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LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

LEAKE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	23
Exhibit B – Statement of Activities	25
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	27
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	31
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	55
Budgetary Comparison Schedule – Child Nutrition Fund	57
Schedule of the District's Proportionate Share of the Net Pension Liability	59
Schedule of District Contributions (PERS)	61
Schedule of the District's Proportionate Share of the Net OPEB Liability	63
Schedule of District Contributions (OPEB)	65
Notes to the Required Supplementary Information	67
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	73
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	75
Notes to the Supplementary Information	77
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	81
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	83
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	89
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	93
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	97
CORRECTIVE ACTION PLAN	101

INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Leake County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 13-20, 55, 57, 59-61 and 63-65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

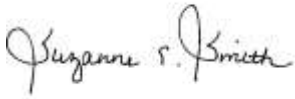
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022, on our consideration of the Leake County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the effectiveness of the Leake County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leake County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
June 17, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2021 decreased \$160,418, including a reclassification of fund type of \$180,961 and a prior period adjustment of \$103,788, which represents a 1% decrease from fiscal year 2020. Total net position for 2020 increased \$993,853, including a prior period adjustment of (\$1,776), which represents a 7% increase from fiscal year 2019.
- General revenues amounted to \$20,694,222 and \$20,300,829, or 71% and 79% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,275,206, or 29% of total revenues for 2021, and \$5,579,999, or 21% of total revenues for 2020.
- The District had \$29,414,595 and \$24,885,199 in expenses for fiscal years 2021 and 2020; only \$8,275,206 for 2021 and \$5,579,999 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,694,222 for 2021 were not adequate to provide for these programs, while general revenues of \$20,300,829 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,179,679 in revenues and \$19,079,487 in expenditures for 2021, and \$20,202,059 in revenues and \$18,942,496 in expenditures in 2020. The General Fund's fund balance decreased by \$170,770, including a prior period adjustment of (\$1,200) and a reclassification of fund type of \$180,961, from 2020 to 2021, and increased by \$805,522, including a prior period adjustment of (\$274) from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$286,575, including a prior period adjustment of \$796, for 2021 and decreased by \$195,838 for 2020. The decrease for 2021 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences decreased by \$294,747 for 2021 and decreased by \$168,140 for 2020. This decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$19,253 for 2021 and decreased by \$9,140 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.

LEAKE COUNTY 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 fall into the category of 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.

LEAKE COUNTY 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 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 \$13,835,473 as of June 30, 2021.

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

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 12,073,602	\$ 10,169,407	18.72 %
Restricted assets	296,711	285,999	3.75 %
Capital assets, net	15,712,124	15,998,699	-1.79 %
Total assets	28,082,437	26,454,105	6.16 %
 Deferred outflows of resources	 5,534,002	 3,554,591	 55.69 %
Current liabilities	1,305,016	37,213	3406.88 %
Long-term debt outstanding	3,537,359	3,832,106	-7.69 %
Net pension liability	38,973,213	34,600,068	12.64 %
Net OPEB liability	2,383,743	2,657,302	-10.29 %
Total liabilities	46,199,331	41,126,689	12.33 %
 Deferred inflows of resources	 1,252,581	 2,557,062	 -51.01 %
 Net position:			
Net investment in capital assets	12,320,124	12,292,699	0.22 %
Restricted	1,190,440	1,128,583	5.48 %
Unrestricted	(27,346,037)	(27,096,337)	-0.92 %
Total net position	\$ (13,835,473)	\$ (13,675,055)	-1.17 %

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)	\$ (27,346,037)
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	37,075,535
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,729,498</u>

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

- Increase in current assets of \$1,904,195.
- Increase in deferred outflows of resources of \$1,979,411.
- Increase in current liabilities of \$1,267,803.
- Increase in net pension liability of \$4,373,145.
- Decrease in net OPEB liability of \$273,559.
- Decrease in deferred inflow of resources of \$1,304,481.
- The principal retirement of \$314,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$28,969,428 and \$25,880,828, respectively. The total cost of all programs and services was \$29,414,595 for 2021 and \$24,885,199 for 2020.

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

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	\$ 259,520	\$ 208,788	24.30 %
Operating grants and contributions	7,999,322	5,273,711	51.68 %
Capital grants and contributions	16,364	97,500	(83.22) %
General revenues:			
Property taxes	5,018,243	4,866,341	3.12 %
Grants and contributions not restricted	15,045,720	15,059,660	(0.09) %
Investment earnings	242,100	208,809	15.94 %
Sixteenth section sources	362,634	143,554	152.61 %
Other	25,525	22,465	13.62 %
Total revenues	28,969,428	25,880,828	11.93 %
Expenses:			
Instruction	13,874,833	11,152,460	24.41 %
Support services	10,252,596	9,808,091	4.53 %
Non-instructional	1,694,929	1,620,409	4.60 %
Sixteenth section	41,463	83,898	(50.58) %
Pension expense	3,456,674	1,935,596	78.58 %
OPEB expense	24,054	133,230	(81.95) %
Interest on long-term liabilities	70,046	151,515	(53.77) %
Total expenses	29,414,595	24,885,199	18.20 %
Increase (Decrease) in net position	(445,167)	995,629	(144.71) %
Net Position, July 1, as previously reported	(13,675,055)	(14,668,908)	6.78 %
Reclassify Fund Type	180,961	-	N/A %
Prior Period Adjustment	103,788	(1,776)	5,943.92 %
Net Position, July 1, as restated	(13,390,306)	(14,670,684)	8.73 %
Net Position, June 30	\$ (13,835,473)	\$ (13,675,055)	(1.17) %

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.

