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CLEVELAND SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2021

CLEVELAND SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Cleveland School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cleveland School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the 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 Cleveland School District, as of June 30, 2021, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-14, 47, 48, 49, 50 & 51, respectively, be presented to supplement the basic financial statements. Such information, 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cleveland 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, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes 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 are presented for purposes of additional analysis and are not a required part of the 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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2022, on our consideration of the Cleveland 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 Cleveland 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 Cleveland School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, MS

May 25, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

The following discussion and analysis of District's financial performance provides an overview of the Cleveland School District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the Cleveland 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 Cleveland School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2021 increased \$2,427,293, including a prior period adjustment of (\$25,296), which represents an 8% increase from fiscal year 2020. Total net position for 2020 increased \$2,487,713, including a prior period adjustment of \$222,278, which represents a 7% increase from fiscal year 2019.
- General revenues amounted to \$28,666,606 and \$28,596,551, or 74% and 80% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,917,004, or 26% of total revenues for 2021, and \$7,119,917, or 20% of total revenues for 2020.
- The District had \$36,131,021 and \$33,451,033 in expenses for fiscal years 2021 and 2020; only \$9,917,004 for 2021 and \$7,119,917 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,666,606 for 2021 and \$28,596,551 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$26,747,716 in revenues and \$24,426,097 in expenditures for 2021, and \$27,291,237 in revenues and \$26,826,373 in expenditures in 2020. The General Fund's fund balance increased by \$1,097,463, including a prior period adjustment of \$7,467, from 2020 to 2021, and increased by \$1,025,436 which includes a prior period adjustment of (\$488,305), from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$486,112, including a prior period adjustment of (\$32,763), for 2021 and increased by \$1,480,505, including a prior period adjustment of \$166,010 for 2020. The decrease for 2021 was due primarily to construction in progress net of the increase in accumulated depreciation.
- Long-term debt decreased by \$518,379 for 2021 and increased by \$270,681 for 2020. This decrease for 2021 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$84,209 for 2021 and decreased by \$25,670 for 2020.

## **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.

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$28,828,329 as of June 30, 2021.

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

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

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 15,769,244	\$ 12,243,845	28.79 %
Restricted assets	4,964,272	4,113,946	20.67 %
Capital assets, net	12,129,428	12,615,540	(3.85) %
<b>Total assets</b>	<b>32,862,944</b>	<b>28,973,331</b>	<b>13.42 %</b>
<b>Deferred outflows of resources</b>	<b>6,735,072</b>	<b>3,961,598</b>	<b>70.01 %</b>
Current liabilities	1,826,758	804,920	126.95 %
Long-term debt outstanding	9,858,754	10,292,924	(4.22) %
Net OPEB liability	2,987,562	3,223,717	(7.33) %
Net pension liability	51,899,883	47,066,620	10.27 %
<b>Total liabilities</b>	<b>66,572,957</b>	<b>61,388,181</b>	<b>8.45 %</b>
<b>Deferred inflows of resources</b>	<b>1,853,388</b>	<b>2,802,370</b>	<b>(33.86) %</b>
<b>Net position:</b>			
Net investment in capital assets	2,568,014	2,535,747	1.27 %
Restricted	6,084,183	4,879,306	24.69 %
Unrestricted	(37,480,526)	(38,670,675)	3.08 %
<b>Total net position</b>	<b>\$ (28,828,329)</b>	<b>\$ (31,255,622)</b>	<b>7.77 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (37,480,526)
Less unrestricted deficit in net position resulting from recognition of the net pension and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	<u>50,005,761</u>
Unrestricted net position, exclusive of the net pension and net OPEB liability effect	<u>\$ 12,525,235</u>

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

- Decrease in net capital assets in the amount of \$486,112.
- The principal retirement of \$518,379 of long-term debt.

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$38,583,610 and \$35,716,468, respectively. The total cost of all programs and services was \$36,131,021 for 2021 and \$33,451,033 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 118,955	\$ 355,632	(66.55) %
Operating grants and contributions	9,798,049	6,764,285	44.85 %
General revenues:			
Property and gaming taxes	11,061,918	10,858,409	1.87 %
Grants and contributions not restricted	16,027,133	16,080,162	(0.33) %
Investment earnings	204,420	217,287	(5.92) %
Sixteenth section	331,998	295,135	12.49 %
Other	1,041,137	1,145,558	(9.12) %
<b>Total revenues</b>	<b>38,583,610</b>	<b>35,716,468</b>	<b>8.03 %</b>
<b>Expenses:</b>			
Instruction	17,768,739	15,978,384	11.20 %
Support services	12,001,354	11,580,976	3.63 %
Non-instructional	1,887,867	1,836,481	2.80 %
Sixteenth section	33,330	46,996	(29.08) %
Pension expense	4,195,593	3,630,625	15.56 %
OPEB expense	40,986	154,294	(73.44) %
Interest on long-term liabilities	203,152	223,277	(9.01) %
<b>Total expenses</b>	<b>36,131,021</b>	<b>33,451,033</b>	<b>8.01 %</b>
<b>Increase (Decrease) in net position</b>	<b>2,452,589</b>	<b>2,265,435</b>	<b>(8.26) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(31,255,622)</b>	<b>(33,743,335)</b>	7.37 %
<b>Prior Period Adjustment</b>	<b>(25,296)</b>	<b>222,278</b>	(111.38) %
<b>Net Position, July 1, as restated</b>	<b>(31,280,918)</b>	<b>(33,521,057)</b>	6.68 %
<b>Net Position, June 30</b>	<b>\$ (28,828,329)</b>	<b>\$ (31,255,622)</b>	7.77 %

