



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

Okolona Municipal Separate School District
Audited Financial Statements
For the Year Ended June 30, 2021

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
BRANDON, MS 39042

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - Title I-A Basic Fund	52
Budgetary Comparison Schedule - Vocational Basic Fund	53
Schedule of the District's Proportionate Share of the Net Pension Liability	54
Schedule of District Contributions (Pension)	55
Schedule of the District's Proportionate Share of the Net OPEB Liability	56
Schedule of District Contributions (OPEB)	57
Notes to the Required Supplementary Information	58
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	63
Notes to the Supplementary Information	64
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	65
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	69
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	70
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 Government Auditing Standards	73
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	75
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	85
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS	87

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Okolona Municipal Separate 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 Okolona Municipal Separate School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Okolona Municipal Separate 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 Okolona Municipal Separate School District, as of June 30, 2021, and the

respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-14, 51-53, 54-55, and 56-57, 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 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 Okolona Municipal Separate 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 September 19, 2022, on our consideration of the Okolona Municipal Separate 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 Okolona Municipal Separate 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 Okolona Municipal Separate School District's internal control over financial reporting and compliance.

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
September 19, 2022

(This page left blank intentionally)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

The following discussion and analysis of Okolona Municipal Separate 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 \$441,325, including a fund reclassification of \$7,575 and a prior period adjustment of (\$17,485), which represents a 6% decrease from fiscal year 2020. Total net position for 2020 decreased \$82,429, which represents a 1% decrease from fiscal year 2019.
- General revenues amounted to \$5,177,346 and \$5,166,376, or 74% and 74% 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 \$1,802,918, or 26% of total revenues for 2021, and \$1,804,180, or 26% of total revenues for 2020.
- The District had \$7,411,679 and \$7,052,985 in expenses for fiscal years 2021 and 2020; only \$1,802,918 for 2021 and \$1,804,180 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,177,346 for 2021 and \$5,166,376 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,950,529 in revenues and \$4,799,615 in expenditures for 2021, and \$5,114,535 in revenues and \$4,760,649 in expenditures in 2020. The General Fund's fund balance decreased by \$227,492 from 2020 to 2021, including a fund reclassification of \$7,575 and a prior period adjustment of (\$12,753), and increased by \$58,193 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$54,246 for 2021 and decreased by \$76,191 for 2020. The decrease for 2021 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including premiums, decreased by \$104,616 for 2021 and decreased by \$118,184 for 2020. The decrease for 2021 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$492 for 2021 and increased by \$4,819 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.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

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

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

Fund Financial Statements

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

Governmental funds – 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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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 \$7,509,123 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.

**Table 1
Condensed Statement of Net Position**

	June 30, 2021	June 30, 2020	Percentage Change	
Current assets	\$ 2,054,249	\$ 2,091,840	-1.80	%
Restricted assets	27,562	28,745	-4.12	%
Capital assets, net	2,585,784	2,640,030	-2.05	%
Total assets	4,667,595	4,760,615	-1.95	%
Deferred outflows of resources	1,356,676	845,785	60.40	%
Current liabilities	333,310	141,593	135.40	%
Long-term debt outstanding	2,007,160	2,111,776	-4.95	%
Net OPEB liability	599,732	692,072	-13.34	%
Net pension liability	10,341,491	9,399,039	10.03	%
Total liabilities	13,281,693	12,344,480	7.59	%
Deferred inflows of resources	251,701	329,718	-23.66	%
Net position:				
Net investment in capital assets	766,945	652,154	17.60	%
Restricted	806,353	808,068	-0.21	%
Unrestricted	(9,082,421)	(8,528,020)	-6.50	%
Total net position	\$ (7,509,123)	\$ (7,067,798)	-6.24	%

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)	\$ (9,082,421)
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	9,836,248
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u><u>\$ 753,827</u></u>

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

- Decrease in net capital assets in the amount of \$54,246.
- Proceeds from the issuance of a shortfall note in the amount of \$105,400.
- The principal retirement of \$209,203 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 \$6,980,264 and \$6,970,556, respectively. The total cost of all programs and services was \$7,411,679 for 2021 and \$7,052,985 for 2020.

