	0.045548%
District's proportionate share of the net pension liability	\$ 10,007,971	\$ 7,240,057	\$ 9,320,313	\$ 9,076,578	\$ 7,731,338	\$ 8,367,385	\$ 9,751,674	\$ 7,756,993	\$ 5,528,693
District's covered payroll	3,347,253	3,256,908	3,205,891	3,360,222	2,968,337	3,229,022	3,492,438	3,135,035	2,783,194
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.72%	270.12%	260.46%	259.13%	279.22%	247.43%	198.65%
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.

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 666,105	\$ 582,422	\$ 566,702	\$ 557,825	\$ 529,235	\$ 467,513	\$ 508,571	\$ 550,059	\$ 493,768
Contributions in relation to the contractually required contribution	666,105	582,422	566,702	557,825	529,235	467,513	508,571	550,059	493,768
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,828,190	\$ 3,347,253	\$ 3,256,908	\$ 3,205,891	\$ 3,360,222	\$ 2,968,337	\$ 3,229,022	\$ 3,492,438	\$ 3,135,035
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 6/30/2015 and, until a full 10-year trend is complete the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.07221791%	0.07304023%	0.07444393%	0.07652380%	0.07887321%	0.07944016%
District's proportionate share of the net OPEB liability	\$ 355,806	\$ 470,147	\$ 579,329	\$ 649,336	\$ 610,124	\$ 623,295
District's covered - employee payroll	\$ 3,548,756	\$ 3,472,477	\$ 3,587,496	\$ 3,504,351	\$ 3,567,382	\$ 3,569,028
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.

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

RIGHTON SCHOOL DISTRICT
Required Supplementary Information

Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 18,137	\$ 14,500	\$ 18,897	\$ 23,102	\$ 26,027	\$ 26,572
Contributions in relation to the actuarially determined contribution	18,137	14,500	18,897	23,102	26,027	26,572
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
District's covered - employee payroll	\$ 3,828,190	\$ 3,347,253	\$ 3,256,908	\$ 3,205,891	\$ 3,360,222	\$ 2,968,337
Contributions as a percentage of covered - employee payroll	0.47%	0.43%	0.58%	0.72%	0.77%	0.90%

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 6/30/2018 and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

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

Budgetary Comparison Schedules

(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 and each major Special Revenue Fund (If applicable) consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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

2019:

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

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

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

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

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

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

2021:

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

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

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

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

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

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

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

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

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

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

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

(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

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

RICHTON SCHOOL DISTRICT
Notes to the Required Supplementary Information
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 calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

SUPPLEMENTARY INFORMATION

**Richton School District
Supplementary Information**

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

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program	10.555	216MS326N10	\$ 354,759
Total child nutrition cluster			<u>354,759</u>
Total passed-through Mississippi Department of Education			<u>354,759</u>
Total U.S. Department of Agriculture			<u>354,759</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	381,537
Supporting Effective Instruction State Grants	84.367	S367A200023	49,465
Student Support and Academic Enrichment Program	84.424A	S424A200025	28,986
Subtotal			<u>459,988</u>
Special education cluster:			
Special education - grants to states	84.027	H027A200108	179,814
IDEA, Part B ARP Grant	84.027X	H027X200108	18,398
Subtotal			<u>198,212</u>
Special education - preschool grants	84.173	H173A200113	14,200
IDEA, Preschool ARP Grant	84.173X	H173X200113	2,900
Subtotal			<u>17,100</u>
Total special education cluster			<u>215,312</u>
COVID - 19 - Education Stabilization Fund (ESSER)			
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	14,370
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	349,051
Elementary & Secondary School Emergency Relief Fund III	84.425U	S425U210031	928,972
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			<u>1,292,393</u>
Total passed-through Mississippi Department of Education			<u>1,967,693</u>
Total U.S. Department of Education			<u>1,967,693</u>
<u>U.S. Department of Social Security</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security disability insurance	96.001	04-19-04MSD100	42
Total U.S. Department of Social Security			<u>42</u>
Total for All Federal Awards			<u>\$ 2,322,494</u>

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

RICHTON SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2023

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities are included in the National School Lunch Program.