**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.

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ 17,768,739	\$ 15,978,384	11.20 %
Support services	12,001,354	11,580,976	3.63 %
Non-instructional	1,887,867	1,836,481	2.80 %
Sixteenth section	33,330	46,996	(29.08) %
Pension Expense	4,195,593	3,630,625	15.56 %
OPEB Expense	40,986	154,294	(73.44) %
Interest on long-term liabilities	203,152	223,277	(9.01) %
<b>Total expenses</b>	<b>\$ 36,131,021</b>	<b>\$ 33,451,033</b>	<b>8.01 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ (13,553,059)	\$ (12,578,580)	(7.75) %
Support services	(8,813,514)	(9,595,240)	8.15 %
Non-instructional	625,617	(102,104)	712.73 %
Sixteenth section	(33,330)	(46,996)	29.08 %
Pension Expense	(4,195,593)	(3,630,625)	(15.56) %
OPEB Expense	(40,986)	(154,294)	73.44 %
Interest on long-term liabilities	(203,152)	(223,277)	9.01 %
<b>Total net (expense) revenue</b>	<b>\$ (26,214,017)</b>	<b>\$ (26,331,116)</b>	<b>0.44 %</b>

- Net cost of governmental activities (\$26,214,017 for 2021 and \$26,331,116 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$11,061,918 for 2021 and \$10,858,409 for 2020) and state and federal revenues (\$16,027,133 for 2021 and \$16,080,162 for 2020). In addition, there was \$331,998 and \$295,135 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$204,420 for 2021 and \$217,287 for 2020.

## 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 \$18,979,908, an increase of \$3,350,999, including a prior period adjustment of \$7,467, which includes a decrease in inventory of \$48,462. \$11,559,446 or 61% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,420,462 or 39% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,097,463, including a prior period adjustment of \$7,467. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,897,750, which includes a decrease in reserve for inventory of \$48,462, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
QSCB 2012 Sinking Fund	\$ 355,786

### 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 Cleveland School District.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2021, the District's total capital assets were \$22,904,579, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$105,411 from 2020. Total accumulated depreciation as of June 30, 2021, was \$10,775,151, and total depreciation expense for the year was \$629,375, resulting in total net capital assets of \$12,129,428.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 111,036	\$ 104,536	6.22 %
Construction in progress	212,131	47,183	349.59 %
Buildings	5,619,155	5,764,845	(2.53) %
Building improvements	3,822,447	3,975,668	(3.85) %
Improvements other than buildings	29,227	29,239	(0.04) %
Mobile equipment	512,872	634,624	(19.18) %
Furniture and equipment	130,367	176,901	(26.31) %
Leased property under capital leases	1,692,193	1,882,544	(10.11) %
<b>Total</b>	<b>\$ 12,129,428</b>	<b>\$ 12,615,540</b>	<b>(3.85) %</b>

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



CLEVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

**Debt Administration.** At June 30, 2021, the District had \$9,858,754 in outstanding long-term debt, of which \$500,484 is due within one year. The liability for compensated absences increased \$84,209 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,365,000	\$ 1,530,000	(10.78) %
Qualified school construction bonds payable	6,741,437	6,741,437	0.00 %
Obligations under capital leases	1,454,977	1,808,356	(19.54) %
Compensated absences payable	297,340	213,131	39.51 %
<b>Total</b>	<b><u>\$ 9,858,754</u></b>	<b><u>\$ 10,292,924</u></b>	<b><u>(4.22) %</u></b>

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

## CURRENT ISSUES

The Cleveland 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 are 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 Cleveland School District, 305 Merritt Drive, Cleveland, MS 38732.

## FINANCIAL STATEMENTS

**CLEVELAND SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2021**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 14,132,002
Other receivables, net	12,189
Due from other governments	1,570,721
Inventories	54,332
Restricted assets	4,964,272
Capital assets, non-depreciable:	
Land	111,036
Construction	212,131
Capital assets, net of accumulated depreciation:	
Buildings	5,619,155
Building improvements	3,822,447
Improvements other than buildings	29,227
Mobile equipment	512,872
Furniture and equipment	130,367
Leased property under capital leases	1,692,193
Total Assets	<u>32,862,944</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	6,139,695
Deferred outflows - OPEB	595,377
Total deferred outflows of resources	<u>6,735,072</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,753,608
Interest payable on long-term liabilities	73,150
Long-term liabilities, due within one year:	
Capital related liabilities	500,484
Net OPEB liability	99,692
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,060,930
Non-capital related liabilities	297,340
Net pension liability	51,899,883
Net OPEB liability	2,887,870
Total Liabilities	<u>66,572,957</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	1,111,349
Deferred inflows - OPEB	742,039
Total deferred inflows of resources	<u>1,853,388</u>
<b>Net Position</b>	
Net investment in capital assets	2,568,014
Restricted for:	
Expendable:	
School-based activities	1,384,701
Debt service	4,162,129
Forestry improvements	146
Unemployment benefits	101,111
Non-expendable:	
Sixteenth section principal	436,096
Unrestricted	(37,480,526)
Total Net Position	<u>\$ (28,828,329)</u>

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

**CLEVELAND SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2021**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 17,768,739	\$ 114,495	\$ 4,101,185	\$ -	\$ (13,553,059)
Support services	12,001,354	-	3,187,840	-	(8,813,514)
Non-instructional	1,887,867	4,460	2,509,024	-	625,617
Sixteenth section	33,330	-	-	-	(33,330)
Pension expense	4,195,593	-	-	-	(4,195,593)
OPEB expense	40,986	-	-	-	(40,986)
Interest on long-term liabilities	203,152	-	-	-	(203,152)
Total Governmental Activities	<u>\$ 36,131,021</u>	<u>\$ 118,955</u>	<u>\$ 9,798,049</u>	<u>\$ -</u>	<u>\$ (26,214,017)</u>

General Revenues:

Taxes:

General purpose levies

10,591,342

Debt purpose levies

470,576

Unrestricted grants and contributions:

State

15,800,829

Federal

226,304

Unrestricted investment earnings

204,420

Sixteenth section

331,998

Other

1,041,137

Total General Revenues

28,666,606

Change in Net Position

2,452,589

Net Position - Beginning, as previously reported

(31,255,622)

Prior period adjustments

(25,296)

Net Position - Beginning, as restated

(31,280,918)

Net Position - Ending

\$ (28,828,329)

