



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FRANKLIN COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2021



FRANKLIN COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	19
Exhibit B - Statement of Activities	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	27
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position	31
Exhibit F - Statement of Changes in Fiduciary Net Position	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	59
Schedule of the District's Proportionate Share of the Net Pension Liability	61
Schedule of District Contributions (PERS)	63
Schedule of the District's Proportionate Share of the Net OPEB Liability	65
Schedule of District Contributions (OPEB)	67
Notes to the Required Supplementary Information	69
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	75
Notes to the Schedule of Expenditures of Federal Awards	77
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	79
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	83
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	85
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	89
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	91
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	95
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	99

(This page left blank intentionally)

## INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Franklin County 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 Franklin County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Franklin County 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 Franklin County 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.

POST OFFICE BOX 1563  
STARKVILLE, MS 39760  
PHONE: 601-938-5717

## ***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 9-16, 59, 61-63, and 65-67, 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***

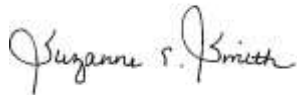
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 December 2, 2021, on our consideration of the Franklin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Franklin County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi

December 2, 2021

(This page left blank intentionally)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

Franklin County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

The following discussion and analysis of Franklin County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2021 decreased \$812,433, including a prior period adjustment of \$21,430 and a reclassification of fund type of \$26,243, which represents a 23% decrease from fiscal year 2020. Total net position for 2020 decreased \$737,155, including a prior period adjustment of \$774, which represents a 26% decrease from fiscal year 2019.
- General revenues amounted to \$11,328,283 and \$11,377,246, or 75% and 79% 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 \$3,817,916, or 25% of total revenues for 2021, and \$3,046,139, or 21 % of total revenues for 2020.
- The district had \$16,006,305 and \$15,161,314 in expenses for fiscal years 2021 and 2020; only \$3,817,916 for 2021 and \$3,046,139 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,328,283 for 2021 and \$11,377,246 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$11,211,947 in revenues and \$11,013,464 in expenditures for 2021, and \$11,271,836 in revenues and \$11,129,157 in expenditures in 2020. The General Fund's fund balance increased by \$171,319 from 2020 to 2021, including a prior period adjustment of (\$163) and a reclassification of fund type of \$26,243 and decreased by \$1,157,831, including a prior period adjustment of \$1,604, from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$36,474 for 2021 and increased by \$507,444 for 2020. The increase for 2021 was due primarily to the addition of mobile equipment and furniture and equipment and the completion of a new building.
- Long-term debt included the liability for compensated absences. The liability for compensated absences decreased by \$6,714 for 2021 and increased by \$1,686 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.

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

Franklin County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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 can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most 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.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

Franklin County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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 \$4,390,411 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.

Franklin County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Current assets	\$ 5,418,969	\$ 5,182,706	4.56 %
Restricted assets	6,446,719	6,318,127	2.04 %
Capital assets, net	6,901,085	6,864,611	0.53 %
<b>Total assets</b>	<b><u>18,766,773</u></b>	<b><u>18,365,444</u></b>	<b>2.19 %</b>
 <b>Deferred outflows of resources</b>	 <b><u>3,228,027</u></b>	 <b><u>1,833,597</u></b>	 <b>76.05 %</b>
Current liabilities	530,423	110,187	381.38 %
Long-term debt outstanding	96,662	103,376	-6.49 %
Net pension liability	24,150,538	21,676,829	11.41 %
Net OPEB liability	1,271,875	1,407,745	-9.65 %
<b>Total liabilities</b>	<b><u>26,049,498</u></b>	<b><u>23,298,137</u></b>	<b>11.81 %</b>
 <b>Deferred inflows of resources</b>	 <b><u>335,713</u></b>	 <b><u>478,882</u></b>	 <b>-29.90 %</b>
 <b>Net position:</b>			
Net investment in capital assets	6,901,085	6,864,611	0.53 %
Restricted	9,084,274	9,224,539	-1.52 %
Unrestricted	(20,375,770)	(19,667,128)	-3.60 %
<b>Total net position</b>	<b><u>\$ (4,390,411)</u></b>	<b><u>\$ (3,577,978)</u></b>	<b>-22.71 %</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)	(\$20,375,770)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	22,530,099
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,154,329</u>

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

- Increase in current liabilities of \$420,236.
- Increase in deferred outflows of resources of \$1,394,430.
- Increase in net pension liability of \$2,473,709.
- Decrease in net OPEB liability of \$135,870.
- Decrease in deferred inflows of resources of \$143,169.