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 13,874,833	\$ 11,152,460	24.41 %
Support services	10,252,596	9,808,091	4.53 %
Non-instructional	1,694,929	1,620,409	4.60 %
Sixteenth section	41,463	83,898	(50.58) %
Pension Expense	3,456,674	1,935,596	78.58 %
OPEB Expense	24,054	133,230	(81.95) %
Interest on long-term liabilities	70,046	151,515	(53.77) %
Total expenses	\$ 29,414,595	\$ 24,885,199	18.20 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (9,731,772)	\$ (9,091,599)	(7.04) %
Support services	(7,858,307)	(7,848,230)	(0.13) %
Non-instructional	(7,607)	(73,036)	89.58 %
Sixteenth section	9,071	(71,994)	112.60 %
Pension Expense	(3,456,674)	(1,935,596)	(78.58) %
OPEB Expense	(24,054)	(133,230)	81.95 %
Interest on long-term liabilities	(70,046)	(151,515)	53.77 %
Total net (expense) revenue	\$ (21,139,389)	\$ (19,305,200)	(9.50) %

- Net cost of governmental activities [(\$21,139,389) for 2021 and (\$19,305,200) for 2020] was financed by general revenue, which is primarily made up of property taxes (\$5,018,243 for 2021 and \$4,866,341 for 2020) and state and federal revenues (\$15,045,720 for 2021 and \$15,059,660 for 2020). In addition, there was \$362,634 and \$143,554 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$242,100 for 2021 and \$208,809 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.

LEAKE COUNTY 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 \$11,077,915, an increase of \$647,965, which includes a reclassification of fund type of \$180,961, a prior period adjustment of (\$1,200) and a decrease in inventory of \$21,829. \$8,592,687 or 78% 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 \$2,485,228 or 22% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 \$170,770, which included a prior period adjustment of (\$1,200) and a reclassification of fund type of \$180,961. The fund balance of Other Governmental Funds showed an increase in the amount of \$908,877 due primarily to the net change in fund balance of the Local Building Projects fund caused by an operating transfer in to the fund from the General Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ (90,142)

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and 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 \$30,278,979, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$443,990 from 2020. Total accumulated depreciation as of June 30, 2021, was \$14,566,855, and total depreciation expense for the year was \$743,028, resulting in total net capital assets of \$15,712,124.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 459,075	\$ 459,075	0.00 %
Buildings	12,833,982	13,203,350	(2.80) %
Building improvements	85,034	92,925	(8.49) %
Improvements other than buildings	163,719	171,006	(4.26) %
Mobile equipment	2,007,854	1,915,676	4.81 %
Furniture and equipment	162,460	156,667	3.70 %
Total	<u>\$ 15,712,124</u>	<u>\$ 15,998,699</u>	<u>(1.79) %</u>

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

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

Debt Administration. At June 30, 2021, the District had \$3,537,359 in outstanding long-term debt, of which \$311,000 is due within one year. The liability for compensated absences increased \$19,253 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Other notes payable	\$ 3,392,000	\$ 3,706,000	(8.47) %
Compensated absences payable	<u>145,359</u>	<u>126,106</u>	15.27 %
Total	<u>\$ 3,537,359</u>	<u>\$ 3,832,106</u>	(7.69) %

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

CURRENT ISSUES

The school district is currently financially stable and plans to continue its sound fiscal management to meet the challenges of the future.

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 Leake County School District, 109 West Main Street, Carthage, Mississippi 39051.

FINANCIAL STATEMENTS

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LEAKE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2021

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,715,105
Cash with fiscal agents	1,182
Due from other governments	1,270,278
Other receivables, net	5,419
Inventories	81,618
Restricted assets	296,711
Capital assets, net of accumulated depreciation:	15,712,124
Total Assets	<u>28,082,437</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,062,615
Deferred outflows - OPEB	471,387
Total deferred outflows of resources	<u>5,534,002</u>
Liabilities	
Accounts payable and accrued liabilities	1,292,398
Interest payable on long-term liabilities	12,618
Long-term liabilities, due within one year:	
Capital related liabilities	311,000
Net OPEB liability	84,832
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,081,000
Non-capital related liabilities	145,359
Net pension liability	38,973,213
Net OPEB liability	2,298,911
Total Liabilities	<u>46,199,331</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	633,610
Deferred inflows - OPEB	618,971
Total deferred inflows of resources	<u>1,252,581</u>
Net Position	
Net investment in capital assets	12,320,124
Restricted for:	
Expendable:	
School-based activities	570,870
Debt service	83,858
Forestry improvements	214,521
Unemployment benefits	24,480
Non-expendable:	
Sixteenth section	296,711
Unrestricted	(27,346,037)
Total Net Position	<u>\$ (13,835,473)</u>

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

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LEAKE COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2021

		Program Revenues			Net (Expense)
					Revenue and
					Changes in
					Net Position
		Charges for	Operating	Capital	
		Services	Grants and	Grants and	Governmental
			Contributions	Contributions	Activities
Functions/Programs					
Governmental Activities:					
Instruction	\$	13,874,833	172,650	3,970,411	(9,731,772)
Support services		10,252,596	26,755	2,357,734	9,800
Non-instructional		1,694,929	9,581	1,671,177	6,564
Sixteenth section		41,463	50,534		
Pension expense		3,456,674			
OPEB expense		24,054			
Interest on long-term liabilities		70,046			
Total Governmental Activities	\$	29,414,595	259,520	7,999,322	16,364
General Revenues:					
Taxes:					
General purpose levies					
Debt service levies					
Unrestricted grants and contributions:					
State					
Federal					
Unrestricted investment earnings					
Sixteenth section sources					
Other					
Total General Revenues					
Change in Net Position					
Net Position - Beginning, as previously reported					
Reclassify fund type					
Prior Period Adjustments					
Net Position - Beginning, as restated					
Net Position - Ending					

