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KOSCIUSKO SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

KOSCIUSKO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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 Kosciusko School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB)

on pages 4-12 and 46-51 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 Kosciusko 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 August 2, 2022, on our consideration of the Kosciusko 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 Kosciusko 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 Kosciusko School District's internal control over financial reporting and compliance.

Brown CPA, PLLC
Madison, Mississippi
August 2, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following discussion and analysis of Kosciusko 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 \$1,779,091, including a fund reclassification of \$26,813 and a prior period adjustment of (\$650), which represents a 63% decrease from fiscal year 2020. Total net position for 2020 increased \$160,119, including a prior period adjustment of \$1,916,123, which represents a 5% increase from fiscal year 2019.
- General revenues amounted to \$16,888,866 and \$17,018,334, or 72% and 80% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,634,350, or 28% of total revenues for 2021, and \$4,244,495, or 20% of total revenues for 2020.
- The District had \$25,328,470 and 23,018,833 in expenses for fiscal years 2021 and 2020; only \$6,634,350 for 2021 and \$4,244,495 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,888,866 for 2021 and \$17,018,334 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$16,695,709 in revenues and \$18,918,187 in expenditures for 2021, and \$17,459,853 in revenues and \$17,775,679 in expenditures for 2020. The General Fund's fund balance decreased by \$717,028 from 2020 to 2021, including a fund reclassification of \$26,813 and a prior period adjustment of (\$650), and decreased by \$258,074 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$379,317 for 2021 and increased by \$1,425,917 for 2020. The increase for 2021 was due primarily to the increase in building improvements.
- Long-term debt, including the liability for compensated absences, decreased by \$2,315,289 for 2021 and increased by \$1,293,825 for 2020. The decrease for 2021 was due primarily to the retirement of the Qualified School Construction bonds and payment of principal. The liability for compensated absences decreased by \$7,855 for 2021 and increased by \$16,679 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.

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,588,031 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.

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 16,471,517	\$ 16,696,421	(1.35) %
Restricted assets	259,308	2,429,337	(89.33) %
Capital assets, net	13,640,124	13,260,807	2.86 %
Total assets	30,370,949	32,386,565	(6.22) %
 Deferred outflows of resources	 6,274,679	 5,524,204	 13.59 %
 Current liabilities	 970,227	 143,360	 576.78 %
Long-term debt outstanding	2,724,721	5,040,010	(45.94) %
Net OPEB liability	1,890,877	2,081,957	(9.18) %
Net pension liability	34,087,623	32,120,304	6.12 %
Total liabilities	39,673,448	39,385,631	0.73 %
 Deferred inflows of resources	 1,560,211	 1,334,078	 16.95 %
 Net position:			
Net investment in capital assets	11,680,984	11,802,886	(1.03) %
Restricted	2,165,446	3,784,940	(42.79) %
Unrestricted	(18,434,461)	(18,396,766)	(0.20) %
Total net position	\$ (4,588,031)	\$ (2,808,940)	(63.34) %

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)	\$ (18,434,461)
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	31,264,032
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 12,829,571</u>

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

- Increase in net capital assets in the amount of \$379,317.
- The principal retirement of \$2,307,434 in long-term debt.
- Recognition of the net pension liability in the amount of \$34,087,623.
- Recognition of a net OPEB liability in the amount of \$1,890,877.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$23,523,216 and \$21,262,829, respectively. The total cost of all programs and services was \$25,328,470 for 2021 and \$23,018,833 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
Revenues:			
Program revenues:			
Charges for services	\$ 1,611,252	\$ 697,904	130.87 %
Operating grants and contributions	5,023,098	3,546,591	41.63 %
General revenues:			
Property taxes	5,099,624	4,843,133	5.30 %
Grants and contributions not restricted	11,532,148	11,726,693	(1.66) %
Investment earnings	111,142	326,595	(65.97) %
Sixteenth section sources	89,030	83,751	6.30 %
Other	56,922	38,162	49.16 %
Total revenues	23,523,216	21,262,829	10.63 %
Expenses:			
Instruction	12,209,126	11,322,622	7.83 %
Support services	8,486,518	6,694,394	26.77 %
Non-instructional	1,148,554	1,191,397	(3.60) %
Sixteenth section	20,547	13,680	50.20 %
Pension expense	3,347,222	3,565,004	(6.11) %
OPEB expense	45,284	126,173	(64.11) %
Interest on long-term liabilities	71,219	105,563	(32.53) %
Total expenses	25,328,470	23,018,833	10.03 %
Increase (Decrease) in net position	(1,805,254)	(1,756,004)	(2.80) %
Net Position, July 1, as previously reported	(2,808,940)	(2,969,059)	5.39 %
Fund Reclassification	26,813	-	N/A %
Prior Period Adjustment	(650)	1,916,123	(100.03) %
Net Position, July 1, as restated	(2,782,777)	(1,052,936)	(164.29) %
Net Position, June 30	\$ (4,588,031)	\$ (2,808,940)	(63.34) %

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 12,209,126	\$ 11,322,622	7.83 %
Support services	8,486,518	6,694,394	26.77 %
Non-instructional	1,148,554	1,191,397	(3.60) %
Sixteenth section	20,547	13,680	50.20 %
Pension Expense	3,347,222	3,565,004	(6.11) %
OPEB Expense	45,284	126,173	(64.11) %
Interest on long-term liabilities	71,219	105,563	(32.53) %
Total expenses	\$ 25,328,470	\$ 23,018,833	10.03 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (9,808,240)	\$ (9,239,827)	(6.15) %
Support services	(5,544,464)	(5,715,976)	3.00 %
Non-instructional	142,856	(8,115)	1,860.39 %
Sixteenth section	(20,547)	(13,680)	(50.20) %
Pension Expense	(3,347,222)	(3,565,004)	6.11 %
OPEB Expense	(45,284)	(126,173)	64.11 %
Interest on long-term liabilities	(71,219)	(105,563)	32.53 %
Total net (expense) revenue	\$ (18,694,120)	\$ (18,774,338)	0.43 %

- Net cost of governmental activities (\$18,694,120 for 2021 and \$18,774,338 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$5,099,624 for 2021 and \$4,843,133 for 2020) and state and federal revenues (\$11,532,148 for 2021 and \$11,726,693 for 2020). In addition, there was \$89,030 and \$83,751 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$111,142 for 2021 and \$326,595 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.