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

**Table 2
Changes in Net Position**

	June 30, 2021	June 30, 2020	Percentage Change	
Revenues:				
Program revenues:				
Charges for services	\$ 73,118	\$ 256,250	-71.47	%
Operating grants and contributions	1,729,800	1,547,930	11.75	%
General revenues:				
Property taxes	1,676,816	1,713,724	-2.15	%
Grants and contributions not restricted	3,485,492	3,426,306	1.73	%
Investment earnings	2,116	2,587	-18.21	%
Other	12,922	23,759	-45.61	%
Total revenues	<u>6,980,264</u>	<u>6,970,556</u>	0.14	%
Expenses:				
Instruction	3,492,004	3,411,077	2.37	%
Support services	2,635,094	2,441,155	7.94	%
Non-instructional	289,646	283,805	2.06	%
Pension expense	918,609	800,754	14.72	%
OPEB expense	7,768	40,418	-80.78	%
Interest on long-term liabilities	68,558	75,776	-9.53	%
Total expenses	<u>7,411,679</u>	<u>7,052,985</u>	5.09	%
Increase (Decrease) in net position	<u>\$ (431,415)</u>	<u>\$ (82,429)</u>	-423.38	%
Net Position, July 1, as previously reported	<u>(7,067,798)</u>	<u>(6,985,369)</u>	-1.18	%
Fund Reclassification	7,575	-	N/A	%
Prior Period Adjustment	(17,485)	-	N/A	%
Net Position, July 1, as restated	<u>(7,077,708)</u>	<u>(6,985,369)</u>	-1.32	%
Net Position, June 30	<u>\$ (7,509,123)</u>	<u>\$ (7,067,798)</u>	-6.24	%

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, 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.

OKOLONA MUNICIPAL SEPARATE 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	\$ 3,492,004	\$ 3,411,077	2.37 %
Support services	2,635,094	2,441,155	7.94 %
Non-instructional	289,646	283,805	2.06 %
Pension Expense	918,609	800,754	14.72 %
OPEB Expense	7,768	40,418	(80.78) %
Interest on long-term liabilities	68,558	75,776	(9.53) %
Total expenses	\$ 7,411,679	\$ 7,052,985	5.09 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (2,642,732)	\$ (2,513,119)	(5.16) %
Support services	(1,999,929)	(1,858,925)	(7.59) %
Non-instructional	28,835	40,187	(28.25) %
Pension Expense	(918,609)	(800,754)	(14.72) %
OPEB Expense	(7,768)	(40,418)	80.78 %
Interest on long-term liabilities	(68,558)	(75,776)	9.53 %
Total net (expense) revenue	\$ (5,608,761)	\$ (5,248,805)	(6.86) %

- Net cost of governmental activities (\$5,608,761 for 2021 and \$5,248,805 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$1,676,816 for 2021 and \$1,713,724 for 2020) and state and federal revenues (\$3,485,492 for 2021 and \$3,426,306 for 2020).
- Investment earnings amounted to \$2,116 for 2021 and \$2,587 for 2020.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,768,175, a decrease of \$230,932, which includes a fund reclassification of \$7,575, a prior period adjustment of (\$17,485), and a decrease in inventory of \$5,631. \$822,152, or 46% 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 \$946,023, or 54% is either nonspendable, restricted, committed or assigned to

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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 \$227,492, which includes a fund reclassification of \$7,575 and a prior period adjustment of (\$12,753). The fund balance of Other Governmental Funds showed an decrease in the amount of \$3,440, which includes a prior period adjustment of (\$4,732) and a decrease in inventory of \$5,631. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
Vocational Basic Fund	no increase or decrease

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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$6,198,076, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$25,560 from 2020. Total accumulated depreciation as of June 30, 2021, was \$3,612,292, and total depreciation expense for the year was \$79,806, resulting in total net capital assets of \$2,585,784.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 77,760	\$ 77,760	0.00 %
Buildings	2,342,888	2,406,861	(2.66) %
Building improvements	70,642	74,913	(5.70) %
Mobile equipment	65,080	66,549	(2.21) %
Furniture and equipment	29,414	13,947	110.90 %
Total	\$ 2,585,784	\$ 2,640,030	(2.05) %

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

Debt Administration. At June 30, 2021, the District had \$2,007,160 in outstanding long-term debt, including premiums, of which \$232,306 is due within one year. During the fiscal year, the District received

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

proceeds from the issuance of a shortfall note in the amount of \$105,400. The District made principal payments totaling \$209,203 on outstanding long-term debt. The liability for compensated absences decreased \$492 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	Percentage Change
General obligation bonds payable	\$ 1,540,000	\$ 1,659,000	(7.17) %
Three mill notes payable	276,000	327,000	(15.60) %
Shortfall notes payable	160,065	93,868	70.52 %
Compensated absences payable	27,232	27,724	(1.77) %
Total	<u>\$ 2,003,297</u>	<u>\$ 2,107,592</u>	(4.95) %
 Add: Bond premiums	 3,863	 4,184	 (7.67) %
Total	<u>\$ 2,007,160</u>	<u>\$ 2,111,776</u>	(4.95) %

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

CURRENT ISSUES

The Okolona Municipal Separate School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Okolona Municipal Separate School District, P.O. Box 510, Okolona, MS 38860.