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

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2021

Exhibit C

	Major Funds		Other	Total
	General	Child Nutrition	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 8,846,787	204,016	1,961,013	11,011,816
Cash with fiscal agents	1,182			1,182
Due from other governments	272,903		997,375	1,270,278
Due from other funds	1,247,485			1,247,485
Other receivables	5,170	99	150	5,419
Inventories		81,618		81,618
Total assets	10,373,527	285,733	2,958,538	13,617,798
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	1,292,398			1,292,398
Due to other funds		269,306	978,179	1,247,485
Total Liabilities	1,292,398	269,306	978,179	2,539,883
Fund Balances:				
Nonspendable:				
Inventory		81,618		81,618
Permanent fund principal			296,711	296,711
Restricted:				
Debt service			96,476	96,476
Forestry improvement purposes			214,521	214,521
Grant activities			489,252	489,252
Unemployment benefits			24,480	24,480
Assigned:				
Student activities	420,306			420,306
Building improvements			822,199	822,199
Technology	2,945			2,945
Unemployment benefits			36,720	36,720
Unassigned	8,657,878	(65,191)		8,592,687
Total Fund Balances	9,081,129	16,427	1,980,359	11,077,915
Total liabilities and fund balances	\$ 10,373,527	285,733	2,958,538	13,617,798

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

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Exhibit C-1
June 30, 2021

Total fund balances for governmental funds \$ 11,077,915

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	459,075	
Buildings	23,214,084	
Building improvements	228,264	
Improvements other than buildings	261,984	
Mobile equipment	5,091,830	
Furniture and equipment	1,023,742	
Accumulated depreciation	<u>(14,566,855)</u>	15,712,124

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	(38,973,213)	
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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	5,062,615	
Deferred inflows of resources related to pensions	<u>(633,610)</u>	(34,544,208)

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

Net OPEB liability	(2,383,743)	
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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	471,387	
Deferred inflows of resources related to OPEB	<u>(618,971)</u>	(2,531,327)

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

Other notes payable	(3,392,000)	
Compensated absences	(145,359)	
Accrued interest payable	<u>(12,618)</u>	(3,549,977)

Net Position of governmental activities	\$ <u>(13,835,473)</u>
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The notes to the financial statements are an integral part of this statement.

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds			
	General Fund	Child Nutrition Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 5,009,009	14,918	359,898	5,383,825
State sources	14,598,012		1,115,055	15,713,067
Federal sources	128,213	1,702,405	5,517,722	7,348,340
Sixteenth section sources	444,445		61,788	506,233
Total Revenues	20,179,679	1,717,323	7,054,463	28,951,465
Expenditures:				
Instruction	10,971,406		4,418,302	15,389,708
Support services	8,099,959	194,303	2,615,162	10,909,424
Noninstructional services	7,212	1,604,645	143,758	1,755,615
Sixteenth section	910		40,553	41,463
Debt service:				
Principal			314,000	314,000
Interest			69,185	69,185
Total Expenditures	19,079,487	1,798,948	7,600,960	28,479,395
Excess (Deficiency) of Revenues over (under) Expenditures	1,100,192	(81,625)	(546,497)	472,070
Other Financing Sources (Uses):				
Insurance loss recoveries	17,903			17,903
Sale of other property	60			60
Operating transfers in	43,078	13,312	1,511,764	1,568,154
Operating transfers out	(1,511,764)		(56,390)	(1,568,154)
Total Other Financing Sources (Uses)	(1,450,723)	13,312	1,455,374	17,963
Net Change in Fund Balances	(350,531)	(68,313)	908,877	490,033
Fund Balances:				
July 1, 2020, as originally presented	9,251,899	106,569	1,071,482	10,429,950
Prior period adjustments	(1,200)			(1,200)
Reclassify fund type	180,961			180,961
July 1, 2020, as adjusted	9,431,660	106,569	1,071,482	10,609,711
Decrease in reserve for inventory		(21,829)		(21,829)
June 30, 2021	\$ 9,081,129	16,427	1,980,359	11,077,915

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

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 490,033

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	\$ 455,775	
Depreciation expense	<u>(743,028)</u>	(287,253)

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.

	<u>(118)</u>	(118)
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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. These amounts are:

Payments of debt principal	314,000	
Accrued interest payable	<u>(861)</u>	313,139

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	(3,456,674)	
Contributions subsequent to the measurement date	<u>2,476,010</u>	(980,664)

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	(24,054)	
Contributions subsequent to the measurement date	<u>84,832</u>	60,778

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 inventory reserve	(21,829)	
Change in compensated absences	<u>(19,253)</u>	(41,082)

Change in Net Position of governmental activities	<u><u>\$ (445,167)</u></u>
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The notes to the financial statements are an integral part of this statement.

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LEAKE COUNTY 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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.

Child Nutrition Fund – This special revenue fund accounts for grants received through the Child Nutrition Cluster of federal awards and other United States Department of Agriculture grants.

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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.

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

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

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

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

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

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are not reported as a classification of fund balances since they do not constitute expenditures or liabilities.

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.

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

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

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.

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 Sixteenth 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

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

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.

Deferred outflows of resources related to pensions
Deferred outflows of resources related to OPEB

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

Deferred inflows of resources related to pensions
Deferred inflows of resources related to OPEB

See Note 8, Note 9, and Note 16 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.

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

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

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

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

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

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

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

It is the goal of the school district to maintain an unassigned fund balance in the general fund at fiscal year-end an amount of not less than fifteen (15) percent of the general fund revenues for the year. If the unassigned fund balance at fiscal year-end falls below the goal, the school district will develop a restoration plan to achieve and maintain the minimum fund balance.

13. Accounting Standards Update

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

GASB 84, *Fiduciary Activities*, was implemented by the district during fiscal year 2021. The objective of this

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

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. The school district reclassified certain funds formerly shown as fiduciary funds as general funds effective July 1, 2020, in accordance with GASB 84, *Fiduciary Activities*. The district did not report fiduciary funds at June 30, 2021.

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 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 \$11,011,816.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,182.