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

**CLEVELAND SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2021**

**Exhibit C**

	Major Funds			
	General Fund	QSCB 2012 Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 11,951,811	\$ 315,642	\$ 2,641,972	\$ 14,909,425
Cash with fiscal agents	-	353,828	-	353,828
Investments	-	1,910,500	1,922,521	3,833,021
Other receivables, net	50	12,139	-	12,189
Due from other governments	306,288	-	1,264,433	1,570,721
Due from other funds	925,143	-	5,307	930,450
Inventories	-	-	54,332	54,332
Total assets	13,183,292	2,592,109	5,888,565	21,663,966
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,412,264	\$ 312,500	\$ 28,844	\$ 1,753,608
Due to other funds	-	-	930,450	930,450
Total Liabilities	1,412,264	312,500	959,294	2,684,058
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	54,332	54,332
Permanent fund principal	-	-	436,096	436,096
<b>Restricted:</b>				
Debt service	-	2,279,609	1,955,670	4,235,279
Grant activities	-	-	1,330,369	1,330,369
Forestry improvements	-	-	146	146
Unemployment benefits	-	-	101,111	101,111
<b>Assigned:</b>				
Capital improvements	-	-	1,051,547	1,051,547
Student activities	211,582	-	-	211,582
<b>Unassigned</b>	11,559,446	-	-	11,559,446
Total Fund Balances	11,771,028	2,279,609	4,929,271	18,979,908
Total Liabilities and Fund Balances	\$ 13,183,292	\$ 2,592,109	\$ 5,888,565	\$ 21,663,966

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

**CLEVELAND SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2021**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 18,979,908

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	111,036	
Construction in progress	212,131	
Buildings	11,457,177	
Building improvements	4,886,069	
Improvements other than buildings	112,238	
Mobile equipment	2,446,988	
Furniture and equipment	1,028,505	
Leased property under capital leases	2,650,435	
Accumulated depreciation	<u>(10,775,151)</u>	12,129,428

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	(51,899,883)	
Deferred outflow s and inflow s of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to pensions	6,139,695	
Deferred inflow s of resources related to pensions	<u>(1,111,349)</u>	(46,871,537)

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	(2,987,562)	
Deferred outflow s and inflow s of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to OPEB	595,377	
Deferred inflow s of resources related to OPEB	<u>(742,039)</u>	(3,134,224)

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:

Three mill notes payable	(1,365,000)	
Qualified school construction bonds payable	(6,741,437)	
Obligations under capital leases	(1,454,977)	
Compensated absences	(297,340)	
Accrued interest payable	<u>(73,150)</u>	(9,931,904)

**Net position of governmental activities** \$ (28,828,329)

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

**CLEVELAND SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2021**

**Exhibit D**

	Major Funds			
	General Fund	QSCB 2012 Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 11,017,871	\$ 231,433	\$ 311,696	\$ 11,561,000
State sources	15,234,794	-	1,714,558	16,949,352
Federal sources	163,053	-	8,712,778	8,875,831
Sixteenth section	331,998	-	-	331,998
Total Revenues	26,747,716	231,433	10,739,032	37,718,181
<b>Expenditures:</b>				
Instruction	14,036,324	-	5,693,227	19,729,551
Support services	10,235,400	-	2,309,761	12,545,161
Noninstructional services	121,043	-	1,873,164	1,994,207
Sixteenth section	33,330	-	-	33,330
Facilities acquisition and construction	-	-	164,948	164,948
Debt service:				
Principal	-	-	518,379	518,379
Interest	-	-	203,540	203,540
Other	-	-	2,500	2,500
Total Expenditures	24,426,097	-	10,765,519	35,191,616
Excess (Deficiency) of Revenues over (under) Expenditures	2,321,619	231,433	(26,487)	2,526,565
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	12,989	-	828,299	841,288
Operating transfers in	88,329	124,353	1,623,100	1,835,782
Other financing sources	25,333	-	-	25,333
Operating transfers out	(1,358,274)	-	(477,508)	(1,835,782)
Other financing uses	-	-	(1,192)	(1,192)
Total Other Financing Sources (Uses)	(1,231,623)	124,353	1,972,699	865,429
Net Change in Fund Balances	1,089,996	355,786	1,946,212	3,391,994
<b>Fund Balances:</b>				
July 1, 2020, as previously reported	10,673,565	1,923,823	3,031,521	15,628,909
Prior period adjustment	7,467	-	-	7,467
July 1, 2020, as restated	10,681,032	1,923,823	3,031,521	15,636,376
Increase (Decrease) in reserve for inventory	-	-	(48,462)	(48,462)
June 30, 2021	\$ 11,771,028	\$ 2,279,609	\$ 4,929,271	\$ 18,979,908

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

**CLEVELAND 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, 2021**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 3,391,994

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	\$ 177,142	
Depreciation expense	<u>(629,375)</u>	(452,233)
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.		
		(1,116)
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	518,379	
Accrued interest payable	<u>2,888</u>	521,267
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(4,195,593)	
Contributions subsequent to the measurement date	<u>3,262,235</u>	(933,358)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense	(40,986)	
Contributions subsequent to the measurement date	<u>99,692</u>	58,706
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	(84,209)	
Change in inventory reserve	<u>(48,462)</u>	<u>(132,671)</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 2,452,589</u></u>

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



## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### **Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the Cleveland 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 Cleveland 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 Cleveland School District is considered an "other stand-alone government." The Cleveland School District is a related organization of, but not a component unit of, the city of Cleveland since the governing authority of the city selects a majority of the Cleveland School District's board but does not have financial accountability for the Cleveland School District.

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

##### **B. Government-wide and Fund Financial Statements**

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

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

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

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

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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 Cleveland School District reports the following major governmental funds:

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

**QSCB 2012 Sinking Fund** – This fund is used to account for the sinking fund activity of the 2012 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 Cleveland School District reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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

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

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

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

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

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

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

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

#### **D. Encumbrances**

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

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

##### **1. Cash, Cash equivalents and Investments**

###### **Cash and cash equivalents**

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

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### Investments

The Cleveland 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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current

# CLEVELAND SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. 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 district reports \$6,139,695 of deferred outflows related to its pension plan and \$595,377 related to its OPEB plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district reports \$1,111,349 of deferred inflows related to its pension plan and \$742,039 related to its OPEB plan.