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

**RICHTON SCHOOL DISTRICT
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2023**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,269,618	4,120,702	433,660	237,456	477,800
Other	<u>2,784,893</u>	<u>711,208</u>	<u>95,342</u>	<u>1,569</u>	<u>1,976,774</u>
Total	<u>\$ 8,054,511</u>	<u>4,831,910</u>	<u>529,002</u>	<u>239,025</u>	<u>2,454,574</u>
Total number of students *	<u>573</u>				
Cost per student	<u>\$ 14,057</u>	<u>8,433</u>	<u>923</u>	<u>417</u>	<u>4,284</u>

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

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

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

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

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

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

OTHER INFORMATION

RIGHTON SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 1,215,164	\$ 1,307,063	\$ 1,408,536	\$ 1,461,657
State sources	3,400,411	3,375,703	3,554,870	3,674,292
Federal sources	42	9,390	5,355	6,732
Sixteenth Section sources	19,918	19,696	36,183	22,495
Total Revenues	<u>4,635,535</u>	<u>4,711,852</u>	<u>5,004,944</u>	<u>5,165,176</u>
Expenditures:				
Instruction	3,564,461	3,114,427	3,134,709	3,394,048
Support services	1,948,475	1,623,106	1,632,519	1,634,271
Sixteenth section	17,621	-	-	5,000
Facilities acquisition and construction	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Total Expenditures	<u>5,530,557</u>	<u>4,737,533</u>	<u>4,767,228</u>	<u>5,033,319</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(895,022)</u>	<u>(25,681)</u>	<u>237,716</u>	<u>131,857</u>
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	16,404
Sale of transportation equipment	-	-	-	1,854
Operating transfers in	10,749	5,630	936	55,435
Operating transfers out			(237,956)	(158,268)
Other financing Uses		(10,008)		
Total Other Financing Sources (Uses)	<u>10,749</u>	<u>(4,378)</u>	<u>(237,020)</u>	<u>(84,575)</u>
Net Change in Fund Balances	<u>(884,273)</u>	<u>(30,059)</u>	<u>696</u>	<u>47,282</u>
Fund Balances:				
Beginning of period, as previously reported	1,678,137	1,708,196	1,691,723	1,644,441
Fund reclassification			20,228	-
Prior period adjustments			(4,451)	-
Beginning of period, restated	<u>1,678,137</u>	<u>1,708,196</u>	<u>1,707,500</u>	<u>1,644,441</u>
End of Period	<u>\$ 793,864</u>	<u>\$ 1,678,137</u>	<u>\$ 1,708,196</u>	<u>\$ 1,691,723</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

RICHTON SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 1,309,704	\$ 1,384,700	\$ 1,496,031	\$ 1,606,231
State sources	3,867,957	3,623,242	3,631,547	3,783,836
Federal sources	2,027,500	2,455,339	1,321,794	741,800
Sixteenth Section sources	23,405	24,313	38,052	24,387
Total Revenues	7,228,566	7,487,594	6,487,424	6,156,254
Expenditures:				
Instruction	4,305,533	3,822,314	4,150,010	3,933,234
Support services	2,275,113	1,898,166	1,878,553	1,793,231
Noninstructional services	388,299	340,826	301,837	376,460
Sixteenth section	22,101	4,480	-	8,655
Facilities acquisition and construction	1,049,255	1,241,956	-	-
Debt Service:				
Principal	3,000	3,000	4,000	4,000
Interest	8,803	8,879	8,980	9,080
Other	2,407	2,250	1,900	500
Total Expenditures	8,054,511	7,321,871	6,345,280	6,125,160
Excess (Deficiency) of Revenues over (under) Expenditures	(825,945)	165,723	142,144	31,094
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	16,404
Sale of transportation equipment	-	-	-	1,854
Payments held by escrow agent	80,000	80,000	80,000	80,000
Payments to QSCB debt escrow agent	(80,000)	(80,000)	(80,000)	(80,000)
Operating transfers in	10,749	5,630	238,892	213,703
Operating transfers out	(10,749)	(5,630)	(238,892)	(213,703)
Other financing Uses		(10,008)		
Total Other Financing Sources (Uses)	0	(10,008)	0	18,258
Net Change in Fund Balances	(825,945)	155,715	142,144	49,352
Fund Balances:				
Beginning of period, as previously reported	2,420,696	2,262,312	2,114,168	2,050,775
Fund reclassification			20,228	-
Prior period adjustments		(13,182)	(4,482)	-
Beginning of period, restated	2,420,696	2,249,130	2,129,914	2,050,775
Increase (Decrease) in inventory	(10,930)	15,851	(9,746)	14,041
End of Period	\$ 1,583,821	\$ 2,420,696	\$ 2,262,312	\$ 2,114,168

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Richton School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richton School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Richton School District's basic financial statements, and have issued our report thereon dated January 31, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richton 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.

McKenzie CPA, PLLC
Madison, Mississippi
January 31, 2025

McKenzie CPA, PLLC



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

Superintendent and School Board
Richton School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the Richton 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Richton School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Richton School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Richton School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Richton School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Richton School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

McKenzie CPA, PLLC
Madison, Mississippi
January 31, 2025



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RICHTON 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: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>ALNs</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
84.425D	Education Stabilization Fund (ESSER I)
84.425D	Education Stabilization Fund (ESSER II)
84.425U	Education Stabilization Fund (ESSER III - ARP)

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

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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