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	Child nutrition fund	\$ 269,306
	Other governmental funds	978,179
Total		<u>\$ 1,247,485</u>

The inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account and interfund loans due to the General Fund at June 30, 2021. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the other governments.

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,511,764
Other governmental funds	General Fund	43,078
	Child Nutrition Fund	13,312
Total		<u>\$ 1,568,154</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds, transfers of indirect costs from other governmental funds to the General Fund, and operating transfers between other governmental funds and the Child Nutrition Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$296,711, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

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	\$ 459,075				459,075
Total non-depreciable capital assets	459,075	-	-		459,075
<u>Depreciable capital assets:</u>					
Buildings	23,214,084				23,214,084
Building improvements	228,264				228,264
Improvements other than buildings	261,984				261,984
Mobile equipment	4,694,830	397,000			5,091,830
Furniture and equipment	976,752	58,775	11,785		1,023,742
Total depreciable capital assets	29,375,914	455,775	11,785		29,819,904
<u>Less accumulated depreciation for:</u>					
Buildings	10,010,734	369,368			10,380,102
Building improvements	135,339	7,891			143,230
Improvements other than buildings	90,978	8,083		(796)	98,265
Mobile equipment	2,779,154	304,822			3,083,976
Furniture and equipment	820,085	52,864	11,667		861,282
Total accumulated depreciation	13,836,290	743,028	11,667	(796)	14,566,855
Total depreciable capital assets, net	15,539,624	(287,253)	118	796	15,253,049
Governmental activities capital assets, net	\$ 15,998,699	(287,253)	118	796	15,712,124

Depreciation expense was charged to the following governmental functions:

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

	Amount
Governmental activities:	
Instruction	\$ 106,726
Support services	618,209
Non-instructional	18,093
Total depreciation expense - Governmental activities	<u>\$ 743,028</u>

Adjustments made to depreciable capital assets and accumulated depreciation correct prior period errors in computing depreciation expense.

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. Other loans payable	\$ 3,706,000		314,000	3,392,000	311,000
B. Compensated absences payable	126,106	19,253		145,359	
Total	<u>\$ 3,832,106</u>	<u>19,253</u>	<u>314,000</u>	<u>3,537,359</u>	<u>311,000</u>

A. Other loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2020	1.86%	8-Jun-20	15-Apr-31	\$ 3,706,000	\$ 3,392,000
Total				<u>\$ 3,706,000</u>	<u>\$ 3,392,000</u>

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

- Three mill notes payable issue of June 8, 2020.

Year Ending June 30	Principal	Interest	Total
2022	\$ 311,000	63,091	374,091
2023	318,000	57,307	375,307
2024	324,000	51,392	375,392
2025	328,000	45,365	373,365
2026	337,000	39,265	376,265
2027-2031	1,774,000	100,291	1,874,291
Total	<u>\$ 3,392,000</u>	<u>356,711</u>	<u>3,748,711</u>

This debt will be retired from the 2020 Note Fund (debt service fund).

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

Pledge of Future Revenues

The \$3,706,000 Limited Tax Note, Series 2020, is secured with a pledge of Education Enhancement Funds (EEF) for buildings and buses that is to be used for repayment of the limited tax note. Proceeds of the note were used to refund the Limited Tax Note, Series 2011, the proceeds of which were used to finance capital improvements in the school district. The notes are payable partially from the future revenue of the Education Enhancement revenue funds for buildings and buses and partially from a local ad valorem tax levy and are payable through April 15, 2031. Annual principal and interest payments on the notes are expected to require all of the district's annual allocation of such state revenues with local ad valorem taxes being levied to complete the required debt service payments. The total principal and interest payments remaining are \$3,748,711. The principal and interest payments for the current year and State EEF funds for buildings and buses were \$372,783 and \$101,817, respectively.

B. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases

The school district has several operating leases for the following:

Nine (9) copiers
One (1) postage machine

Lease expenditures for the year ended June 30, 2021, amounts to \$76,744. Future lease payments for these leases are as follows:

Year Ending June 30	Principal
2022	\$ 30,360
2023	20,320
2024	4,650
Total	<u>\$ 55,330</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least

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

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 \$2,476,010, \$2,332,545 and \$2,017,467, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the school district reported a liability of \$38,973,213 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 0.201320 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.004639 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,456,674. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 338,438	\$
Net difference between projected and actual earnings on pension plan investments	32,320	
Changes of assumptions	213,011	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,002,836	633,610
District contributions subsequent to the measurement date	2,476,010	
Total	\$ <u>5,062,615</u>	\$ <u>633,610</u>

\$2,476,010 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	\$ 72,765
2023	803,849
2024	827,399

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

2025 248,982

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

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

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

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

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	\$ 50,446,035	\$ 38,973,213	\$ 29,503,525

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

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$84,832 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,383,743 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 0.30631181 percent. This was a decrease of 0.00684946 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 \$24,054. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,039	\$ 414,835
Changes of assumptions	370,098	100,734
Net difference between projected and actual earnings on OPEB plan investments	77	
Changes in proportion and differences between District contributions and proportionate share of contributions	13,341	103,402
District contributions subsequent to the measurement date	84,832	
Total	\$ <u>471,387</u>	\$ <u>618,971</u>

\$84,832 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	\$ (62,295)
2023	(62,295)
2024	(51,645)
2025	(22,132)
2026	(34,049)

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	

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

Medicare Supplement Claims Pre-Medicare	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2030
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Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

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

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

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

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

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

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 2,634,199	\$ 2,383,743	\$ 2,168,920

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,201,022	\$ 2,383,743	\$ 2,590,758

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

Note 10 – 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

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

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	\$ 83,702
2023	82,106
2024	80,028
2025	80,028
2026	77,599
2027 – 2031	213,235
2032 - 2036	129,667
2037 – 2041	95,989
2042 – 2046	41,893
2047-2051	16,216
Total	<u>\$ 900,463</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of prior year depreciation expense	\$ 796
2. Correction of recording prior year asset or liability	(1,200)
3. Correction of calculation of deferred outflows associated with Net Pension Liability	104,192
4. Reclassification of fund type	180,961
Total	<u>\$ 284,749</u>

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

Fund	Explanation	Amount
General Fund	Prior year error correction in recording an asset or liability	\$ (1,200)
	Reclassify fund type	180,961
Total		<u>\$ 179,761</u>

Note 12 – Contingencies

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.