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 \$15,795,474, a decrease of \$3,318,646, which includes a fund reclassification of \$26,813, a prior period adjustment of (\$650), and a decrease in inventory of \$28,898. \$12,906,196, or 82% 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 \$2,889,278, or 18% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$717,028, which includes a fund reclassification of \$26,813 and a prior period adjustment of (\$650). The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,710,965, which includes a decrease in inventory reserves of \$28,898. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER I Fund	No increase or decrease
KHS Roof Project Fund	\$ (890,653)

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and a major special revenue 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 \$23,433,597, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$861,811 from 2020 due primarily to the increase in building improvements. Total accumulated depreciation as of June 30, 2021, was \$9,793,473, and total depreciation expense for the year was \$613,461, resulting in total net capital assets of \$13,640,124.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 473,377	\$ 473,377	0.00 %
Construction in progress	317,494	-	N/A %
Buildings	9,591,562	9,925,722	(3.37) %
Building improvements	2,390,770	1,918,749	24.60 %
Improvements other than buildings	6,000	7,556	(20.59) %
Mobile equipment	726,986	769,001	(5.46) %
Furniture and equipment	133,935	166,402	(19.51) %
Total	\$ 13,640,124	\$ 13,260,807	2.86 %

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

KOSCIUSKO SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Debt Administration. At June 30, 2021, the District had \$2,724,721 in outstanding long-term debt, of which \$466,424 is due within one year. The District made principal payments totaling \$2,307,434 on outstanding long-term debt. The liability for compensated absences decreased \$7,855 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,304,000	\$ 1,597,000	(18.35) %
Certificates of participation payable	1,180,000	1,290,000	(8.53) %
Transportation equipment loans payable	113,487	167,921	(32.42) %
Qualified school construction bonds payable	-	1,850,000	(100.00) %
Compensated absences payable	127,234	135,089	(5.81) %
Total	<u>\$ 2,724,721</u>	<u>\$ 5,040,010</u>	<u>(45.94) %</u>

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Kosciusko School District, 229 West Washington Street, Kosciusko, MS 39090.

FINANCIAL STATEMENTS

KOSCIUSKO SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,465,389
Due from other governments	949,830
Inventories	42,339
Prepaid items	13,959
Restricted assets	259,308
Capital assets, non-depreciable:	
Land	473,377
Construction in progress	317,494
Capital assets, net of accumulated depreciation:	
Buildings	9,591,562
Building improvements	2,390,770
Improvements other than buildings	6,000
Mobile equipment	726,986
Furniture and equipment	133,935
Total Assets	<u>30,370,949</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,859,195
Deferred outflows - OPEB	415,484
Total Deferred Outflows of Resources	<u>6,274,679</u>
Liabilities	
Accounts payable and accrued liabilities	910,933
Unearned revenue	24,418
Interest payable on long-term liabilities	34,876
Long-term liabilities, due within one year:	
Capital related liabilities	431,062
Non-capital related liabilities	35,362
Net OPEB liability	74,585
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,137,425
Non-capital related liabilities	120,872
Net pension liability	34,087,623
Net OPEB liability	1,816,292
Total Liabilities	<u>39,673,448</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,125,469
Deferred inflows - OPEB	434,742
Total Deferred Inflows of Resources	<u>1,560,211</u>
Net Position	
Net investment in capital assets	11,680,984
Restricted for:	
Expendable:	
School-based activities	1,093,394
Debt service	645,565
Forestry improvements	119,460
Unemployment benefits	47,726
Non-expendable:	
Sixteenth section	259,301
Unrestricted	(18,434,461)
Total Net Position (deficit)	<u>\$ (4,588,031)</u>

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

KOSCIUSKO SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2021

Exhibit B

						Net (Expense)
						Revenue and
						Changes in
						Net Position
		Program Revenues				
		Charges for	Operating	Capital		
Functions/Programs	Expenses	Services	Grants and	Grants and	Governmental	
			Contributions	Contributions	Activities	
Governmental Activities:						
Instruction	\$ 12,209,126	\$ 228,264	\$ 2,172,622	\$ -	\$ (9,808,240)	
Support services	8,486,518	1,350,000	1,592,054	-	(5,544,464)	
Non-instructional	1,148,554	32,988	1,258,422	-	142,856	
Sixteenth section	20,547	-	-	-	(20,547)	
Pension expense	3,347,222	-	-	-	(3,347,222)	
OPEB expense	45,284	-	-	-	(45,284)	
Interest on long-term liabilities	71,219	-	-	-	(71,219)	
Total Governmental Activities	\$ 25,328,470	\$ 1,611,252	\$ 5,023,098	\$ -	\$ (18,694,120)	

General Revenues:

Taxes:

General purpose levies 4,850,618

Debt purpose levies 249,006

Unrestricted grants and contributions:

State 11,366,591

Federal 165,557

Unrestricted investment earnings 111,142

Sixteenth section sources 89,030

Other 56,922

Total General Revenues 16,888,866

Change in Net Position (1,805,254)

Net Position - Beginning, as previously reported (2,808,940)

Fund reclassification 26,813

Prior Period Adjustments (650)

Net Position - Beginning, as restated (2,782,777)