Franklin County 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 \$15,146,199 and \$14,423,385, respectively. The total cost of all programs and services was \$16,006,305 for 2021 and \$15,161,314 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	\$ 353,429	\$ 399,917	(11.62) %
Operating grants and contributions	3,458,930	2,646,222	30.71 %
Capital grants and contributions	5,557	-	N/A %
General revenues:			
Property taxes	2,957,617	2,847,702	3.86 %
Grants and contributions not restricted	7,502,925	7,248,144	3.52 %
Investment earnings	271,349	367,578	(26.18) %
Sixteenth section sources	536,756	837,204	(35.89) %
Other	59,636	76,618	(22.16) %
<b>Total revenues</b>	<b>15,146,199</b>	<b>14,423,385</b>	<b>5.01 %</b>
<b>Expenses:</b>			
Instruction	7,990,421	7,185,954	11.19 %
Support services	5,046,454	5,360,957	(5.87) %
Non-instructional	552,530	602,655	(8.32) %
Sixteenth section	45,206	28,409	59.13 %
Pension expense	2,286,407	1,881,749	21.50 %
OPEB expense	16,526	72,553	(77.22) %
Interest on long-term liabilities	68,761	29,037	136.80 %
<b>Total expenses</b>	<b>16,006,305</b>	<b>15,161,314</b>	<b>5.57 %</b>
<b>Increase (Decrease) in net position</b>	<b>(860,106)</b>	<b>(737,929)</b>	<b>(16.56) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(3,577,978)</b>	<b>(2,840,823)</b>	(25.95) %
<b>Prior Period Adjustment</b>	<b>21,430</b>	<b>774</b>	2,668.73 %
<b>Reclassify Fund Type</b>	<b>26,243</b>	<b>-</b>	N/A
<b>Net Position, July 1, as restated</b>	<b>(3,530,305)</b>	<b>(2,840,049)</b>	<b>(24.30) %</b>
<b>Net Position, June 30</b>	<b>\$ (4,390,411)</b>	<b>\$ (3,577,978)</b>	<b>(22.71) %</b>

### 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.

Franklin County 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	\$ 7,990,421	\$ 7,185,954	11.19 %
Support services	5,046,454	5,360,957	(5.87) %
Non-instructional	552,530	602,655	(8.32) %
Sixteenth section	45,206	28,409	59.13 %
Pension Expense	2,286,407	1,881,749	21.50 %
OPEB Expense	16,526	72,553	(77.22) %
Interest on long-term liabilities	68,761	29,037	136.80 %
<b>Total expenses</b>	<b>\$ 16,006,305</b>	<b>\$ 15,161,314</b>	<b>5.57 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ (5,729,553)	\$ (5,602,991)	(2.26) %
Support services	(4,203,873)	(4,671,432)	10.01 %
Non-instructional	89,195	68,015	31.14 %
Sixteenth section	27,536	74,572	(63.07) %
Pension Expense	(2,286,407)	(1,881,749)	(21.50) %
OPEB Expense	(16,526)	(72,553)	77.22 %
Interest on long-term liabilities	(68,761)	(29,037)	(136.80) %
<b>Total net (expense) revenue</b>	<b>\$ (12,188,389)</b>	<b>\$ (12,115,175)</b>	<b>(0.60) %</b>

- Net cost of governmental activities [(\$12,188,389) for 2021 and (\$12,115,175) for 2020)] was financed by general revenue, which is primarily made up of property taxes (\$2,957,617 for 2021 and \$2,847,702 for 2020) and state and federal revenues (\$7,502,925 for 2021 and \$7,248,144 for 2020). In addition, there was \$536,756 and \$837,024 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$271,349 for 2021 and \$367,578 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 \$11,335,265, a decrease of \$55,381, which includes a prior period adjustment of (\$163), a reclassification of fund type of \$26,243 and a decrease in inventory of \$15,524. \$2,226,556 or 20% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,108,709 or 80% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

Franklin County 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 \$171,319, which includes a prior period adjustment of (\$163) and a reclassification of fund type of \$26,243. The fund balance of Other Governmental Funds showed a decrease in the amount of \$199,408, which includes a decrease in reserve for inventory of \$15,524. This decrease is due primarily to expenditures in the Building Improvement Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Principal Fund	\$ (27,292)

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2021, the District's total capital assets were \$15,249,434, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$483,698 from 2020. Total accumulated depreciation as of June 30, 2021, was \$8,348,349, and total depreciation expense for the year was \$438,665, resulting in total net capital assets of \$6,901,085.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 86,490	\$ 86,490	0.00 %
Construction in Progress	-	974,006	(100.00) %
Buildings	3,273,018	2,051,770	59.52 %
Building improvements	2,352,578	2,486,555	(5.39) %
Improvements other than buildings	209,880	224,497	(6.51) %
Mobile equipment	912,464	960,746	(5.03) %
Furniture and equipment	66,655	80,547	(17.25) %
<b>Total</b>	<b><u>\$ 6,901,085</u></b>	<b><u>\$ 6,864,611</u></b>	<b>0.53 %</b>

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

**Debt Administration.** At June 30, 2021, the District had \$96,662 in liability for compensated absences. The liability decreased \$6,714 from the prior year.

Franklin County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Compensated absences payable	\$ 96,662	\$ 103,376	(6.49) %
<b>Total</b>	<b><u>\$ 96,662</u></b>	<b><u>\$ 103,376</u></b>	<b>(6.49) %</b>

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

## **CURRENT ISSUES**

The Franklin County School District is financially stable. The district is proud of its community support of the public schools. The district has committed itself to financial excellence and plans to continue its sound financial management to meet the challenges of the future. The district has four schools including two elementary schools, one middle school, and one high school.

## **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 Franklin County School District, 41 First Street (P.O. Box 605), Meadville, Mississippi 39653.