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.

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

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

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

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

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

Note 14 – Fund Balance Assignments

The amount assigned for unemployment (\$36,720) shown on the Governmental Funds Balance Sheet (Exhibit C) represents the amounts held in the Unemployment Compensation Fund (special revenue fund) at June 30, 2021, which are above the statutory requirements necessary to fill that fund.

Note 15 – Insurance Loss Recoveries

The Leake County School District received \$17,903 in insurance loss recoveries related to property damage to district buses during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

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

Insurance Loss			
Recoveries	Percentage	Expense Function	
\$ 17,903	100%	Support services	
\$ 17,903	100%		

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$27,346,037) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,476,010 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$2,586,605 balance of deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$27,346,037) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$633,610 balance of deferred inflow of resources related to pensions, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$27,346,037) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$84,832 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$386,555 balance of deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$27,346,037) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$618,971 balance of deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Leake County School District evaluated the activity of the district through June 17, 2022, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,883,331	5,009,167	5,009,009	125,836	(158)
State sources	14,542,815	14,598,013	14,598,012	55,198	(1)
Federal sources	161,730	128,213	128,213	(33,517)	0
Sixteenth section sources	384,500	444,445	444,445	59,945	0
Total Revenues	19,972,376	20,179,838	20,179,679	207,462	(159)
Expenditures:					
Instruction	12,549,127	10,971,406	10,971,406	1,577,721	0
Support	8,801,244	8,149,668	8,099,959	651,576	49,709
Noninstructional services	11,260	6,703	7,212	4,557	(509)
Sixteenth section	500	910	910	(410)	0
Total Expenditures	21,362,131	19,128,687	19,079,487	2,233,444	49,200
Excess (Deficiency) of Revenues over (under) Expenditures	(1,389,755)	1,051,151	1,100,192	2,440,906	49,041
Other Financing Sources (Uses):					
Insurance loss recoveries	1,000	17,903	17,903	16,903	0
Sale of transportation equipment	5,000	0	0	(5,000)	0
Sale of other property	0	60	60	60	0
Operating transfers in	536,831	843,062	43,078	306,231	(799,984)
Operating transfers out	(2,348,544)	(2,262,548)	(1,511,764)	85,996	750,784
Total Other Financing Sources (Uses)	(1,805,713)	(1,401,523)	(1,450,723)	404,190	(49,200)
Net Change in Fund Balances	(3,195,468)	(350,372)	(350,531)	2,845,096	(159)
Fund Balances:					
July 1, 2020, as originally presented	8,271,082	9,432,861	9,251,899	1,161,779	(180,962)
Prior period adjustments	0	(1,200)	(1,200)	(1,200)	0
Reclassify fund type	0	0	180,961	0	180,961
July 1, 2020, as restated	8,271,082	9,431,661	9,431,660	1,160,579	(1)
June 30, 2021	\$ 5,075,614	9,081,289	9,081,129	4,005,675	(160)

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

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Child Nutrition 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	\$ 88,500	14,918	14,918	(73,582)	0
State sources	20,000	0	0	(20,000)	0
Federal sources	1,920,000	1,702,405	1,702,405	(217,595)	0
Total Revenues	2,028,500	1,717,323	1,717,323	(311,177)	0
Expenditures:					
Support	239,648	194,303	194,303	45,345	0
Noninstructional services	2,055,533	1,604,645	1,604,645	450,888	0
Total Expenditures	2,295,181	1,798,948	1,798,948	496,233	0
Excess (Deficiency) of Revenues over (under) Expenditures	(266,681)	(81,625)	(81,625)	185,056	0
Other Financing Sources (Uses):					
Operating transfers in	266,681	13,312	13,312	(253,369)	0
Total Other Financing Sources (Uses)	266,681	13,312	13,312	(253,369)	0
Net Change in Fund Balances	0	(68,313)	(68,313)	(68,313)	0
Fund Balances:					
July 1, 2020	329,753	106,569	106,569	(223,184)	0
Decrease in reserve for inventory	0	(21,829)	(21,829)	(21,829)	0
June 30, 2021	<u>\$ 329,753</u>	<u>16,427</u>	<u>16,427</u>	<u>(313,326)</u>	<u>0</u>

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

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.201320%	0.196681%	0.204289%	0.204916%	0.216466%	0.212847%	0.210368%
District's proportionate share of the net pension liability	\$ 38,973,213	34,600,068	33,979,330	34,063,944	38,666,233	32,901,949	25,534,823
District's covered payroll	\$ 13,405,431	12,809,315	13,045,797	13,083,390	13,847,873	13,297,479	12,860,432
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	260.36%	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	59%	62%	63%	61%	57%	62%	67%

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

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

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

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

		2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	2,476,010	2,332,545	2,017,467	2,054,713	2,060,634	2,181,040	2,094,353
Contributions in relation to the contractually required contribution	\$	2,476,010	2,332,545	2,017,467	2,054,713	2,060,634	2,181,040	2,094,353
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-
District's covered payroll	\$	14,229,943	13,405,431	12,809,315	13,045,797	13,083,390	13,847,873	13,297,479
Contributions as a percentage of covered payroll		17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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LEAKE COUNTY 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		0.30631181%	0.31316127%	0.31624115%	0.31319600%
District's proportionate share of the net OPEB liability	\$	2,383,743	2,657,302	2,446,283	2,457,364
District's covered - employee payroll	\$	13,405,431	12,809,315	13,045,797	13,083,390
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		18%	21%	19%	19%
Plan fiduciary net position as a percentage of the total OPEB liability		0.13%	0.12%	0.13%	0.00%

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

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

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

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

		2021	2020	2019	2018
Actuarially determined contribution**	\$	84,832	95,063	106,513	104,761
Contributions in relation to the actuarially determined contribution**	\$	84,832	95,063	106,513	104,761
Contribution deficiency (excess)	\$	-	-	-	-
District's covered - employee payroll	\$	14,229,943	13,405,431	12,809,315	13,045,797
Contributions as a percentage of covered - employee payroll		0.60%	0.71%	0.83%	0.80%

The notes to the 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 the historical amounts presented in prior year audit reports.