Net Position (deficit) - Ending \$ (4,588,031)

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

KOSCIUSKO SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2021

Exhibit C

	Major Funds					
	General	ESSER I	KHS Roof	Other	Total	
	Fund	Fund	Project	Governmental	Governmental	
	Fund	Fund	Fund	Funds	Funds	
Assets						
Cash and cash equivalents	\$ 12,659,150	\$ -	\$ 860,914	\$ 2,204,626	\$ 15,724,690	
Cash with fiscal agents	-	-	-	7	7	
Due from other governments	157,601	274,505	-	517,724	949,830	
Due from other funds	785,113	-	-	-	785,113	
Inventories	-	-	-	42,339	42,339	
Prepaid items	13,959	-	-	-	13,959	
Total assets	\$ 13,615,823	\$ 274,505	\$ 860,914	\$ 2,764,696	\$ 17,515,938	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 658,570	-	251,567	796	\$ 910,933	
Due to other funds	-	274,505	-	510,608	785,113	
Unavailable revenue - federal programs	-	-	-	24,418	24,418	
Total Liabilities	658,570	274,505	251,567	535,822	1,720,464	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	42,339	42,339	
Permanent fund principal	-	-	-	259,301	259,301	
Prepays	13,959	-	-	-	13,959	
Restricted:						
Debt service	-	-	-	680,441	680,441	
Capital projects	-	-	609,347	-	609,347	
Forestry improvement purposes	-	-	-	119,460	119,460	
Grant activities	-	-	-	1,037,096	1,037,096	
Unemployment benefits	-	-	-	47,726	47,726	
Assigned:						
Capital improvements	-	-	-	42,511	42,511	
School activities	37,098	-	-	-	37,098	
Unassigned	12,906,196	-	-	-	12,906,196	
Total Fund Balances	12,957,253	-	609,347	2,228,874	15,795,474	
Total Liabilities and Fund Balances	\$ 13,615,823	\$ 274,505	\$ 860,914	\$ 2,764,696	\$ 17,515,938	

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

KOSCIUSKO 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 **\$ 15,795,474**

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	\$ 473,377	
Construction in progress	317,494	
Buildings	16,707,952	
Building improvements	2,983,212	
Improvements other than buildings	38,892	
Mobile equipment	2,321,172	
Furniture and equipment	591,498	
Accumulated depreciation	<u>(9,793,473)</u>	13,640,124

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	(34,087,623)	
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	5,859,195	
Deferred inflows of resources related to pensions	<u>(1,125,469)</u>	(29,353,897)

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	(1,890,877)	
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	415,484	
Deferred inflows of resources related to OPEB	<u>(434,742)</u>	(1,910,135)

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:

Notes payable	(1,304,000)	
Certificates of participation	(1,180,000)	
Transportation equipment loans payable	(113,487)	
Compensated absences	(127,234)	
Accrued interest payable	<u>(34,876)</u>	(2,759,597)

Net Position of governmental activities **\$ (4,588,031)**

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

KOSCIUSKO SCHOOL DISTRICT
Governmental Funds

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

Exhibit D

	Major Funds			Other	Total
	General	ESSER I	KHS Roof	Governmental	Total
	Fund	Fund	Project	Funds	Governmental
			Fund		Funds
Revenues:					
Local sources	\$ 5,161,078	-	1,693	286,667	\$ 5,449,438
State sources	11,385,251	-	-	450,827	11,836,078
Federal sources	10,610	566,454	-	4,147,274	4,724,338
Sixteenth section sources	138,770	-	-	24,592	163,362
Total Revenues	16,695,709	566,454	1,693	4,909,360	22,173,216
Expenditures:					
Instruction	11,332,011	33,349	-	2,066,554	13,431,914
Support services	7,369,404	466,774	-	1,004,242	8,840,420
Noninstructional services	-	-	-	1,178,401	1,178,401
Sixteenth section	13,177	-	-	7,370	20,547
Facilities acquisition and construction	-	-	892,346	-	892,346
Debt service:					
Principal	164,434	-	-	2,143,000	2,307,434
Interest	37,661	-	-	126,404	164,065
Other	1,500	-	-	2,500	4,000
Total Expenditures	18,918,187	500,123	892,346	6,528,471	26,839,127
Excess (Deficiency) of Revenues over (under) Expenditures	(2,222,478)	66,331	(890,653)	(1,619,111)	(4,665,911)
Other Financing Sources (Uses):					
Insurance recovery	1,350,000	-	-	-	1,350,000
Operating transfers in	129,287	-	-	-	129,287
Operating transfers out	-	(66,331)	-	(62,956)	(129,287)
Total Other Financing Sources (Uses)	1,479,287	(66,331)	-	(62,956)	1,350,000
Net Change in Fund Balances	(743,191)	-	(890,653)	(1,682,067)	(3,315,911)
Fund Balances:					
July 1, 2020, as previously reported	13,674,281	-	1,500,000	3,939,839	19,114,120
Fund reclassification	26,813	-	-	-	26,813
Prior period adjustments	(650)	-	-	-	(650)
July 1, 2020, as restated	13,700,444	-	1,500,000	3,939,839	19,140,283
Increase (Decrease) in inventory	-	-	-	(28,898)	(28,898)
June 30, 2021	\$ 12,957,253	\$ -	\$ 609,347	2,228,874	\$ 15,795,474

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

KOSCIUSKO SCHOOL DISTRICT
Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (3,315,911)**

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	\$ 1,009,751	
Depreciation expense	<u>(613,461)</u>	396,290

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.