See Note 14 for further details.

### 8. Compensated Absences

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

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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. 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 6 for details.

#### 10. 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.

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

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

#### 12. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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 for formal board approval of commitments. Currently there is no committed fund balance for this Cleveland 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 management pursuant to authorization established by the school board.

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

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

#### 13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### **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 Cleveland 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 Cleveland School District's deposits with financial institutions reported in the governmental funds was \$14,909,425.

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

#### **Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$353,828



CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

Investments

As of June 30, 2021, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AA+	1-5 years	\$ 3,833,021
Total			<u>\$ 3,833,021</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, 2021:

- U.S. government securities type of investments of \$3,833,021 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.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2021, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	\$ 3,833,021	100%

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 925,143
Other governmental funds	Other governmental funds	5,307
Total		<u>\$ 930,450</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,358,274
Other governmental funds	General Fund	88,329
	QSCB 2012 Sinking Fund	124,353
	Other governmental funds	264,826
Total		<u>\$ 1,835,782</u>

The primary reason for the interfund transfers was for debt service requirements, federal grant allocations and the funding of various programs within the district.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$436,096 respectively, 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.

The restricted assets represent the cash with fiscal agents and investment balances, totaling \$353,828 and \$3,833,021, respectively, of the QSCB debt service sinking funds.

In addition, the restricted assets represent the cash balance, totaling \$341,327, of the debt service funds whose assets are restricted for future debt service requirements.

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

**Note 5 – Capital Assets**

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

	Balance 7/1/2020	Increases	Decreases	Adjustments	Balance 6/30/2021
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 104,536	\$ -	\$ -	6,500	\$ 111,036
Construction in progress	47,183	164,948	-	-	212,131
Total non-depreciable capital assets	151,719	164,948	-	6,500	323,167
<u>Depreciable capital assets:</u>					
Buildings	11,457,177	-	-	-	11,457,177
Building improvements	4,886,069	-	-	-	4,886,069
Improvements other than buildings	112,238	-	-	-	112,238
Mobile equipment	2,451,988	-	(5,000)	-	2,446,988
Furniture and equipment	1,089,542	12,194	(61,681)	(11,550)	1,028,505
Leased property under capital leases	2,650,435	-	-	-	2,650,435
Total depreciable capital assets	22,647,449	12,194	(66,681)	(11,550)	22,581,412
<u>Less accumulated depreciation for:</u>					
Buildings	5,692,332	121,235	-	24,455	5,838,022
Building improvements	910,401	186,844	-	(33,623)	1,063,622
Improvements other than buildings	82,999	1,132	-	(1,120)	83,011
Mobile equipment	1,817,364	78,378	(4,500)	42,874	1,934,116
Furniture and equipment	912,641	51,435	(61,065)	(4,873)	898,138
Leased property under capital leases	767,891	190,351	-	-	958,242
Total accumulated depreciation	10,183,628	629,375	(65,565)	27,713	10,775,151
Total depreciable capital assets, net	12,463,821	(617,181)	(1,116)	(39,263)	11,806,261
Governmental activities capital assets, net	\$ 12,615,540	\$ (452,233)	\$ (1,116)	\$ (32,763)	\$ 12,129,428

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 243,083
Support services	362,797
Non-instructional	23,495
Total depreciation expense - Governmental activities	<u>\$ 629,375</u>

Construction in progress is composed of:

	Spent to June 30, 2021	Remaining Commitment
Library Building Project	\$ 212,131	\$ -
Total construction in progress	<u>\$ 212,131</u>	<u>\$ -</u>

Construction projects included in governmental activities are funded by the capital projects fund and the district maintenance fund. This project has not been bid out as of the end of the fiscal year.

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. Three Mill Notes Payable	\$ 1,530,000	\$ -	\$ (165,000)	\$ 1,365,000	\$ 170,000
B. Qualified school construction bonds payable	6,741,437	-	-	6,741,437	-
C. Obligations under capital leases	1,808,356	-	(353,379)	1,454,977	330,484
D. Compensated absences payable	213,131	84,209	-	297,340	-
Total	\$ 10,292,924	\$ 84,209	\$ (518,379)	\$ 9,858,754	\$ 500,484

**A. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes payable, Series 2017	2.52%	9/14/2017	6/15/2029	\$ 2,000,000	\$ 1,365,000

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 170,000	\$ 34,398	\$ 204,398
2023	155,000	30,114	185,114
2024	160,000	26,208	186,208
2025	165,000	22,176	187,176
2026	175,000	18,018	193,018
2027-2029	540,000	27,468	567,468
Total	\$ 1,365,000	\$ 158,382	\$ 1,523,382

This debt will be retired from the Three Mill Note 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
QSCB - Series 2010	5.85%	11/19/2010	12/1/2024	\$1,771,437	\$1,771,437
QSCB - Series 2012	0.00%	3/20/2012	3/15/2027	3,970,000	3,970,000
QSCB - Series 2013	0.00%	6/18/2013	6/15/2028	1,000,000	1,000,000
Total				\$6,741,437	\$6,741,437

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

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

QSCB – Series 2010:

Year Ending June 30	Principal	Interest	Total
2022	\$ -	\$ 103,629	\$ 103,629
2023	-	103,629	103,629
2024	-	103,629	103,629
2025	1,771,437	103,629	1,875,066
Total	\$ 1,771,437	\$ 414,516	\$ 2,185,953

This debt will be retired from the QSCB, Series 2010 debt service sinking fund.