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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%.

LEAKE COUNTY SCHOOL DISTRICT
Notes to 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.

LEAKE COUNTY SCHOOL DISTRICT
Notes to 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 the prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

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

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

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SUPPLEMENTARY INFORMATION

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LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program	10.555	215MS326N1099	\$ 1,822
National school lunch program (donated commodities)	10.555	215MS326N1099	135,658
Subtotal			<u>137,480</u>
COVID-19 - Summer food service program for children	10.559	215MS326N1099	1,653,268
Subtotal			<u>1,653,268</u>
Total child nutrition cluster			<u>1,790,748</u>
State administrative expenses for child nutrition	10.560	215MS907N2533	8,200
Total passed-through Mississippi Department of Education			<u>1,798,948</u>
Total U.S. Department of Agriculture			<u>1,798,948</u>
<u>U. S. Department of the Treasury</u>			
Passed-through Mississippi Department of Education:	21.019	2021	
COVID-19 - Coronavirus Relief Fund			<u>1,271,691</u>
Total passed-through Mississippi Department of Education			<u>1,271,691</u>
Total U.S. Department of the Treasury			<u>1,271,691</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024 S010A190024 S010A200024	1,833,473
Career and technical education - basic grants to states	84.048	V048A200024	74,646
Twenty-first century community learning centers	84.287	S287C200024	95,431
Rural education	84.358	S358B180024 S358B190024 S358B200024	39,957
English language acquisition grants	84.365	ES365A180024 ES365A190024 ES365A200024	71,208
Supporting Effective Instruction State Grants	84.367	S367A180023 S367A190023 S367A200023	276,838
Student support and enrichment program	84.424	S424A180025 S424A190025 S424A200025	41,760
Subtotal			<u>2,433,313</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108	832,884

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
Special education - preschool grants	84.173	H173A180113 H173A190113 H173A200113	39,955
Total special education cluster			872,839
COVID-19 - Education Stabilization Fund (ESSER I)	84.425D	S425D200031	728,004
COVID-19 - Education Stabilization Fund (ESSER II)	84.425D	S425D210031	211,875
Subtotal			939,879
Total passed-through Mississippi Department of Education			4,246,031
Total U.S. Department of Education			4,246,031
<u>Social Security Administration</u>			
Disability insurance/SSI cluster:			
Passed-through Mississippi Department of Education:			
Social security disability insurance	96.001	04-20-04MSD100	364
Total passed-through Mississippi Department of Education			364
Total disability insurance/SSI cluster			364
Total Social Security Administration			364
Total for All Federal Awards			\$ 7,317,034

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

LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2021

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,055,831	14,501,569	1,227,324	1,639,888	2,687,050
Other	8,423,564	3,893,845	310,849	79,025	4,139,845
Total	<u>\$ 28,479,395</u>	<u>18,395,414</u>	<u>1,538,173</u>	<u>1,718,913</u>	<u>6,826,895</u>
Total number of students *	<u>2,630</u>				
Cost per student	<u>\$ 10,829</u>	<u>6,994</u>	<u>585</u>	<u>654</u>	<u>2,596</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

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LEAKE COUNTY 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 Leake County School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Leake County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Leake County School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

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OTHER INFORMATION

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LEAKE COUNTY 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	\$ 5,009,009	4,771,221	4,470,208	4,287,920
State sources	14,598,012	15,125,664	14,981,365	14,072,556
Federal sources	128,213	82,090	255,615	170,406
Sixteenth section sources	444,445	223,084	345,594	317,828
Total Revenues	20,179,679	20,202,059	20,052,782	18,848,710
Expenditures:				
Instruction	10,971,406	10,780,807	10,265,756	10,278,777
Support services	8,099,959	8,152,665	7,948,383	7,586,537
Noninstructional services	7,212	8,873	6,925	7,078
Sixteenth section	910	151	296	530
Total Expenditures	19,079,487	18,942,496	18,221,360	17,872,922
Excess (Deficiency) of Revenues over (under) Expenditures	1,100,192	1,259,563	1,831,422	975,788
Other Financing Sources (Uses):				
Insurance loss recoveries	17,903	17,450	1,435	7,403
Sale of transportation equipment		9,475	3,100	10,129
Sale of other property	60			462
Operating transfers in	43,078	53,574	97,553	54,752
Operating transfers out	(1,511,764)	(534,266)	(601,482)	(478,631)
Total Other Financing Sources (Uses)	(1,450,723)	(453,767)	(499,394)	(405,885)
Net Change in Fund Balances	(350,531)	805,796	1,332,028	569,903
Fund Balances:				
Beginning of period, as previously reported	9,251,899	8,446,377	7,114,349	6,513,567
Prior period adjustments	(1,200)	(274)		30,879
Reclassify fund type	180,961			
Beginning of period, as restated	9,431,660	8,446,103	7,114,349	6,544,446
End of Period	\$ 9,081,129	9,251,899	8,446,377	7,114,349