(16,973)

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

Payments of debt principal	2,307,434	
Accrued interest payable	<u>96,846</u>	2,404,280

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

Pension expense	(3,347,222)	
Contributions subsequent to the measurement date	<u>2,075,713</u>	(1,271,509)

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

OPEB expense	(45,284)	
Contributions subsequent to the measurement date	<u>64,896</u>	19,612

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

Change in compensated absences	7,855	
Change in inventory	<u>(28,898)</u>	(21,043)

Change in Net Position of governmental activities **\$ (1,805,254)**

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

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

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

Blended component unit

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

Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14).

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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

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

externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

ESSER I Fund - This is a special revenue fund that is used to account for the revenue and expenditures of federal ESSER I funds.

KHS Roof Project Fund - This is a capital projects fund that accounts for the revenues and expenditures associated with the replacement of the Kosciusko High School roof.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property 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 school district has incurred deferred outflows which are presented as deferred outflows related to pensions and deferred outflows related to OPEB. See Note 17 for further details.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB. See Note 17 for further details.

8. Compensated Absences

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

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

9. 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.

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

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

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

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

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

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

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

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

It is the policy of the District to maintain a minimum fund balance in the General Fund that is not less than 7% of total revenues in the General Fund.

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,

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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 and Cash with Fiscal Agents

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$15,724,690.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$16,024,067 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$7.

KOSCIUSKO SCHOOL DISTRICT
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Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	ESSER I Fund	\$ 274,505
	Other governmental funds	510,608
Total		<u>\$ 785,113</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
ESSER I Fund	General Fund	\$ 66,331
Other governmental funds	General Fund	62,956
Total		<u>\$ 129,287</u>

The primary purpose of the inter-fund transfers was to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets of \$7 represents the cash with fiscal agent of the Three Mill Note Retirement Fund for repayment of the Qualified School Construction Bond that was retired in the 2021 fiscal year. The 16th section principal account has cash and cash equivalents of \$259,301 that are included in the restricted assets.

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Notes to the Financial Statements
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Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Adjustments	Balance 6/30/2021
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 473,377	\$	\$	\$	\$ 473,377
Construction-in-progress		317,494			317,494
Total non-depreciable capital assets	473,377	317,494	-		790,871
<u>Depreciable capital assets:</u>					
Buildings	16,707,952				16,707,952
Building improvements	2,408,360	574,852			2,983,212
Improvements other than buildings	38,892				38,892
Mobile equipment	2,355,556	91,500	125,884		2,321,172
Furniture and equipment	587,649	25,905	22,057	1	591,498
Total depreciable capital assets	22,098,409	692,257	147,941	1	22,642,726
<u>Less accumulated depreciation for:</u>					
Buildings	6,782,230	334,159		1	7,116,390
Building improvements	489,611	102,831			592,442
Improvements other than buildings	31,336	1,556			32,892
Mobile equipment	1,586,555	116,710	109,079		1,594,186
Furniture and equipment	421,247	58,205	21,889		457,563
Total accumulated depreciation	9,310,979	613,461	130,968	1	9,793,473
Total depreciable capital assets, net	12,787,430	78,796	16,973	-	12,849,253
Governmental activities capital assets, net	\$ 13,260,807	\$ 396,290	\$ 16,973	\$ -	\$ 13,640,124

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 310,436
Support services	254,346
Non-instructional	48,679
Total depreciation expense - Governmental activities	<u>\$ 613,461</u>

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

	Spent to June 30, 2020	Remaining Commitment
Governmental Activities:		
Middle School Fire Project	\$ 317,494	\$ 1,117,657
Total Construction-In-Progress	<u>\$ 317,494</u>	<u>\$ 1,117,657</u>

Construction projects included in governmental activities are funded with the three mill note retirement fund.

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Notes to the Financial Statements
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Note 6 – Long-term Liabilities

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. Three mill notes payable	\$ 1,597,000	\$	\$ 293,000	\$ 1,304,000	\$ 289,000
B. Qualified school construction bonds payable	1,850,000		1,850,000	-	-
C. Certificates of participation payable	1,290,000		110,000	1,180,000	115,000
D. Transportation equipment loans payable	167,921		54,434	113,487	56,062
E. Compensated absences payable	135,089		7,855	127,234	6,362
Total	<u>\$ 5,040,010</u>	<u>\$ -</u>	<u>\$ 2,315,289</u>	<u>\$ 2,724,721</u>	<u>\$ 466,424</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2014	1.55%	8/1/2014	8/1/2021	\$ 407,000	\$ 29,000
Three mill notes, 2020	1.79%	5/15/2020	5/1/2026	1,500,000	1,275,000
Total				<u>\$ 1,907,000</u>	<u>\$ 1,304,000</u>

1. The following is a schedule by years of the total payments due on the 2014 Series:

Year Ending June 30	Principal	Interest	Total
2022	\$ 29,000	450	29,450
Total	<u>\$ 29,000</u>	<u>\$ 450</u>	<u>\$ 29,450</u>

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

2. Three Mill Notes issue 2020:

Year Ending June 30	Principal	Interest	Total
2022	\$ 260,000	\$ 22,822	\$ 282,822
2023	265,000	18,168	283,168
2024	270,000	13,425	283,425
2025	265,000	8,592	273,592
2026	215,000	3,848	218,848
Total	<u>\$ 1,275,000</u>	<u>\$ 66,855</u>	<u>\$ 1,341,855</u>

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

KOSCIUSKO SCHOOL DISTRICT
Notes to the Financial Statements
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Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 289,000	\$ 23,272	\$ 312,272
2023	265,000	18,168	283,168
2024	270,000	13,425	283,425
2025	265,000	8,592	273,592
2026	215,000	3,848	218,848
Total	<u>\$ 1,304,000</u>	<u>\$ 67,305</u>	<u>\$ 1,371,305</u>

B. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, Series 2010	5.30%	10/1/2010	8/1/2020	\$ 1,850,000	\$ -
Total				<u>\$ 1,850,000</u>	<u>\$ -</u>

This debt was retired during the 2021 fiscal year.

C. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates, 1. Series 2017	2.54%	7/18/2017	7/18/2029	\$ 1,500,000	\$ 1,180,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,180,000</u>

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

1. Certificates of participation issue of 7/18/2017:

Year Ending June 30	Principal	Interest	Total
2022	\$ 115,000	\$ 29,972	\$ 144,972
2023	120,000	27,051	147,051
2024	120,000	24,003	144,003
2025	125,000	20,955	145,955
2026	130,000	17,780	147,780
2027 – 2030	570,000	36,830	606,830
Total	\$ 1,180,000	\$ 156,591	\$ 1,336,591

This debt will be retired from the General fund.

D. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Loan for 5 Buses	2.99%	8/1/2017	8/1/2022	\$ 277,533	\$ 113,487
Total				<u>\$ 277,533</u>	<u>\$ 113,487</u>

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

1. Transportation equipment loans payable issue of August 1, 2017:

Year Ending June 30	Principal	Interest	Total
2022	\$ 56,062	\$ 3,393	\$ 59,455
2023	57,425	1,717	59,142
Total	<u>\$ 113,487</u>	<u>\$ 5,110</u>	<u>\$ 118,597</u>

This debt will be retired from the district maintenance fund.

E. Compensated absences payable

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

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

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.

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 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 \$2,075,713, \$2,040,141 and \$1,872,879, 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

On June 30, 2021, the school district reported a liability of \$34,087,623 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 0.176083 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.006502 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.

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

For the year ended June 30, 2021, the District recognized pension expense of \$3,347,222. At June 30, 2021 the District reported deferred outflows of resources and deferred infl. of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 295,047	\$
Net difference between projected and actual earnings on pension plan investments	1,472,957	
Changes of assumptions	197,727	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,817,751	1,125,469
District contributions subsequent to the measurement date	2,075,713	
Total	\$ <u>5,859,195</u>	\$ <u>1,125,469</u>

\$2,075,713 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	\$ 609,929
2023	1,138,253
2024	458,642
2025	451,189

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

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

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be 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.

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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	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<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	\$ 44,122,239	\$ 34,087,623	\$ 25,805,032

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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 \$64,896 for the year ended June 30, 2021.

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

On June 30, 2021, the District reported a liability of \$1,890,877 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 0.24297835 percent. This was a decrease of 0.00237892 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 \$45,284. On June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,410	\$ 329,063
Changes of assumptions	293,576	79,906
Net difference between projected and actual earnings on OPEB plan investments	61	
Changes in proportion and differences between District contributions and proportionate share of contributions	54,541	25,773
District contributions subsequent to the measurement date	64,896	
Total	\$ <u>415,484</u>	\$ <u>434,742</u>

\$64,896 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	\$ (23,212)
2023	(23,212)
2024	(17,093)
2025	(1,791)
2026	(18,846)

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

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

KOSCIUSKO SCHOOL DISTRICT
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For the Year Ended June 30, 2021

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	\$ 2,089,548	\$ 1,890,877	\$ 1,720,471

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	\$ 1,745,936	\$ 1,890,877	\$ 2,055,089

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	\$ 88,546
2023	84,466
2024	70,373
2025	54,758
2026	41,709
2027-2031	186,269
2032-2036	88,794
2037-2041	30,969
2042-2046	12,500
Total	<u>\$ 658,384</u>

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

Note 10 – Prior Period Adjustments/ Fund Reclassification

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Fund Reclassification for GASB 84	\$ 26,813
2. To correct a revenue or expenditure from a prior period	(650)
Total	<u>\$ 26,163</u>

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

Fund	Explanation	Amount
General Fund	The increase or decrease of a revenue or expenditure from a prior period	\$ (650)
Total		<u>\$ (650)</u>

Fund	Explanation	Amount
General Fund	Fund Reclassification for implementation of GASB 84	\$ 26,813
Total		<u>\$ 26,813</u>

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. 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.

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

Note 13 – Qualified School Construction Bonds

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

This debt was retired during the 2021 fiscal year. The sinking fund balance was sufficient to pay the balance of the debt.

Note 14 – Trust Certificates

A trust agreement dated July 18, 2017, was executed by and between the school district and the Citizens National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,500,000. Approximately \$1,473,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$27,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

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

Note 15 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated September 14, 1993 creating the Kosciusko-Attala County Alternative Education Cooperative. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Kosciusko School District and Attala County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Kosciusko School District has been designated as the lead school district for the Kosciusko-Attala County Alternative Education Cooperative, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Kosciusko- Attala County Alternative Education Cooperative.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2021

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Attala County School District	\$ 63,636
Total tuition from other LEA's within the state	<u>63,636</u>
Total local sources	<u>63,636</u>
State sources	\$ 268,958
Total Revenues	<u>332,594</u>

Expenditures

Salaries	202,080
Employee benefits	65,513
Supplies	54
Property services	5,990
Other purchased services	<u>175</u>
Total Expenditures	<u>273,812</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,782</u>
Net Change in Fund Balance	<u>58,782</u>

Fund Balance:	
July 1, 2020,	<u>444,193</u>
June 30, 2021	<u><u>\$ 502,975</u></u>

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

Note 16 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated February 14, 1978 creating the Vocational-Technical Training Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Kosciusko School District and Attala County School District.

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

The Attala County School District has been designated as the fiscal agent for the Vocational – Technical Training Center, and the operations of the consortium are included in its financial statements.

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$18,434,461) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,075,713 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$3,783,482 balance of the deferred outflow of resources related to pensions at June 30, 2021 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$1,125,469 balance of the deferred inflow of resources related to pensions at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position amount over the next 3 years.