FINANCIAL STATEMENTS

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Statement of Net Position
June 30, 2021

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,796,187
Investments	21,000
Due from other governments	232,403
Inventories	4,659
Restricted assets	27,562
Capital assets, non-depreciable:	
Land	77,760
Capital assets, net of accumulated depreciation:	
Buildings	2,342,888
Building improvements	70,642
Mobile equipment	65,080
Furniture and equipment	29,414
Total Assets	<u>4,667,595</u>
 Deferred Outflows of Resources	
Deferred outflows - pensions	1,232,604
Deferred outflows - OPEB	124,072
Total Deferred Outflows of Resources	<u>1,356,676</u>
 Liabilities	
Accounts payable and accrued liabilities	312,922
Unearned revenue	714
Interest payable on long-term liabilities	19,674
Long-term liabilities, due within one year:	
Capital related liabilities	157,000
Non-capital related liabilities	75,306
Net OPEB liability	24,294
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,659,000
Capital related bond premiums	3,863
Non-capital related liabilities	111,991
Net pension liability	10,341,491
Net OPEB liability	575,438
Total Liabilities	<u>13,281,693</u>
 Deferred Inflows of Resources	
Deferred inflows - pensions	85,375
Deferred inflows - OPEB	166,326
Total Deferred Inflows of Resources	<u>251,701</u>
 Net Position	
Net investment in capital assets	766,945
Restricted for:	
Expendable:	
School-based activities	228,261
Debt service	511,042
Unemployment benefits	40,512
Non-expendable:	
Permanent fund principal	26,538
Unrestricted	(9,082,421)
Total Net Position (deficit)	<u>\$ (7,509,123)</u>

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2021

					Net (Expense) Revenue and Changes in Net Position

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2021

	Major Funds			Other	Total
	General	Title I-A Basic	Vocational	Governmental	Governmental
	Fund	Fund	Basic	Funds	Funds
			Fund		
Assets					
Cash and cash equivalents	\$ 1,044,559	\$ 22,540	\$ 1,456	\$ 729,957	\$ 1,798,512
Investments	9,000	-	-	37,237	46,237
Due from other governments	121,464	44,288	-	66,651	232,403
Due from other funds	94,357	-	256	39,129	133,742
Inventories	-	-	-	4,659	4,659
Total assets	<u>\$ 1,269,380</u>	<u>\$ 66,828</u>	<u>\$ 1,712</u>	<u>\$ 877,633</u>	<u>\$ 2,215,553</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 288,871	\$ -	\$ 1,712	\$ 22,339	\$ 312,922
Due to other funds	39,385	66,828	-	27,529	133,742
Unavailable revenue - federal programs	-	-	-	714	714
Total Liabilities	<u>328,256</u>	<u>66,828</u>	<u>1,712</u>	<u>50,582</u>	<u>447,378</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	4,659	4,659
Permanent fund principal	-	-	-	26,538	26,538
Restricted:					
Debt service	-	-	-	530,716	530,716
Capital projects	-	-	-	1,024	1,024
Grant activities	-	-	-	223,602	223,602
Unemployment benefits	-	-	-	40,512	40,512
Assigned:					
Student activities	118,972	-	-	-	118,972
Unassigned	<u>822,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>822,152</u>
Total Fund Balances	<u>941,124</u>	<u>-</u>	<u>-</u>	<u>827,051</u>	<u>1,768,175</u>
Total Liabilities and Fund Balances	<u>\$ 1,269,380</u>	<u>\$ 66,828</u>	<u>\$ 1,712</u>	<u>\$ 877,633</u>	<u>\$ 2,215,553</u>

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds	\$	1,768,175
---	-----------	------------------

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	\$	77,760	
Buildings		4,954,460	
Building improvements		106,784	
Mobile equipment		636,110	
Furniture and equipment		422,962	
Accumulated depreciation		<u>(3,612,292)</u>	2,585,784

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

Net pension liability		(10,341,491)	
-----------------------	--	--------------	--

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

Deferred outflows of resources related to pensions		1,232,604	
Deferred inflows of resources related to pensions		<u>(85,375)</u>	(9,194,262)

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		(599,732)	
--------------------	--	-----------	--

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		124,072	
Deferred inflows of resources related to OPEB		<u>(166,326)</u>	(641,986)

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:

General obligation bonds		(1,540,000)	
Notes payable		(436,065)	
Compensated absences		(27,232)	
Unamortized premiums		(3,863)	
Accrued interest payable		<u>(19,674)</u>	(2,026,834)

Net Position of governmental activities	\$	<u>(7,509,123)</u>
--	-----------	---------------------------