*SOURCE - PRIOR YEAR AUDIT REPORTS

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LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,383,825	5,198,792	4,883,517	4,666,151
State sources	15,713,067	15,950,088	15,944,181	15,508,439
Federal sources	7,348,340	4,480,783	4,869,276	4,464,309
Sixteenth section sources	506,233	251,165	393,841	360,880
Total Revenues	28,951,465	25,880,828	26,090,815	24,999,779
Expenditures:				
Instruction	15,389,708	12,586,550	12,168,223	12,115,794
Support services	10,909,424	10,475,604	10,203,527	9,646,377
Noninstructional services	1,755,615	1,747,144	1,922,559	2,009,606
Sixteenth section	41,463	83,898	37,373	8,290
Debt service:				
Principal	314,000	3,865,000	255,000	1,150,000
Interest	69,185	170,484	160,081	195,459
Other		87,646	1,740	3,090
Total Expenditures	28,479,395	29,016,326	24,748,503	25,128,616
Excess (Deficiency) of Revenues over (under) Expenditures	472,070	(3,135,498)	1,342,312	(128,837)
Other Financing Sources (Uses):				
Insurance loss recoveries	17,903	17,450	1,435	7,403
Proceeds from the issuance of refunding bonds		3,706,000		
Sale of transportation equipment		9,475	3,100	10,129
Sale of other property	60			586
Operating transfers in	1,568,154	865,781	814,031	727,141
Operating transfers out	(1,568,154)	(865,781)	(814,031)	(727,141)
Total Other Financing Sources (Uses)	17,963	3,732,925	4,535	18,118
Net Change in Fund Balances	490,033	597,427	1,346,847	(110,719)
Fund Balances:				
Beginning of period, as previously reported	10,429,950	9,786,149	8,417,176	8,557,129
Prior period adjustments	(1,200)	(1,775)		30,879
Reclassify fund type	180,961			
Beginning of period, as restated	10,609,711	9,784,374	8,417,176	8,588,008
Increase (Decrease) in reserve for inventory	(21,829)	48,149	22,126	(60,113)
End of Period	\$ 11,077,915	10,429,950	9,786,149	8,417,176

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, 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
Leake County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leake County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Leake County School District's basic financial statements, and have issued our report thereon dated June 17, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

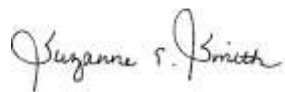
As part of obtaining reasonable assurance about whether the Leake County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of this Report

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

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

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

Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
June 17, 2022

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board
Leake County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Leake County School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

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

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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 **Finding 2021-001**. Our opinion on each major federal program is not modified with respect to these matters.

The school district's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The school district's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

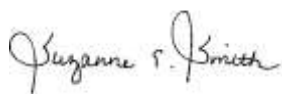
Management of the Leake County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leake County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 **Finding 2021-001** and **Finding 2021-002**, that we consider to be significant deficiencies.

The school district's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The school district's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
June 17, 2022

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

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2021, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated June 17, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding SL2021-A: Compliance with state purchasing laws. Mississippi Code 31-7-13 (b) governs the procedures to be followed when purchasing commodities and equipment by governing authorities for purchases over \$5,000.00 but not over \$50,000.00. Any governing authority purchasing commodities pursuant to this paragraph may authorize its purchasing agent, or his/her designee, to accept the lowest and best competitive written bid. We noted one instance where a piece of equipment was purchased for \$6,564 from the vendor with the highest bid (quote) without detailed justification as to why the higher bid (quote) was the best bid (quote). While verbal details were supplied at the time of audit fieldwork, there was no documented evidence to show that such details were taken into consideration at the time of purchase.

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Recommendation: We recommend that the district document detailed calculations and evidence to support the best bid (quote) when accepting a higher bid (quote) as the best bid (quote). Such evidence should become a permanent part of the documentation to justify the purchase from the vendor with the higher bid (quote).

Response: The District will ensure that in the future an explanation is presented to the school board for approval for purchasing commodities when the lowest received bid was not accepted as the best bid.

Repeat Finding SL2021-B: Compliance with Sixteenth Section lease termination laws. Mississippi Code 29-3-57 states in part... *Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease.* We noted four (4) instances in which sixteenth section land leases were not collected within sixty (60) days of the due date. None of the four (4) leases were placed before the school board for action and/or termination.

Recommendation: We recommend that the district comply with Mississippi Code 29-3-57 by instituting proper and consistent treatment for all leases not paid within sixty (60) days of the due date.

Response: The District will ensure that a list of delinquent lease payments is presented to the school board monthly outlining delinquent leases for either board determination that extenuating circumstances exist or lease cancellation.

Finding SL2021-C: Unallowable expenditures in Student Activity Funds. Mississippi Code 37-7-301(s) sets forth allowable uses of student activity funds. This section states in part... *The local school governing board shall be authorized and empowered to promulgate rules and regulations specifically designating for what purposes school activity funds may be expended.* During our testing of 25 of the 201 student activity fund expenditures made during the 2021 year, we noted one instance in which drinks and other refreshments were purchased for teacher appreciation purposes. The expenditure totaled \$112.64 and was made from the student activity fund at Leake Central Elementary School. Such expenditures are not supported by board policy nor are specifically allowable under state law.

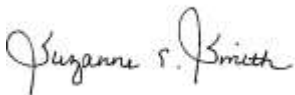
Recommendation: We recommend that the school district not purchase teacher appreciation refreshments, awards, or other gifts using student activity fund monies.

Response: The District will ensure that all school principals and bookkeepers are informed that teacher appreciation refreshments, awards, or gifts cannot be purchased using general activity funds. Bookkeeper training will be held in July 2022, and this will be a focus topic for discussion.