**C. Obligations under capital leases**

The district has entered into lease agreements as lessee for financing the acquisition of technology upgrades and equipment, buses and door security/access project. These leases qualify as capital leases for accounting purposes. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master lease - technology equipment	3.82%	10/9/2014	10/10/2021	\$ 764,295	\$ 53,223
Master lease - buses	4.02%	6/29/2018	4/10/2028	1,218,607	894,994
Master lease - door access project	2.83%	7/18/2019	4/10/2024	827,918	506,760
Total				<u>\$ 2,810,820</u>	<u>\$ 1,454,977</u>

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

Master lease – technology equipment:

Year Ending June 30	Principal	Interest	Total
2022	\$ 53,223	\$ 862	\$ 54,085
Total	<u>\$ 53,223</u>	<u>\$ 862</u>	<u>\$ 54,085</u>

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

Master lease - buses

Year Ending June 30	Principal	Interest	Total
2022	\$ 113,065	\$ 34,841	\$ 147,906
2023	117,656	30,249	147,905
2024	122,434	25,472	147,906
2025	127,405	20,501	147,906
2026	132,578	15,327	147,905
2027-2028	281,856	14,288	296,144
Total	<u>\$ 894,994</u>	<u>\$ 140,678</u>	<u>\$ 1,035,672</u>

These leases will be retired from the capital lease debt service funds.

Master lease – door access project

Year Ending June 30	Principal	Interest	Total
2022	\$ 164,196	\$ 13,188	\$ 177,384
2023	168,876	8,508	177,384
2024	173,688	3,695	177,383
Total	<u>\$ 506,760</u>	<u>\$ 25,391</u>	<u>\$ 532,151</u>

These leases will be retired from the capital lease debt service funds.

Total for all leases:

Year Ending June 30	Principal	Interest	Total
2022	\$ 330,484	\$ 48,891	\$ 379,375
2023	286,532	38,757	325,289
2024	296,122	29,167	325,289
2025	127,405	20,501	147,906
2026	132,578	15,327	147,905
2027-2028	281,856	14,288	296,144
Total	<u>\$ 1,454,977</u>	<u>\$ 166,931</u>	<u>\$ 1,621,908</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

**D. Compensated absences payable**

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

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### **Note 7 – Defined Benefit Pension Plan**

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

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the Cleveland School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 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 Cleveland School District's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$3,262,235, \$3,106,208 and \$2,744,372, 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, 2021, the Cleveland School District reported a liability of \$51,899,883 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 Cleveland School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Cleveland School District's proportionate share used to calculate the June 30, 2021 net pension liability was .268094 percent, which was based on a measurement date of June 30, 2020. This was an increase of .0005 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$4,195,593. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 451,078	\$ -
Net difference between projected and actual earnings on pension plan investments	2,066,583	-
Changes of assumptions	289,735	-
Changes in proportion and differences between District contributions and proportionate share of contributions	70,064	1,111,349
District contributions subsequent to the measurement date	3,262,235	-
Total	\$ <u>6,139,695</u>	\$ <u>1,111,349</u>

\$3,262,235 reported as deferred outflows of resources related to pensions resulting from Cleveland 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, 2022. 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:

2022	\$ (518,276)
2023	576,090
2024	1,021,345
2025	686,952
Total	<u>\$ 1,766,111</u>

*Actuarial assumptions.* The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on 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. Mortality rates are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.



# CLEVELAND SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
Total	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 67,178,021	\$ 51,899,883	\$ 39,289,280

*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 8 – 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/>.

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### *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 \$99,692 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,987,562 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the District's proportion was .3839028 percent. This was an increase of .004 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$40,986. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CLEVELAND SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,808	\$ 519,916
Net difference between projected and actual earnings on OPEB plan investments	96	-
Changes of assumptions	463,847	126,250
Changes in proportion and differences between District contributions and proportionate share of contributions	27,934	95,873
District contributions subsequent to the measurement date	99,692	-
Total	\$ <u>595,377</u>	\$ <u>742,039</u>

\$99,692 reported as deferred outflows of resources related to OPEB resulting from Cleveland 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, 2022. 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:

2022	\$ (67,236)
2023	(67,236)
2024	(58,161)
2025	(24,610)
2026	(29,111)
Total	<u>\$ (246,354)</u>

*Actuarial assumptions.* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%

# CLEVELAND SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

### Health Care Cost Trends

Medicare Supplement Claims	7.00 percent for 2021 decreasing to an
Pre-Medicare	ultimate rate of 4.50% by 2030

Mortality rates were based on 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. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 3,301,460	\$ 2,987,562	\$ 2,718,324

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,758,557	\$ 2,987,562	\$ 3,247,015

*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/>.

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### Note 9 – Contingencies

Federal Grants – The Cleveland 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 Cleveland School District.

Litigation –The Cleveland 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 Cleveland School District with respect to the various proceedings. However, the Cleveland 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 Cleveland School District.

#### Note 10 – Risk Management

The Cleveland 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 Cleveland School District is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 57 School Districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member School Districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

#### Note 11 – Prior Period Adjustments

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

##### Exhibit B - Statement of Activities

Explanation	Amount
1. To adjust beginning capital assets.	\$ (32,763)
2. GASB 84 implementation.	7,467
Total	<u>\$ (25,296)</u>

# CLEVELAND SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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

Fund	Explanation	Amount
General Fund	GASB 84 implementation	\$ 7,467
Total		<u>\$ 7,467</u>

### **Note 12 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2022	\$ 271,697
2023	271,697
2024	271,697
2025	271,697
2026	165,677
2027-2031	501,332
2032-2036	363,202
Thereafter	492,778
Total	<u>\$ 2,609,777</u>

### **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 Cleveland 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. For the year ended June 30, 2021, the subsidy payments amounted to \$92,025.

The Cleveland 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

# CLEVELAND SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2021 was \$4,186,849. 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 Cleveland School District.