The unrestricted net position (deficit) amount of (\$18,434,461) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$64,896 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$350,588 balance of the deferred outflow of resources related to OPEB at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position amount over the next 5 years. Deferred inflows of resources totaling \$434,742 related to OPEB at June 30, 2021, will be recognized in OPEB revenue and will increase the unrestricted net position over the next 5 years.

Note 18 – State Compliance Testing

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

Note 19 – Insurance Loss Recoveries

The Kosciusko School District received \$1,350,000 in insurance loss recoveries related to fire 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 to support services expense function.

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

Note 20 - 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 Kosciusko School District evaluated the activity of the district through August 2, 2022, (the date the financial statements were available to be issued) and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KOSCIUSKO 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
Revenues:					
Local sources	\$ 5,641,562	4,914,941	\$ 5,161,078	\$ (726,621)	\$ 246,137
State sources	10,719,485	11,384,258	11,385,643	664,773	1,385
Federal sources	105,000	10,218	10,218	(94,782)	-
Sixteenth section sources	90,129	138,770	138,770	48,641	-
Total Revenues	16,556,176	16,448,187	16,695,709	(107,989)	247,522
Expenditures:					
Instruction	11,195,523	11,292,445	11,332,011	(96,922)	(39,566)
Support services	5,722,237	7,368,111	7,369,404	(1,645,874)	(1,293)
Sixteenth section	16,150	13,176	13,177	2,974	(1)
Debt service:					
Principal	161,758	166,062	164,434	(4,304)	1,628
Interest	40,797	36,033	37,661	4,764	(1,628)
Other	-	1,500	1,500	(1,500)	-
Total Expenditures	17,136,465	18,877,327	18,918,187	(1,740,862)	(40,860)
Excess (Deficiency) of Revenues over (under) Expenditures	(580,289)	(2,429,140)	(2,222,478)	(1,848,851)	206,662
Other Financing Sources (Uses):					
Insurance recovery	-	1,350,000	1,350,000	1,350,000	-
Operating transfers in	110,741	129,287	129,287	18,546	-
Operating transfers out	(82,382)	-	-	82,382	-
Total Other Financing Sources (Uses)	28,359	1,479,287	1,479,287	1,450,928	-
Net Change in Fund Balances	(551,930)	(949,853)	(743,191)	(397,923)	206,662
Fund Balances:					
July 1, 2020, as previously reported	14,064,952	13,676,262	13,674,281	(388,690)	(1,981)
Fund reclassification	-	-	26,813	-	26,813
Prior period adjustments	-	-	(650)	-	(650)
July 1, 2020, as restated	14,064,952	13,676,262	13,700,444	(388,690)	24,182
June 30, 2021	\$ 13,513,022	\$ 12,726,409	\$ 12,957,253	\$ (786,613)	\$ 230,844

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

KOSCIUSKO SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ESSER I Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	-	566,454	566,454	566,454	-
Total Revenues	-	566,454	566,454	566,454	-
Expenditures:					
Instruction		33,349	33,349	(33,349)	-
Support services	-	466,774	466,774	(466,774)	-
Total Expenditures	-	500,123	500,123	(500,123)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	66,331	66,331	66,331	-
Other Financing Sources (Uses):					
Operating transfers out	-	(66,331)	(66,331)	(66,331)	-
Total Other Financing Sources (Uses)	-	(66,331)	(66,331)	(66,331)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2020	-	-	-	-	-
June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -

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

Kosciusko School District
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	0.176083%	0.182585%	0.159102%	0.166212%	0.173760%	0.153110%	0.160931%
District's proportionate share of the net pension liability	\$ 34,087,623	\$ 32,120,304	\$ 26,463,390	\$ 27,630,076	\$ 31,037,874	\$ 23,667,787	\$ 19,421,070
District's covered payroll	\$ 11,724,948	\$ 11,891,295	\$ 10,160,210	\$ 10,662,610	\$ 11,115,848	\$ 9,565,454	\$ 9,335,499
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.7273%	270.1166%	260.4613%	259.1305%	279.2218%	247.4298%	208.0346%
Plan fiduciary net position as a percentage of the total pension liability	58.974%	61.588%	62.540%	61.490%	57.468%	61.704%	67.208%

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 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.

**Kosciusko School District
Required Supplementary Information**

**Schedule of District Contributions
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>
Contractually required contribution	\$ 2,075,713	\$ 2,040,141	\$ 1,872,879	\$ 1,600,233	\$ 1,679,361	\$ 1,750,746	\$ 1,506,559
Contributions in relation to the contractually required contribution	2,075,713	2,040,141	1,872,879	1,600,233	1,679,361	1,750,746	1,506,559
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,929,385	\$ 11,724,948	\$ 11,891,295	\$ 10,160,210	\$ 10,662,610	\$ 11,115,848	\$ 9,565,454
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 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.

Kosciusko School District
Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.24297835%	0.24535727%	0.24028640%	0.23441843%
District's proportionate share of the net OPEB liability	\$ 1,890,877	\$ 2,081,957	\$ 1,853,735	\$ 1,839,268
District's covered-employee payroll	\$ 11,709,992	\$ 11,235,955	\$ 10,867,990	\$ 10,531,775
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0%

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. Prior year information is based on historical amounts reported in the prior year audit report.

Kosciusko School District
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarially determined contribution	\$ 64,896	75,408	\$ 83,451	\$ 78,411
Contributions in relation to the actuarially determined contribution	64,896	75,408	83,451	78,411
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	\$ <u>0</u>	<u>0</u>
District's covered-employee payroll	11,929,385	11,724,948	11,891,295	10,160,210
Contributions as a percentage of covered-employee payroll	0.54%	0.64%	0.70%	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 the prior year audit report.