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

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

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



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
June 17, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | | | | | | | | | |
|---------------------|---|---------------------|---|--------|------------------------------------|---------|---|---------|--|--|
| 4. | Internal control over major programs: | | | | | | | | | |
| a. | Material weakness(es) identified? (Yes/No) | No | | | | | | | | |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | 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/No) | Yes | | | | | | | | |
| 7. | Identification of major programs: | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>21.019</td> <td>Covid-19 - Coronavirus Relief Fund</td> </tr> <tr> <td>84.425D</td> <td>Covid-19 - Education Stabilization Fund (ESSER I)</td> </tr> <tr> <td>84.425D</td> <td>Covid-19 - Education Stabilization Fund (ESSER II)</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 21.019 | Covid-19 - Coronavirus Relief Fund | 84.425D | Covid-19 - Education Stabilization Fund (ESSER I) | 84.425D | Covid-19 - Education Stabilization Fund (ESSER II) | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | |
| 21.019 | Covid-19 - Coronavirus Relief Fund | | | | | | | | | |
| 84.425D | Covid-19 - Education Stabilization Fund (ESSER I) | | | | | | | | | |
| 84.425D | Covid-19 - Education Stabilization Fund (ESSER II) | | | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | | | |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | Yes | | | | | | | | |
| 10. | Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b)? (Yes/No) | No | | | | | | | | |

Section II: Financial Statement Findings

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

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests discloses the following findings and questioned costs related to the federal awards:

Significant Deficiency in internal control over compliance and non-material noncompliance.

Finding 2021-001. Procurement. Covid-19 – Education Stabilization Fund (ESSER I) CFDA 84.425D

Criteria: The school district must have and use documented procurement procedures, consistent with state and local laws and regulations and the standards of 2 CFR Part 200 Subchapter D federal procurement standards. All procurement transactions for the acquisition of property or services required under a federal award must be conducted in a manner providing full and open competition.

Condition: We noted two instances where the school district purchased janitorial products to assist in cleaning the school buildings in response to the COVID-19 Pandemic. The amount of the purchase orders exceeded the micro purchase level. There was no evidence in the file to show that the district obtained at least 2 (two) competitive quotes.

Cause: The Covid-19 – Education Stabilization Fund (ESSER I) grant is new to the school district and is being administered across departmental lines. The maintenance director used state contract pricing to purchase the items for cleaning, using only one contract source as a quote. The need for a second quote, although specified in written procurement policies, was not understood. Controls were not in place to ensure compliance in this area.

Effect: The procurement transactions were made in a manner that did not provide full and open competition. Controls were not effective to prevent this noncompliance.

Questioned Costs: The total amount of the two procurement transactions was \$35,442.78.

Perspective: Total grant expenditures for the Covid-19 – Education Stabilization Fund grants under CFDA 84.425D were \$939,878.30. The total number of procurement transaction claims in the grant for the year ended June 30, 2021, were 84. Of the 84 claims, 18 claims exceeded the micro purchase level. We tested 17 of the 18 total procurement claims exceeding the micro purchase level for compliance.

Repeat Finding: No

Recommendation: We recommend that the district strengthen controls in the area to procurement to make sure that all procurement transactions meet both state and federal procurement standards.

Views of Responsible Official: See the Corrective Action Plan included in this report.

Significant Deficiency in internal control over compliance.

Finding 2021-002. Procurement. Covid-19 – Coronavirus Relief Fund CFDA 21.019

Criteria: Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the district contracts for goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify that contractors/vendors have not been suspended or debarred unless otherwise excluded. This verification can be accomplished by a) checking SAM exclusions; b) collecting a certification from the contractor/vendor; or c) adding a clause or condition to the covered transaction with that contractor/vendor. The district must meet this requirement before entering into the contract or paying the contractor/vendor more than \$25,000, and it must maintain documentation to demonstrate compliance.

Condition: We noted 6 instances where purchase orders were issued to two separate vendors with no evidence on file to substantiate that the district verified the debarment and suspension status of the vendors. We checked the status of the vendors and found that neither of the two vendors involved had an active debarment or suspension status.

Cause: The Covid-19 – Coronavirus Relief Fund grant is new to the district and being administered across department lines. The normal protocol and requirements for federal spending, which include checking for debarment, were not followed for these purchases. The staff involved did not know that the debarment and suspension status needed to be checked.

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

Effect: Purchase orders were issued to vendors before debarment and suspension status was checked. While we verified that there was no active debarment and suspension status on either vendor, the district could not ensure the vendors paid with federal grant funds were eligible to participate in federal programs.

Questioned Costs: Because we were able to subsequently verify that the vendors were not suspended or debarred, we are not questioning costs.

Perspective: Total grant expenditures for the Covid-19 – Coronavirus Relief Fund grants under CFDA 21.019 were \$1,271,690.78. The total number of procurement transactions for the year ended June 30, 2021, was 8. The 8 transactions were spread out over 3 vendors. We tested 7 of the 8 procurement transactions.

Repeat Finding: No

Recommendation: We recommend that the district strengthen internal controls over procurement to ensure compliance with federal requirements, as well as to provide training to staff responsible for the procurement process.

Views of Responsible Official: See the Corrective Action Plan included in this report.

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Leake County School District

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CORRECTIVE ACTION PLAN

Finding 2021-001. Procurement. Covid19-Education Stabilization Fund (ESSER I) CFDA 84.425D.

Corrective Action Planned: The District will ensure purchases made using Federal funds are documented and are consistent with local, state and federal law. The district will obtain at least 2 competitive quotes when using state contract to ensure competitiveness.

Who is Responsible for the Corrective Action: Purchasing agent

When the Corrective Action with Start: June 17, 2022

Finding 2021-002. Procurement. Covid19-Coronavirus Relief Fund CFDA 21.019.

Corrective Action Planned: The District will ensure that vendors will be verified using SAM.gov to determine whether the vendor has been suspended or debarred for all purchases made with federal funds.

Who is Responsible for the Corrective Action: Purchasing agent

When the Corrective Action with Start: June 17, 2022

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