## FINANCIAL STATEMENTS

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,584,043
Due from other governments	802,314
Other receivables, net	9,112
Inventories	23,500
Restricted assets	6,446,719
Capital assets, net of accumulated depreciation	6,901,085
Total Assets	<u>18,766,773</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	2,984,072
Deferred outflows - OPEB	243,955
Total deferred outflows of resources	<u>3,228,027</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	527,324
Unavailable revenue	3,099
Long-term liabilities, due within one year:	
Net OPEB liability	43,554
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	96,662
Net pension liability	24,150,538
Net OPEB liability	1,228,321
Total Liabilities	<u>26,049,498</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	27,029
Deferred inflows - OPEB	308,684
Total deferred inflows of resources	<u>335,713</u>
<b>Net Position</b>	
Net investment in capital assets	6,901,085
Restricted for:	
Expendable:	
School-based activities	698,632
Forestry improvements	364,448
Unemployment benefits	11,340
Non-expendable:	
Sixteenth section	8,009,854
Unrestricted	(20,375,770)
Total Net Position	<u>\$ (4,390,411)</u>

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

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Activities**

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

**Exhibit B**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 7,990,421	238,103	2,017,208	5,557	(5,729,553)
Support services	5,046,454	16,018	826,563		(4,203,873)
Non-instructional	552,530	26,566	615,159		89,195
Sixteenth section	45,206	72,742			27,536
Pension expense	2,286,407				(2,286,407)
OPEB expense	16,526				(16,526)
Interest on long-term liabilities	68,761				(68,761)
Total Governmental Activities	<u>\$ 16,006,305</u>	<u>353,429</u>	<u>3,458,930</u>	<u>5,557</u>	<u>(12,188,389)</u>
General Revenues:					
Taxes:					
General purpose levies					2,957,617
Unrestricted grants and contributions:					
State					7,158,318
Federal					344,607
Unrestricted investment earnings					271,349
Sixteenth section sources					536,756
Other					59,636
Total General Revenues					<u>11,328,283</u>
Change in Net Position					<u>(860,106)</u>
Net Position - Beginning, as previously reported					(3,577,978)
Prior Period Adjustments					21,430
Reclassify Fund Type					26,243
Net Position - Beginning, as restated					<u>(3,530,305)</u>
Net Position - Ending					<u>\$ (4,390,411)</u>

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

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2021**

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,777,783	506,778	806,260	5,090,821
Cash with fiscal agents		84,466		84,466
Investments		5,843,064		5,843,064
Due from other governments	479,995		322,319	802,314
Accrued interest receivable		12,411		12,411
Other receivables, net	3,099	6,013		9,112
Due from other funds	292,210		36,806	329,016
Advance to other funds		1,557,122		1,557,122
Inventories			23,500	23,500
Total assets	4,553,087	8,009,854	1,188,885	13,751,826
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 518,616		8,708	527,324
Due to other funds	36,806		292,210	329,016
Advances from other funds	1,557,122			1,557,122
Unavailable revenue	3,099			3,099
Total Liabilities	2,115,643	0	300,918	2,416,561
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			23,500	23,500
Permanent fund principal		6,452,732		6,452,732
Advances		1,557,122		1,557,122
<b>Restricted:</b>				
Forestry improvement purposes			364,448	364,448
Grant activities			464,244	464,244
Unemployment benefits			11,340	11,340
<b>Assigned:</b>				
Student activities	210,888			210,888
Unemployment benefits			24,435	24,435
<b>Unassigned</b>	2,226,556			2,226,556
Total Fund Balances	2,437,444	8,009,854	887,967	11,335,265
Total liabilities, deferred inflows of resources and fund balances	\$ 4,553,087	8,009,854	1,188,885	13,751,826

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

(This page left blank intentionally)

**FRANKLIN COUNTY 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** \$ 11,335,265

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	\$ 86,490	
Buildings	7,648,532	
Building improvements	3,966,640	
Improvements other than buildings	632,114	
Mobile equipment	2,454,970	
Furniture and equipment	460,688	
Accumulated depreciation	<u>(8,348,349)</u>	6,901,085

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	(24,150,538)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	2,984,072	
Deferred inflows of resources related to pensions	<u>(27,029)</u>	(21,193,495)

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	(1,271,875)	
--------------------	-------------	--

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

Deferred outflows of resources related to OPEB	243,955	
Deferred inflows of resources related to OPEB	<u>(308,684)</u>	(1,336,604)

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:

Compensated absences payable	<u>(96,662)</u>	(96,662)
------------------------------	-----------------	----------

**Net Position of governmental activities**

**\$ (4,390,411)**

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

(This page left blank intentionally)