KOSCIUSKO SCHOOL DISTRICT
Notes to the 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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

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

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

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

SUPPLEMENTARY INFORMATION

KOSCIUSKO SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2021

**KOSCIUSKO 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
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	215MS326N1099	\$ 0
National school lunch program	10.555	215MS326N1099	\$ 144,738
COVID-19 Summer Food Service Program for Children	10.559	215MS326N1099	1,002,094
Total child nutrition cluster			1,146,832
Total passed-through Mississippi Department of Education			1,146,832
Total U.S. Department of Agriculture			1,146,832
<u>U.S. Department of the Treasury</u>			
Passed-through the Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund:			
Equity in Distance Learning Act	21.019	21/120101115/8491/EDLA	498,759
Mississippi Pandemic Response Broadband Availability Act	21.019	21/1201021785/8499/PRBAA	67,492
COVID-19 - Coronavirus Relief Fund Subtotal			566,251
Total passed-through Mississippi Department of Education			566,251
Total U.S. Department of the Treasury			566,251
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	1,266,331
Rural Education	84.358	S358B200024	49,440
Supporting Effective Instruction state grants	84.367	S367A200023	118,727
Student Support and Academic Enrichment program	84.424	S424A200025	84,356
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	566,454
Subtotal			2,085,308
Special education cluster:			
Special education - grants to states	84.027	H027A200108	628,900
Special education - preschool grants	84.173	H173A200113	28,884
Total special education cluster			657,784
Total passed-through Mississippi Department of Education			2,743,092
Total U.S. Department of Education			2,743,092
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	*	392
Total passed-through Mississippi Department of Education			392
Total U.S. Department of Social Security Administration			392
Total for All Federal Awards			\$ 4,456,567

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

KOSCIUSKO SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2021

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Kosciusko 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 Kosciusko School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Kosciusko 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 Kosciusko School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities are included in the National School Lunch Program.

*- the passthrough entity did not provide any identifying number.

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

**Kosciusko School District
Supplementary Information**

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,500,086	13,306,366	700,341	1,126,551	1,366,828
Other	10,339,041	2,978,334	265,653	7,743	7,087,311
Total	<u>\$ 26,839,127</u>	<u>16,284,700</u>	<u>965,994</u>	<u>1,134,294</u>	<u>8,454,139</u>
Total number of students *	<u>2,180</u>				
Cost per student	<u>\$ 12,311</u>	<u>7,470</u>	<u>443</u>	<u>520</u>	<u>3,878</u>

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

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

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

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

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

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

OTHER INFORMATION

**Kosciusko School District
Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED**

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,161,078	\$ 5,406,919	\$ 5,447,313	\$ 4,972,634
State sources	11,385,251	11,841,242	11,348,109	11,362,048
Federal sources	10,610	81,908	4,573	82,592
Sixteenth Section sources	138,770	129,784	82,782	78,650
Total Revenues	16,695,709	17,459,853	16,882,777	16,495,924
Expenditures:				
Instruction	11,332,011	11,287,295	10,450,352	10,276,692
Support services	7,369,404	6,273,203	6,949,709	5,907,455
Noninstructional services	-	260	97	-
Sixteenth Section	13,177	13,533	16,350	199,550
Facilities acquisition and construction	-	-	62,927	70,500
Debt Service:				
Principal	164,434	157,854	161,758	-
Interest	37,661	42,034	40,797	-
Other	1,500	1,500	1,500	-
Total Expenditures	18,918,187	17,775,679	17,683,490	16,454,197
Excess (Deficiency) of Revenues over (under) Expenditures	(2,222,478)	(315,826)	(800,713)	41,727
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	277,533
Insurance Recovery	1,350,000	-	-	-
Sale of transportation equipment	-	-	-	5,381
Operating transfers in	129,287	63,502	1,564,589	84,856
Operating transfers out	-	(5,750)	(732,256)	(41,000)
Other financing uses	-	-	-	(2,498)
Total Other Financing Sources (Uses)	1,479,287	57,752	832,333	324,272
Net Change in Fund Balances	(743,191)	(258,074)	31,620	365,999
Fund Balances:				
Beginning of period, as previously reported	13,674,281	13,932,355	13,899,924	13,621,647
Fund reclassification	26,813	-	-	-
Prior Period Adjustments	(650)	-	811	(87,722)
Beginning of period, restated	13,700,444	13,932,355	13,900,735	13,533,925
End of Period	\$ 12,957,253	\$ 13,674,281	\$ 13,932,355	\$ 13,899,924

*SOURCE - PRIOR YEAR AUDIT REPORTS

**Kosciusko School District
Other Information**

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

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,449,438	\$ 5,829,489	\$ 5,949,152	\$ 5,450,871
State sources	11,836,078	12,437,427	11,803,112	11,738,577
Federal sources	4,724,338	2,835,857	3,325,692	3,114,555
Sixteenth Section sources	163,362	160,056	89,850	80,782
Total Revenues	22,173,216	21,262,829	21,167,806	20,384,785
Expenditures:				
Instruction	13,431,914	12,510,745	11,757,010	11,434,337
Support services	8,840,420	7,056,983	8,746,075	6,891,137
Noninstructional services	1,178,401	1,289,224	1,356,512	1,341,350
Sixteenth Section	20,547	13,680	46,202	210,775
Facilities acquisition and construction	892,346	-	62,927	70,500
Debt Service:				
Principal	2,307,434	222,854	225,758	156,000
Interest	164,065	101,758	132,388	5,517
Other	4,000	4,000	4,000	-
Total Expenditures	26,839,127	21,199,244	22,330,872	20,109,616
Excess (Deficiency) of Revenues over (under) Expenditures	(4,665,911)	63,585	(1,163,066)	275,169
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	1,777,533
Insurance Recovery	1,350,000	-	-	-
Capital lease issued	-	1,500,000	-	-
Sale of transportation equipment	-	-	-	5,381
Payment held by escrow agent	-	189,000	189,000	-
Payment to QSCB debt escrow agent	-	(189,000)	(189,000)	-
Operating transfers in	129,287	69,252	2,530,287	84,856
Other financing sources	-	-	-	5,237
Operating transfers out	(129,287)	(69,252)	(2,530,287)	(84,856)
Other financing uses	-	-	-	(2,498)
Total Other Financing Sources (Uses)	1,350,000	1,500,000	-	1,785,653
Net Change in Fund Balances	(3,315,911)	1,563,585	(1,163,066)	2,060,822
Fund Balances:				
Beginning of period, as previously reported	19,114,120	17,510,660	18,647,848	16,607,739
Fund reclassification	26,813	-	-	-
Prior Period Adjustments	(650)	-	811	(5,734)
Beginning of period, restated	19,140,283	17,510,660	18,648,659	16,602,005
Increase (Decrease) in reserve of inventory	(26,898)	39,875	25,067	(14,979)
End of Period	\$ 15,797,474	\$ 19,114,120	\$ 17,510,660	\$ 18,647,848