Year Ending June 30	Series 2010	Series 2012	Series 2013	Total
2022	126,531	310,000	\$ 67,000	\$ 503,531
2023	126,531	310,000	67,000	503,531
2024	126,531	310,000	67,000	503,531
2025	126,531	310,000	67,000	503,531
2026	-	310,000	67,000	377,000
2027-2028	-	310,000	134,000	444,000
Total	<u>\$ 506,124</u>	<u>\$ 1,860,000</u>	<u>\$ 469,000</u>	<u>\$ 2,835,124</u>

### Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$37,480,526) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$3,262,235 resulting from the Cleveland School District contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$2,877,460 balance of deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$37,480,526) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,111,349 balance of deferred inflow of resources related to pensions, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$37,480,526) 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 \$99,692 resulting from the Cleveland School District contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$495,685 balance of deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$37,480,526) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$742,039 balance of deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

### Note 15 - Insurance Loss Recoveries

The Cleveland School District received \$841,288 in insurance loss recoveries related to storm damage during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenue.

## CLEVELAND SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### **Note 16 - Juvenile Detention Center Education Program**

The Cleveland School District entered into an Alternative School Agreement dated August 16, 2018 creating the Washington County Juvenile Detention Center. This program was in accordance with Section 43-21-321, Miss. Code Ann. (1972) which states sponsoring school district must provide educational services to youths detained in juvenile centers. It was approved by the Mississippi Department of Education and includes the Greenville Public School District, Cleveland School District, Grenada School District, Hollandale School District, Leland School District, North Bolivar Consolidated School District, Quitman County School District, West Bolivar Consolidated School District, Western Line School District and the Washington County Youth Court. The Greenville Public School District has been designated as the lead school district for the Washington County Juvenile Detention.

#### **Note 17 - 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 Cleveland School District evaluated the activity of the district through May 25, 2022 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.



## REQUIRED SUPPLEMENTARY INFORMATION

**CLEVELAND SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 10,923,209	\$ 11,017,871	\$ 11,017,871	\$ 94,662	\$ -
State sources	15,451,706	15,234,794	15,234,794	(216,912)	-
Federal sources	311,943	55,604	163,053	(256,339)	107,449
Sixteenth section	351,000	331,998	331,998	(19,002)	-
Total Revenues	27,037,858	26,640,267	26,747,716	(397,591)	107,449
<b>Expenditures:</b>					
Instruction	15,522,260	14,036,323	14,036,324	1,485,937	(1)
Support services	11,778,280	10,127,952	10,235,400	1,650,328	(107,448)
Noninstructional services	150,442	121,043	121,043	29,399	-
Sixteenth section	49,750	6,864	33,330	42,886	(26,466)
Total Expenditures	27,500,732	24,292,182	24,426,097	3,208,550	(133,915)
Excess (Deficiency) of Revenues over (under) Expenditures	(462,874)	2,348,085	2,321,619	2,810,959	(26,466)
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	12,989	12,989	12,989	-
Operating transfers in	1,886,194	936,637	88,329	(949,557)	(848,308)
Other financing sources	-	-	25,333	-	25,333
Operating transfers out	(3,035,485)	(2,206,583)	(1,358,274)	828,902	848,309
Total Other Financing Sources (Uses)	(1,149,291)	(1,256,957)	(1,231,623)	(107,666)	25,334
Net Change in Fund Balances	(1,612,165)	1,091,128	1,089,996	2,703,293	(1,132)
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	10,673,565	10,673,565	10,673,565	-	-
Prior period adjustments	-	(517)	7,467	(517)	7,984
July 1, 2020, as restated	10,673,565	10,673,048	10,681,032	(517)	7,984
June 30, 2021	\$ 9,061,400	\$ 11,764,176	\$ 11,771,028	\$ 2,702,776	\$ 6,852

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

**CLEVELAND SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PERS**

**Last 10 Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.268094%	0.267546%	0.279916%	0.282500%	0.286600%	0.290000%	0.280000%
District's proportionate share of the net pension liability	\$ 51,899,883	47,066,620	46,558,346	46,961,088	51,193,916	44,828,281	33,986,873
District's covered payroll	17,851,770	17,424,584	17,875,295	18,124,844	18,337,460	18,034,070	17,319,168
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.10%	279.18%	248.58%	196.24%
Plan fiduciary net position as a percentage of the total pension liability	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.

**CLEVELAND SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 3,262,235	3,106,208	2,744,372	2,815,359	2,854,663	2,888,150	2,840,366
Contributions in relation to the contractually required contribution	\$ 3,262,235	3,106,208	2,744,372	2,815,359	2,854,663	2,888,150	2,840,366
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered payroll	\$ 18,748,477	17,851,770	17,424,584	17,875,295	18,124,844	18,337,460	18,034,070
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

**CLEVELAND SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OPEB**

**Last 10 Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018*</b>
District's proportion of the net OPEB liability	0.38390280%	0.37991288%	0.39159723%	0.39624371%
District's proportionate share of the net OPEB liability	\$ 2,987,562	3,223,717	3,029,200	3,108,964
District's covered-employee payroll	17,851,770	17,424,584	17,711,676	17,802,140
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.74%	18.50%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.1331%	0.1198%	0.1291%	0.0000%

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.

**CLEVELAND SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years\***

	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018*</b></u>
Actuarially determined contribution	\$ 99,692	119,144	129,216	132,540
Contributions in relation to the actuarially determined contribution	\$ 99,692	119,144	129,216	132,540
Contribution deficiency (excess)	\$ -	-	-	-
District's covered-employee payroll	\$ 18,748,477	17,851,770	16,137,327	17,845,295
Contributions as a percentage of covered-employee payroll	0.5317%	0.6674%	0.8007%	0.7427%

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 report(s).

## **Notes to Required Supplementary Information**

### **Budgetary Comparison Schedule**

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### **Pension Schedules**

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

## 2019:

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

### (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, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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.

(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.