**FRANKLIN COUNTY 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	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 3,272,776		80,802	3,353,578
State sources	6,937,050		700,205	7,637,255
Federal sources	444,782		2,885,374	3,330,156
Sixteenth section sources	557,339	193,132	74,739	825,210
Total Revenues	11,211,947	193,132	3,741,120	15,146,199
<b>Expenditures:</b>				
Instruction	6,737,229		2,352,584	9,089,813
Support services	4,206,813		981,173	5,187,986
Noninstructional services	661		564,739	565,400
Sixteenth section			45,206	45,206
Facilities acquisition and construction			345,646	345,646
Debt service:				
Interest	68,761			68,761
Total Expenditures	11,013,464	0	4,289,348	15,302,812
Excess (Deficiency) of Revenues over (under) Expenditures	198,483	193,132	(548,228)	(156,613)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	90,676			90,676
Operating transfers in	229,584		373,504	603,088
Operating transfers out	(373,504)	(220,424)	(9,160)	(603,088)
Total Other Financing Sources (Uses)	(53,244)	(220,424)	364,344	90,676
Net Change in Fund Balances	145,239	(27,292)	(183,884)	(65,937)
<b>Fund Balances:</b>				
July 1, 2020, as previously reported	2,266,125	8,037,146	1,087,375	11,390,646
Prior period adjustments	(163)			(163)
Reclassify fund type	26,243			26,243
July 1, 2020, as restated	2,292,205	8,037,146	1,087,375	11,416,726
Increase (Decrease) in reserve for inventory			(15,524)	(15,524)
June 30, 2021	\$ 2,437,444	8,009,854	887,967	11,335,265

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

(This page left blank intentionally)

**FRANKLIN COUNTY 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** \$ (65,937)

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	\$ 450,138	
Depreciation expense	<u>(438,665)</u>	11,473

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.

	(59)	(59)
--	------	------

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

Pension expense	(2,286,407)	
Contributions subsequent to the measurement date	<u>1,462,606</u>	(823,801)

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

OPEB expense	(16,526)	
Contributions subsequent to the measurement date	<u>43,554</u>	27,028

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

Change in compensated absences	6,714	
Change in inventory reserve	<u>\$ (15,524)</u>	(8,810)

<b>Change in Net Position of governmental activities</b>		<u><u>\$ (860,106)</u></u>
--	--	----------------------------

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

(This page left blank intentionally)

## FRANKLIN COUNTY SCHOOL DISTRICT

## Fiduciary Funds

Statement of Fiduciary Net Position  
June 30, 2021

## Exhibit E

	Private-Purpose Trust Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 0
Total Assets	0
<b>Liabilities</b>	
Accounts payable and accrued liabilities	0
Total Liabilities	0
<b>Net Position</b>	
Restricted for individuals, organizations and other governments	0
Total Net Position	\$ 0

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

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2021**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 0
Contributions and donations from private sources	0
Total Additions	<u>0</u>
<b>Deductions</b>	
Scholarships awarded	298
Transfer to outside administrator	<u>65,057</u>
Total Deductions	<u>65,355</u>
Net increase (decrease) in fiduciary net position	<u>(65,355)</u>
Net position - Beginning	65,355
Net position - Ending	<u><u>\$ 0</u></u>

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

(This page left blank intentionally)

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

**A. Financial Reporting Entity**

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

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

**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 the non-fiduciary activities of the district. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

16<sup>th</sup> Section Principal Fund – This permanent fund accounts for the resources from sixteenth section lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net position and changes in net position.

The district's fiduciary funds include the following:

Private-Purpose Trust Funds – These various funds account for earnings on investments and contributions and donations from private sources and scholarships awarded to students.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments. The private-purpose trust funds used to account for scholarship funds were moved to an outside organization at June 30, 2021, in order to comply with state law.

### **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, as are the Fiduciary Fund financial statements. Revenues are recorded when

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district, as well as for its component units, 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

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property 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 has incurred deferred outflows which are presented as deferred outflows related to pensions and deferred outflows related to OPEB.

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

See Notes 7, 8, and 14 for further details.

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. 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

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the district's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the district's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts. It is the goal of the district to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than five (5) percent of general fund revenues for the year. If the unassigned fund balance at fiscal year end falls below the goal, the district will develop a restoration plan to achieve and maintain the minimum fund balance.

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 is 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.

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann.

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

(1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,090,821.

*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 \$84,466.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Asset Backed Securities	AA+	0 - 5 years	\$ 1,319,484
	AA+	Over 5 - 10 years	2,081,388
	AA+	Over 10 - 15 years	502,993
	AA+	Over 15 - 30 years	74,310
U.S. Treasury/Agency Securities	AA+	0 - 5 years	506,255
	AA+	Over 5 - 10 years	1,303,976
	AA+	Over 10 - 15 years	54,658
Total			<u>\$ 5,843,064</u>

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

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:

- Asset back securities of \$3,978,175 and U.S. Treasury/Agency Securities of \$1,864,889 are valued using quoted market prices (Level 1 inputs)

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2021, the district did not have any investments to which this would apply.

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

### 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	\$ 292,210
Other governmental funds	General Fund	36,806
Total		<u>\$ 329,016</u>

The inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal and state governments. Other inter fund balances are represented by the timing difference of inter fund transfers and the actual transfer of cash.

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 1,557,122
Total		<u>\$ 1,557,122</u>

The inter-fund balance represents a sixteenth section principal loan due from the General fund.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2021 is four (4) percent.