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

BROWN CPA, PLLC

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

Superintendent and School Board
Kosciusko 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 Kosciusko School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Kosciusko School District's basic financial statements, and have issued our report thereon dated August 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kosciusko School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kosciusko School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kosciusko 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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned cost as item **Finding 2021-001** that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kosciusko School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

Kosciusko School District's Responses to Findings

Kosciusko School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. Kosciusko School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Brown CPA, PLLC
Madison, Mississippi
August 2, 2022



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

Superintendent and School Board
Kosciusko School District

Report on Compliance for Each Major Federal Program

We have audited Kosciusko School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kosciusko School District's major federal programs for the year ended June 30, 2021. Kosciusko School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kosciusko School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and 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 Kosciusko School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item **Finding 2021-002**. Our opinion on each major federal program is not modified with respect to these matters. Kosciusko School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kosciusko School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control Over Compliance

Management of Kosciusko 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 Kosciusko School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kosciusko School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item **Finding 2021-002** that we consider to be a significant deficiency. Kosciusko School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kosciusko School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown CPA, PLLC
Madison, Mississippi
August 2, 2022



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KOSCIUSKO 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 weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.425D	COVID-19 – Elementary & Secondary School Emergency Relief I (ESSER)
21.019	COVID-19 Coronavirus Relief Fund: Equity in Distance Learning Act Mississippi Pandemic Response Broadband Availability Act

- | | | |
|-----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

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

Section II: Financial Statement Findings

Significant Deficiency

2021-001 Finding

Deficiencies in controls surrounding year end accruals and balance sheet reconciliations.

Criteria:

The school district is charged with developing controls surrounding the reconciliation of year end accruals and year-end balance sheet amounts.

Condition:

In our review of the controls surrounding year end accruals and balance sheet accounts, we noted that management did not properly reconcile the year end accruals and some balance sheet accounts required adjustments to agree to the current year reconciliations.

Cause:

The cause is likely an oversight or lack of controls to ensure items were reconciled and approved appropriately.

Effect:

The effect is a breakdown in the controls surrounding the year end close out cycle. Year end balances will not be accurate due to not clearing or reversing prior year accruals or revising balance sheet reconciliations.

Recommendation:

We recommend that the school district review their close out procedures and ensure that year end accruals and balance sheet reconciliations agree.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 72.

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency/Non-Compliance

2021-002 Finding

Repeat finding of 2020-001

Internal controls surrounding cash management should be strengthened.

Program:
Supporting Effective Instruction State Grants, CFDA # 84.367

Passed-through the Mississippi Department of Education

Compliance Requirement: Cash Management
Questioned Cost: \$24,418

Criteria:

Management is responsible for complying with the requirements of the Mississippi Department of Education Federal Programs Policy and Procedures Manual, which recommends that expenditures should be expended before the reimbursements are requested.

Condition:

We noted the following items during our cash management review:

1. Supporting Effective Instruction State grants had \$24,418 in excessive cash at the end of the fiscal year. \$24,418 was shown as a deferred revenue and was not expended by the district by year end.

Context:

Federal funds were reviewed for excessive cash balances and/or fund balances at year end.

Cause:

Improper internal controls resulted through an error in the district not requesting reimbursements accurately.

Effect:

By requiring more than one staff member to review the reimbursement request reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning grant funding allocations could result in questioned cost by the federal agencies.

Recommendation:

The district should implement stronger internal controls to ensure that all reimbursements are requested accurately in each area when the expenditure is actually expended by the district.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 72.

AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**Kosciusko School District
229 West Washington Street
Office of the Superintendent
Kosciusko, Mississippi 39090
Billy Elsey, Superintendent
Sandy McBride, Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding	Corrective Action Plan Details
2021-001	<p>Deficiencies in controls surrounding year end accruals and balance sheet reconciliations.</p> <p>A. Name of contact person responsible for corrective action: Name: Sandy McBride Title: Business Manager</p> <p>B. Corrective action planned: The district will implement better controls to ensure that all balances reconcile to the financial statements.</p> <p>C. Anticipated Completion Date: 6/30/2022</p>
2021-002	<p>Internal controls over cash management should be strengthened.</p> <p>A. Name of contact person responsible for corrective action: Name: Sandy McBride Title: Business Manager</p> <p>B. Corrective action planned: The district will implement better controls to ensure that all reimbursement requests reconcile to the financial statements.</p> <p>C. Anticipated Completion Date: 6/30/2022</p>

**Kosciusko School District
229 West Washington Street
Office of the Superintendent
Kosciusko, Mississippi 39090
Billy Ellzey, Superintendent
Sandy McBride, Business Manager**

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

<u>Finding</u>	<u>Status</u>
2020-001	See 2021-002