(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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

## SUPPLEMENTARY INFORMATION

**CLEVELAND SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2021**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
COVID-19 - Summer food service program for children	10.559	215MS326N1099	\$ 2,727,432
Total child nutrition cluster			<u>2,727,432</u>
Fresh fruits and vegetables program	10.582	215MS326L1603	51,320
Total passed-through Mississippi Department of Education			<u>2,778,752</u>
<b>Total U.S. Department of Agriculture</b>			<u>2,778,752</u>
<b><u>U.S. Department of Treasury</u></b>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund:			
Equity in Distance Learning Act	21.019	21/12010115/8491/EDLA	896,363
Mississippi Pandemic Response Broadband Availability Act	21.019	21/1201021785/8499/PRBAA	190,201
COVID-19 - Coronavirus Relief Fund Subtotal			<u>1,086,564</u>
Total passed-through Mississippi Department of Education			<u>1,086,564</u>
<b>Total U.S. Department of Treasury</b>			<u>1,086,564</u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	107,449
<b>Total Federal Communications Commission</b>			<u>107,449</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	1,749,015
Career and technical education - basic grants to states	84.048	VO048A200024	50,765
Rural Education	84.358	S358A200024	58,654
Supporting Effective Instruction State Grants	84.367	S367A200023	205,677
School Improvement Grant	84.377	ES377A200025	398,491
Student Support and Academic Enrichment	84.424	S424A200025	66,837
COVID-19 - Education Stabilization Fund (ESSER)	84.425D	S425D200031	1,260,110
Subtotal			<u>3,789,549</u>
Special education cluster:			
Special education - grants to states	84.027	H027A200108	951,465
Special education - preschool grants	84.173	H173A200113	43,197
Total special education cluster			<u>994,662</u>
Total passed-through Mississippi Department of Education			<u>4,784,211</u>
<b>Total U.S. Department of Education</b>			<u>4,784,211</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	2105MS5ADM	26,830
Total passed-through Mississippi Department of Education			<u>26,830</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>26,830</u>
Total for All Federal Awards			\$ <u>8,783,806</u>

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

# CLEVELAND SCHOOL DISTRICT

## Notes to the Supplementary Information For the Year Ended June 30, 2021

### 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 Cleveland School District under programs of the federal government for the year ended June 30, 2021. 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 Cleveland School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cleveland School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$126,866 are included in the COVID-19 – Summer Food Service Program for Children.

**CLEVELAND SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2021**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 24,523,524	18,851,446	1,126,100	2,011,041	2,534,937
Other	10,668,092	4,883,237	663,032	15,726	5,106,097
Total	<u>\$ 35,191,616</u>	<u>23,734,683</u>	<u>1,789,132</u>	<u>2,026,767</u>	<u>7,641,034</u>
Total number of students *	<u>2,957</u>				
Cost per student	<u>\$ 11,901</u>	<u>8,027</u>	<u>605</u>	<u>685</u>	<u>2,584</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

**CLEVELAND SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 11,017,871	\$ 10,965,926	\$ 10,828,051	\$ 10,478,632
State sources	15,234,794	15,832,034	14,926,766	14,930,347
Federal sources	163,053	181,433	216,832	373,167
Sixteenth section	331,998	311,844	235,837	317,729
Total Revenues	26,747,716	27,291,237	26,207,486	26,099,875
<b>Expenditures:</b>				
Instruction	14,036,324	14,495,357	13,789,539	14,137,581
Support services	10,235,400	11,244,356	11,020,235	11,799,034
Noninstructional services	121,043	133,582	191,892	215,410
Sixteenth section	33,330	46,996	59,018	98,197
Facilities acquisition and construction	-	906,082	-	-
Debt service:				
Other	-	-	10,000	-
Total Expenditures	24,426,097	26,826,373	25,070,684	26,250,222
Excess (Deficiency) of Revenues over (under) Expenditures	2,321,619	464,864	1,136,802	(150,347)
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	-	827,918	-	1,218,607
Insurance recovery	12,989	905,662	1,000,000	-
Sale of other property	-	-	3,500	-
Operating transfers in	88,329	66,730	149,793	76,291
Other financing sources	25,333	-	-	-
Operating transfers out	(1,358,274)	(617,409)	-	(753,176)
Other financing uses	-	(134,024)	(465,342)	(9,019)
Total Other Financing Sources (Uses)	(1,231,623)	1,048,877	687,951	532,703
Net Change in Fund Balances	1,089,996	1,513,741	1,824,753	382,356
<b>Fund Balances:</b>				
Beginning of period, as previously reported	10,673,565	9,648,129	7,823,376	7,441,020
Prior period adjustment	7,467	(488,305)	-	-
Beginning of period, as restated	10,681,032	9,159,824	7,823,376	7,441,020
End of Period	\$ 11,771,028	\$ 10,673,565	\$ 9,648,129	\$ 7,823,376

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CLEVELAND SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 11,561,000	\$ 11,662,708	\$ 11,523,995	\$ 11,048,634
State sources	16,949,352	17,804,528	16,673,479	17,046,635
Federal sources	8,875,831	5,039,923	6,120,164	6,095,279
Sixteenth section	331,998	311,844	236,927	317,729
Total Revenues	37,718,181	34,819,003	34,554,565	34,508,277
<b>Expenditures:</b>				
Instruction	19,729,551	17,624,335	17,151,809	17,386,958
Support services	12,545,161	13,479,218	12,964,425	13,667,458
Noninstructional services	1,994,207	1,976,842	2,172,837	2,216,218
Sixteenth section	33,330	46,996	59,018	98,197
Facilities acquisition and construction	164,948	953,265	517,482	1,117,240
Debt service:				
Principal	518,379	531,567	391,240	1,949,250
Interest	203,540	213,933	200,172	194,683
Other	2,500	5,000	15,000	6,940
Total Expenditures	35,191,616	34,831,156	33,471,983	36,636,944
Excess (Deficiency) of Revenues over (under) Expenditures	2,526,565	(12,153)	1,082,582	(2,128,667)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	-	2,000,000
Capital leases issued	-	827,918	-	1,218,607
Insurance recovery	841,288	1,055,662	1,000,000	-
Sale of other property	-	-	3,500	-
Operating transfers in	1,835,782	871,848	756,371	1,237,288
Other financing sources	25,333	-	-	90,833
Operating transfers out	(1,835,782)	(871,848)	(756,371)	(1,237,288)
Other financing uses	(1,192)	(158,197)	-	(10,099)
Total Other Financing Sources (Uses)	865,429	1,725,383	1,003,500	3,299,341
Net Change in Fund Balances	3,391,994	1,713,230	2,086,082	1,170,674
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,628,909	14,331,682	12,246,164	11,116,179
Prior period adjustment	7,467	(488,305)	-	-
Beginning of period, as restated	15,636,376	13,843,377	12,246,164	11,116,179
Increase (Decrease) in reserve for inventory	(48,462)	72,302	(564)	(40,689)
End of Period	\$ 18,979,908	\$ 15,628,909	\$ 14,331,682	\$ 12,246,164

\*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  
Cleveland School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cleveland School District's basic financial statements, and have issued our report thereon dated May 25, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cleveland School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cleveland School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cleveland 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cleveland 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*.