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

Series 2013 Loan -

Year Ending June 30	Principal	Interest	Total
2022	\$ 106,897	20,485	127,382
2023	106,897	16,209	123,106
2024	100,193	11,933	112,126
2025	68,621	7,925	76,546
2026	58,150	5,181	63,331
2027-2029	71,364	4,441	75,805
Total	<u>\$ 512,122</u>	<u>66,174</u>	<u>578,296</u>

Series 2020 Loan -

Year Ending June 30	Principal	Interest	Total
2022	\$ 55,000	41,800	96,800
2023	55,000	39,600	94,600
2024	55,000	37,400	92,400
2025	55,000	35,200	90,200
2026	55,000	33,000	88,000
2027-2031	275,000	132,000	407,000
2032-2036	275,000	77,000	352,000
2037-2040	220,000	22,000	242,000
Total	<u>\$ 1,045,000</u>	<u>418,000</u>	<u>1,463,000</u>

Total payments due on all loans –

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

Year Ending June 30	Principal	Interest	Total
2022	\$ 161,897	62,285	224,182
2023	161,897	55,809	217,706
2024	155,193	49,333	204,526
2025	123,621	43,125	166,746
2026	113,150	38,181	151,331
2027-2031	346,364	136,441	482,805
2032-2036	275,000	77,000	352,000
2037-2040	220,000	22,000	242,000
Total	\$ 1,557,122	484,174	2,041,296

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 373,504
16th Section Principal Fund	General Fund	220,424
Other governmental funds	General Fund	9,160
Total		<u>\$ 603,088</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds, transfers of investment earnings on 16<sup>th</sup> Section Principal Fund investments to the general fund, and transfers of indirect costs from special revenue funds to the General Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, cash with fiscal agents balance, investment balance, and accrued interest balance totaling \$506,778, \$84,466, \$5,843,064, and \$12,411, 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. Total restricted assets on the Statement of Net Position is \$6,446,719.

**Note 5 – Capital Assets**

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

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

	Balance 7/1/2020	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2021
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 86,490					86,490
Construction-in-progress	974,006	345,646		(1,319,652)		-
Total non-depreciable capital assets	1,060,496	345,646		(1,319,652)	-	86,490
<u>Depreciable capital assets:</u>						
Buildings	6,328,880			1,319,652		7,648,532
Building improvements	3,933,996				32,644	3,966,640
Improvements other than buildings	632,114					632,114
Mobile equipment	2,356,035	98,935				2,454,970
Furniture and equipment	454,215	5,557	5,924		6,840	460,688
Total depreciable capital assets	13,705,240	104,492	5,924	1,319,652	39,484	15,162,944
<u>Less accumulated depreciation for:</u>						
Buildings	4,277,110	98,404				4,375,514
Building improvements	1,447,441	154,216			12,405	1,614,062
Improvements other than buildings	407,617	14,615			2	422,234
Mobile equipment	1,395,289	147,219			(2)	1,542,506
Furniture and equipment	373,668	24,211	5,865		2,019	394,033
Total accumulated depreciation	7,901,125	438,665	5,865	-	14,424	8,348,349
Total depreciable capital assets, net	5,804,115	(334,173)	59	1,319,652	25,060	6,814,595
Governmental activities capital assets, net	\$ 6,864,611	11,473	59	-	25,060	6,901,085

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 3,748
Support services	428,364
Non-instructional	6,553
Total depreciation expense - Governmental activities	<u>\$ 438,665</u>

Adjustments were made for two assets that had not been depreciated in prior years and other minor rounding adjustments.

FRANKLIN COUNTY 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. Compensated absences payable	\$ 103,376		6,714	96,662	-
Total	\$ 103,376	-	6,714	96,662	-

### A. Compensated absences payable

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

## Note 7 – Defined Benefit Pension Plan

### General Information about the Pension Plan

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

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$1,462,606, \$1,445,403 and \$1,263,941, 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 school district reported a liability of \$24,150,538 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 school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2021, net pension liability was 0.124752 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.001532 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.

For the year ended June 30, 2021, the District recognized pension expense of \$2,286,407. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,419	\$
Net difference between projected and actual earnings on pension plan investments	994,563	
Changes of assumptions	133,418	
Changes in proportion and differences between District contributions and proportionate share of contributions	367,066	27,029
District contributions subsequent to the measurement date	1,462,606	
Total	\$ <u>2,984,072</u>	\$ <u>27,029</u>

\$1,462,606 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 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	\$ 141,091
2023	518,944
2024	514,745
2025	319,657

*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

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
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	<u>100 %</u>	

*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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 31,259,903	\$ 24,150,538	\$ 18,282,454

*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'

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

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

*Benefits provided.*

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

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the district were \$43,554 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 \$1,271,875 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 0.16343634 percent. This was a decrease of 0.00246546 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 \$16,526. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FRANKLIN COUNTY 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	\$ 1,621	\$ 221,340
Changes of assumptions	197,470	53,748
Net difference between projected and actual earnings on OPEB plan investments	41	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,269	33,596
District contributions subsequent to the measurement date	43,554	
<b>Total</b>	<b>\$ <u>243,955</u></b>	<b>\$ <u>308,684</u></b>

\$43,554 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 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	\$ (29,547)
2023	(29,547)
2024	(24,677)
2025	(8,977)
2026	(15,535)

*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%

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

Health Care Cost Trends

Medicare Supplement Claims  
Pre-Medicare

7.00 percent for 2021 decreasing to an  
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 was 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	\$ 1,405,508	\$ 1,271,875	\$ 1,157,253