We noted certain other matters that we reported to the management of Cleveland School District in the Independent Auditor's Report on Compliance with State Laws and Regulations dated May 25, 2022, which is included within this document.

#### **Cleveland School District's Response to Finding**

The Cleveland School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Cleveland School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

May 25, 2022

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

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

Superintendent and School Board  
Cleveland School District

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

We have audited the Cleveland School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cleveland School District's major federal programs for the year ended June 30, 2021. Cleveland 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Cleveland School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cleveland School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Cleveland School District's compliance.

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

In our opinion, the Cleveland School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The Cleveland School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cleveland School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of the Cleveland School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cleveland School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cleveland School District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a significant deficiency.

Cleveland School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cleveland School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

May 25, 2022

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

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

Superintendent and School Board  
Cleveland School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2021, which collectively comprise Cleveland School District's basic financial statements and have issued our report thereon dated May 25, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements discloses the following instances of noncompliance with other state laws and regulations:

**2021-001**     Finding – Athletic Gate Receipts

During our testing of athletic event transmittals and receipts, we noted two instances of the beginning and ending ticket numbers sold not being documented, as required.

Recommendation

We recommend the district put procedures in place to ensure compliance with all relevant laws and regulations related to athletic event transmittals.

School District's Response

We will put procedures in place to ensure compliance with all relevant laws and regulations related to athletic event transmittals

**2021-002**     Finding – Travel

During our testing of travel reimbursements, we noted one instance where there was no documentation supporting the purpose of the trip. Additionally, we noted one instance where the district was unable to locate the invoice and related documentation for one of sample selections.

Recommendation

We recommend the district put procedures in place to ensure compliance with all relevant laws and regulations related to travel reimbursements.

School District's Response

We will put procedures in place to ensure compliance with all relevant travel reimbursement laws and regulations.

**2021-003**     Finding – Purchasing

During our testing of compliance with purchasing laws, we noted 3 instances where the district was unable to provide evidence that a second quote was obtained prior to approving the purchase order.

Recommendation

We recommend the district put procedures in place to ensure compliance with all relevant laws and regulations related to purchasing.

School District's Response

We will put procedures in place to ensure compliance with all relevant purchasing laws and regulations.

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

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



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

A handwritten signature in dark ink that reads "Cunningham CPAs". The word "Cunningham" is written in a cursive script, and "CPAs" is written in a more blocky, sans-serif style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

May 25, 2022

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLEVELAND SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 – Coronavirus Relief Fund
84.425D	COVID-19 – Elementary and Secondary School Emergency Relief I (ESSER)
10.559	Summer Food Service Program for Children

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

CLEVELAND SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

**Material Weakness:**

Finding 2021-001:

CRITERIA: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

CONDITION:

- (1) During our testing of cutoff surrounding accounts payable, we noted three instances of expenditures that should have been accrued in fiscal year 2021 but were not. These errors were corrected by audit adjustment.
- (2) During our testing of payroll, we found an instance where an employee was underpaid by \$755.
- (3) During our testing of capital assets, we noted two instances where the district failed to properly capitalize and depreciate capital expenditures. In addition, we noted prior year completed construction projects were not properly added to the subsidiary schedules.

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

EFFECT OF CONDITION: The effect of this condition could result in the financial statements being materially misstated and an increased the risk of misappropriation of assets.

RECOMMENDATION: It is recommended that the district implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

VIEWS OF RESPONSIBLE OFFICIALS: Management will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

CLEVELAND SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal Awards:

**Significant Deficiency**

**2021-002**

U.S. Department of Education  
Passed-through Mississippi Department of Education  
Program Name: Elementary and Secondary School Emergency Relief I (ESSER)  
Program CFDA: 84.425D  
Compliance Requirement: Procurement

CRITERIA: Recipients of federal funds must follow the same State requirements for procurement that apply to non-federal funds.

CONDITION: During our testing of expenditures, we noted the district reimbursed a local private school for the purchase of technology related expenditures as allowed by ESSER. However, the district was unable to provide evidence that a required second quote was obtained in relation to those purchases.

CONTEXT: The school district did not follow requirements related to procurement.

CAUSE: Unknown.

EFFECT: Noncompliance with procurement requirements.

IDENTIFICATION OF REPEAT FINDING: No.

QUESTIONED COSTS: None

RECOMMENDATION: The school district should implement policies and procedures to ensure all applicable compliance requirements are being met.

VIEWS OF RESPONSIBLE OFFICIALS: We will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, including compliance with state and federal purchasing requirements

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511, the Cleveland School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2021-001	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Toninette Kennedy – Business Manager</p> <p>b. Corrective Action Planned:</p> <p>We will implement policies or procedures to establish an internal control system that will ensure strong financial accountability.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately.</p>
2021-002	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Toninette Kennedy – Business Manager</p> <p>b. Corrective Action Planned:</p> <p>We will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, including compliance with state and federal purchasing requirements.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately.</p>

## SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Cleveland School District has prepared and hereby submits the following summary of prior audit findings for the year ended June 30, 2021:

<u>Finding</u>	<u>Status</u>
2020-001	Repeated as 2021-001
2020-002	Corrected