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,174,382	\$ 1,271,875	\$ 1,382,330

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

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

**Note 9 – 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	\$ 90,588
2023	90,588
2024	27,456
2025	26,876
2026	1,357
2027 – 2031	5,286
2032 - 2036	5,286
2037 – 2041	5,286
2042 – 2046	5,286
Thereafter	12,686
Total	<u>\$ 270,695</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

1. Error correction - prior period asset or liability	\$ (163)
2. Error correction - prior period capital asset value and unrecorded depreciation expense	25,060
3. Restatement of net OPEB liability	(3,467)
4. Reclassify fund type	26,243
	<u>\$ 47,673</u>

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

Fund	Explanation	Amount
General Fund	Error correction - prior period asset or liability	\$ (163)
	Reclassify fund type	26,243
Total		<u>\$ 26,080</u>

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

**Note 11 – Contingencies**

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel

believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 12 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

**Note 13 - Insurance loss recoveries**

The Franklin County School District received \$90,676 in insurance loss recoveries related to property damage during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2021

Insurance Loss		Percentage	Expense Function
Recoveries			
\$	74,658	82%	Instruction
	16,018	18%	Support services
\$	90,676	100%	

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

The unrestricted net position amount of (\$20,375,770) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,462,606 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$1,521,466 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 (\$20,375,770) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$27,029 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 (\$20,375,770) 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 \$43,554 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$200,401 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 (\$20,375,770) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$308,684 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 - 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 Franklin County School District evaluated the activity of the district through December 2, 2021, (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.

(This page left blank intentionally)

## REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

**FRANKLIN COUNTY 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	\$ 3,190,326	3,220,697	3,272,776	30,371	52,079
State sources	6,905,298	6,937,050	6,937,050	31,752	0
Federal sources	274,773	237,132	444,782	(37,641)	207,650
Sixteenth section sources	533,550	557,339	557,339	23,789	0
Total Revenues	10,903,947	10,952,218	11,211,947	48,271	259,729
<b>Expenditures:</b>					
Instruction	7,205,457	6,726,489	6,737,229	478,968	(10,740)
Support services	4,702,752	4,206,813	4,206,813	495,939	0
Noninstructional services	6,500	661	661	5,839	0
Debt service:					
Principal	161,897	0	0	161,897	0
Interest	68,761	68,761	68,761	0	0
Other	1,000	0	0	1,000	0
Total Expenditures	12,146,367	11,002,724	11,013,464	1,143,643	(10,740)
Excess (Deficiency) of Revenues over (under) Expenditures	(1,242,420)	(50,506)	198,483	1,191,914	248,989
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	0	90,676	90,676	90,676	0
Operating transfers in	2,604,424	1,403,270	229,584	(1,201,154)	(1,173,686)
Operating transfers out	(2,920,164)	(1,547,190)	(373,504)	1,372,974	1,173,686
Total Other Financing Sources (Uses)	(315,740)	(53,244)	(53,244)	262,496	0
Net Change in Fund Balances	(1,558,160)	(103,750)	145,239	1,454,410	248,989
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	3,879,245	2,264,521	2,266,125	(1,614,724)	1,604
Prior period adjustments	0	1,441	(163)	1,441	(1,604)
Reclassify fund type	0	47,708	26,243	47,708	(21,465)
July 1, 2020, as restated	3,879,245	2,313,670	2,292,205	(1,565,575)	(21,465)
June 30, 2021	\$ 2,321,085	2,209,920	2,437,444	(111,165)	227,524

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

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	%	0.124752	0.123220%	0.123444	0.123417	0.126967	0.128183	0.125656
District's proportionate share of the net pension liability	\$	24,150,538	21,676,829	20,532,405	20,516,094	22,679,477	19,814,564	15,252,338
District's covered payroll	\$	8,306,914	8,025,022	7,883,105	7,917,251	8,122,400	8,008,114	7,678,203
District's proportionate share of the net pension liability as a percentage of its covered payroll		290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
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.

(This page left blank intentionally)

**FRANKLIN COUNTY 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	\$ 1,462,606	1,445,403	1,263,941	1,241,589	1,246,967	1,279,278	1,261,278
Contributions in relation to the contractually required contribution	\$ 1,462,606	1,445,403	1,263,941	1,241,589	1,246,967	1,279,278	1,261,278
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered payroll	8,405,782	8,306,914	8,025,022	7,883,105	7,917,251	8,122,400	8,008,114
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.

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

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

**OPEB**

**Last 10 Fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
District's proportion of the net OPEB liability	0.16343634%	0.16590180%	0.16567863%	0.16646359%
District's proportionate share of the net OPEB liability	\$ 1,271,875	1,407,745	1,281,607	1,306,088
District's covered-employee payroll	\$ 8,306,914	8,025,022	7,493,532	7,478,751
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.31%	17.54%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

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

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

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

(This page left blank intentionally)

**FRANKLIN COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018*</b>
Actuarially determined contribution	\$ 43,554	54,189	56,427	55,680
Contributions in relation to the actuarially determined contribution	\$ 43,554	54,189	56,427	55,680
Contribution deficiency (excess)	\$ -	-	-	-
District's covered-employee payroll	8,405,782	8,306,914	8,230,900	7,214,363
Contributions as a percentage of covered-employee payroll	0.52%	0.65%	0.69%	0.77%

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).

(This page left blank intentionally)

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2021

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:

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2021

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.

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2021

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%

(This page left blank intentionally)

## SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

## FRANKLIN COUNTY 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:			
School breakfast program	10.553	215M326N1099	\$ 30,682
National school lunch program	10.555	215M326N1099	128,209
Subtotal			158,891
COVID-19 - Summer food service program for children	10.559	215M326N1099	490,995
Total Summer food service program for children			490,995
Total child nutrition cluster			649,886
State administrative expenses for child nutrition	10.560	215M326N1099	2,782
Total passed-through Mississippi Department of Education			652,668
Passed-through Franklin County Board of Supervisors:			
Schools and roads - grants to states	10.665	N/A	328,050
Total passed-through Franklin County Board of Supervisors			328,050
<b>Total U.S. Department of Agriculture</b>			<b>980,718</b>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	76,291
<b>Total U.S. Department of Defense</b>			<b>76,291</b>
<b><u>U. S. Department of the Treasury</u></b>			
Passed-through the Mississippi Department of Education:		MR21-3121	
COVID-19 - Coronavirus Relief Fund	21.019	ED21-3121	636,747
Total passed-through Mississippi Department of Education			636,747
<b>Total U. S. Department of the Treasury</b>			<b>636,747</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024 S010A190024 S010A200024	504,730
Career and technical education - basic grants to states	84.048	V048A200024	23,352
Twenty-first century community learning centers	84.287	S287C190024 S287C200024	210,747
Rural education	84.358	S358B180024 S358B190024 S358B200024	23,081
Supporting Effective Instruction State Grants	84.367	S367A180023 S367A190023 S367A200023	39,678

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
COVID-19 - Education Stabilization Fund (ESSER) Fund I	84.425D	S425D200031	307,518
COVID-19 - Education Stabilization Fund (ESSER) Fund II	84.425D	S425D210031	77,286
COVID-19 - Education Stabilization Fund (ESSER) Nursing Grant	84.425D	S425D210031	11,951
Subtotal COVID-19 Education Stabilization Fund			396,755
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108	330,589
Special education - preschool grants	84.173	H173A200113	32,332
Total special education cluster			362,921
Total passed-through Mississippi Department of Education			1,561,264
<b>Total U.S. Department of Education</b>			<b>1,561,264</b>

#### **U.S. Department of Health and Human Services**

Passed-through the Mississippi Department of Education:

Medicaid cluster:

Medical assistance program

93.778 2021MSSADV 27,215

Total Medicaid cluster

27,215

Total passed-through Mississippi Department of Education

27,215

**Total U.S. Department of Health and Human Services**

**27,215**

#### **Social Security Administration**

Passed-through the Mississippi Department of Rehabilitation  
Services

Social security disability payments

96.001 4-21-04MSD100 224

Total passed-through Mississippi Department of  
Rehabilitation Services

224

**Total Social Security Administration**

**224**

**Total for All Federal Awards**

**\$ 3,282,459**

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

*As allowed by federal regulations, the Franklin County School District elected to transfer program funds. The district expended \$40,000 from its Supporting effective instruction state grants (84.367) on allowable activities of the Title I grants to local educational agencies grant (84.010). This amount is reflected in the expenditures of the Title I grants to local educational agencies grant (84.010).*

*As allowed by federal regulations, the Franklin County School District elected to transfer program funds. The district expended \$29,385 from its Student support enrichment program grant (84.424) on allowable activities of the Title I grants to local educational agencies grant (84.010). This amount is reflected in the expenditures of the Title I grants to local educational agencies grant (84.010).*

FRANKLIN COUNTY SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
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 Franklin County 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 Franklin County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Franklin County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 Franklin County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(This page left blank intentionally)

**FRANKLIN COUNTY 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	\$ 11,625,871	8,558,694	816,795	842,152	1,408,230
Other	3,676,941	1,663,264	303,773	50,867	1,659,037
Total	<u>\$ 15,302,812</u>	<u>10,221,958</u>	<u>1,120,568</u>	<u>893,019</u>	<u>3,067,267</u>
Total number of students *	<u>1,023</u>				
Cost per student	<u>\$ 14,958</u>	<u>9,992</u>	<u>1,095</u>	<u>873</u>	<u>2,998</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

(This page left blank intentionally)

## OTHER INFORMATION

(This page left blank intentionally)

**FRANKLIN COUNTY 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	\$ 3,272,776	3,119,508	3,218,435	3,278,128
State sources	6,937,050	6,942,904	6,514,809	6,688,900
Federal sources	444,782	436,097	391,228	415,584
Sixteenth section sources	557,339	773,327	574,107	953,353
Total Revenues	11,211,947	11,271,836	10,698,579	11,335,965
<b>Expenditures:</b>				
Instruction	6,737,229	6,829,293	6,503,320	6,494,901
Support services	4,206,813	4,265,013	4,230,948	4,380,688
Noninstructional services	661	1,047	2,083	2,939
Facilities acquisition and construction		4,767		
Debt service:				
Interest	68,761	29,037	33,563	39,507
Total Expenditures	11,013,464	11,129,157	10,769,914	10,918,035
Excess (Deficiency) of Revenues over (under) Expenditures	198,483	142,679	(71,335)	417,930
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	90,676			
Sale of transportation equipment		4,837	11,001	7,883
Operating transfers in	229,584	52,184	56,200	51,342
Operating transfers out	(373,504)	(1,357,289)	(344,253)	(319,885)
Other financing uses		(1,846)		
Total Other Financing Sources (Uses)	(53,244)	(1,302,114)	(277,052)	(260,660)
Net Change in Fund Balances	145,239	(1,159,435)	(348,387)	157,270
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,266,125	3,423,956	3,772,343	3,606,532
Prior period adjustments	(163)	1,604		8,541
Reclassify fund type	26,243			
Beginning of period, as restated	2,292,205	3,425,560	3,772,343	3,615,073
End of Period	\$ 2,437,444	2,266,125	3,423,956	3,772,343

\*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

**FRANKLIN COUNTY 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	\$ 3,353,578	3,239,548	3,394,122	3,369,683
State sources	7,637,255	7,549,513	7,117,187	7,292,160
Federal sources	3,330,156	2,344,853	2,292,166	2,079,236
Sixteenth section sources	825,210	1,289,471	998,066	1,216,989
Total Revenues	15,146,199	14,423,385	13,801,541	13,958,068
<b>Expenditures:</b>				
Instruction	9,089,813	8,189,890	7,825,538	7,731,093
Support services	5,187,986	5,357,878	5,221,360	5,352,657
Noninstructional services	565,400	659,559	675,186	673,594
Sixteenth section	45,206	28,409	21,040	83,510
Facilities acquisition and construction	345,646	974,006		
Debt service:				
Interest	68,761	29,037	33,563	39,507
Total Expenditures	15,302,812	15,238,779	13,776,687	13,880,361
Excess (Deficiency) of Revenues over (under) Expenditures	(156,613)	(815,394)	24,854	77,707
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	90,676			
Sale of transportation equipment		4,837	11,001	7,883
Operating transfers in	603,088	1,409,473	468,004	406,227
Operating transfers out	(603,088)	(1,409,473)	(468,004)	(406,227)
Other financing uses		(1,846)		
Total Other Financing Sources (Uses)	90,676	2,991	11,001	7,883
Net Change in Fund Balances	(65,937)	(812,403)	35,855	85,590
<b>Fund Balances:</b>				
Beginning of period, as previously reported	11,390,646	12,178,848	12,146,684	12,052,059
Prior period adjustments	(163)	875		8,541
Reclassify fund type	26,243			
Beginning of period, as restated	11,416,726	12,179,723	12,146,684	12,060,600
Increase (Decrease) in reserve for inventory	(15,524)	23,326	(3,691)	494
End of Period	\$ 11,335,265	11,390,646	12,178,848	12,146,684

\*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### 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  
Franklin County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Franklin County School District's basic financial statements, and have issued our report thereon dated December 2, 2021.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

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

#### Compliance and Other Matters

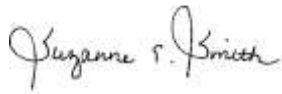
As part of obtaining reasonable assurance about whether the Franklin County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the

POST OFFICE BOX 1563  
STARKVILLE, MS 39760  
PHONE: 601-938-5717

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 cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi  
December 2, 2021

# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board  
Franklin County School District

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

We have audited Franklin County 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 Franklin County School District's major federal programs for the year ended June 30, 2021. The Franklin County School District's major federal programs are identified in the summary of the 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 Franklin County School District's major federal program 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 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 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 its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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

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

#### **Report on Internal Control Over Compliance**

Management of the Franklin County 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 Franklin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal

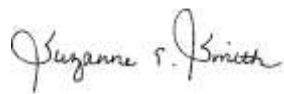
POST OFFICE BOX 1563  
STARKVILLE, MS 39760  
PHONE: 601-938-5717

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 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 a combination of deficiencies, in internal control over compliance, such that there is as reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi  
December 2, 2021

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

(This page left blank intentionally)

# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board  
Franklin County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin County School District as of and for the year ended June 30, 2021, which collectively comprise Franklin County School District's basic financial statements and have issued our report thereon dated December 2, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

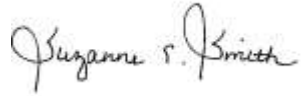
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

POST OFFICE BOX 1563  
STARKVILLE, MS 39760  
PHONE: 601-938-5717

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 cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi  
December 2, 2021

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

FRANKLIN COUNTY 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/No) No
  - b. Significant deficiency(ies) identified? (Yes/None reported) None reported
3. Noncompliance material to financial statements noted? (Yes/No) No

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.425D	Education Stabilization Fund I (ESSER)
84.425D	Education Stabilization Fund II (ESSER)
84.425D	Educational Stabilization Fund Nursing Grant (ESSER)

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

Section II: Financial Statement Findings

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

FRANKLIN COUNTY 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 did not disclose any findings and questioned costs related to the federal awards.