OKOLONA MUNICIPAL SEPARATE 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	Title I-A Basic Fund	Vocational Basic Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 1,443,823	\$ -	\$ -	\$ 320,378	\$ 1,764,201
State sources	3,486,430	-	211,808	35,603	3,733,841
Federal sources	20,276	411,490	13,360	1,037,096	1,482,222
Total Revenues	4,950,529	411,490	225,168	1,393,077	6,980,264
Expenditures:					
Instruction	2,778,906	318,609	540,494	276,186	3,914,195
Support services	2,020,709	157,647	228,118	384,565	2,791,039
Noninstructional services	-	-	-	317,298	317,298
Debt service:					
Principal	-	-	-	209,203	209,203
Interest	-	-	-	68,660	68,660
Other	-	-	-	660	660
Total Expenditures	4,799,615	476,256	768,612	1,256,572	7,301,055
Excess (Deficiency) of Revenues over (under) Expenditures	150,914	(64,766)	(543,444)	136,505	(320,791)
Other Financing Sources (Uses):					
Bonds and notes issued	105,400	-	-	-	105,400
Operating transfers in	69,846	71,509	543,444	43,883	728,682
Operating transfers out	(548,474)	(6,743)	-	(173,465)	(728,682)
Total Other Financing Sources (Uses)	(373,228)	64,766	543,444	(129,582)	105,400
Net Change in Fund Balances	(222,314)	-	-	6,923	(215,391)
Fund Balances:					
July 1, 2020, as previously reported	1,168,616	-	-	830,491	1,999,107
Fund reclassification	7,575	-	-	-	7,575
Prior period adjustments	(12,753)	-	-	(4,732)	(17,485)
July 1, 2020, as restated	1,163,438	-	-	825,759	1,989,197
Increase (Decrease) in inventory	-	-	-	(5,631)	(5,631)
June 30, 2021	\$ 941,124	\$ -	\$ -	\$ 827,051	\$ 1,768,175

OKOLONA MUNICIPAL SEPARATE 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 \$ (215,391)

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	\$ 25,560	
Depreciation expense	<u>(79,806)</u>	(54,246)

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

Bonds and notes issued	(105,400)	
Payments of debt principal	209,203	
Accrued interest payable	<u>441</u>	104,244

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

Pension expense	(918,609)	
Contributions subsequent to the measurement date	<u>643,949</u>	(274,660)

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

OPEB expense	(7,768)	
Contributions subsequent to the measurement date	<u>21,224</u>	13,456

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

Change in compensated absences	492	
Change in inventory	(5,631)	
Amortization of deferred charges, premiums and discounts	<u>321</u>	(4,818)

Change in Net Position of governmental activities	<u><u>\$ (431,415)</u></u>
--	----------------------------

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

NOTES TO THE FINANCIAL STATEMENTS

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Okolona since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Okolona Municipal Separate 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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund - This is a special revenue fund that accounts for the revenues and expenditures of Title I federal revenues administered by the U.S. Department of Education.

Vocational Basic Fund - This is a special revenue fund that accounts for state and federal revenues received and expenditures incurred related to the District's vocational program.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Resources resulting from unspent proceeds from the issuance of debt remaining in capital project funds are also reported

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

as restricted assets on the Statement of Net Position. Also, the non-expendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the Permanent fund is not available for use by the district except as provided for under state statute.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element,

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district reports deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB.

See Note 13 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.

12. Fund Balances

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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 resolution approved by the School Board. Currently there is no committed fund balance for this school district.

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

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

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

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.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$1,844,749 (which includes \$46,237 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$2,225,187 was exposed to custodial credit risk.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	More than 5 years	\$ 46,237
Total			<u>\$ 46,237</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2021:

- Certificates of deposit of \$46,237 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 66,828
	Other Governmental Funds	27,529
Vocational Basic Fund	General Fund	256
Other Governmental Funds	General Fund	39,129
Total		<u>\$133,742</u>

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

B. Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Vocational Basic Fund	543,444
	Other Governmental Funds	5,030
Title I-A Basic Fund	Other Governmental Funds	6,743
Other Governmental Funds	General Fund	69,846
	Title I-A Basic Fund	71,509
	Other Governmental Funds	32,110
Total		<u>\$728,682</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$1,301 and \$25,237, respectively, of Permanent Funds which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets include the cash balance totaling \$1,024 of capital project funds resulting from unspent proceeds of long-term debt.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 77,760	\$	\$	77,760
Total non-depreciable capital assets	77,760	-	-	77,760
<u>Depreciable capital assets:</u>				
Buildings	4,954,460			4,954,460
Building improvements	106,784			106,784
Mobile equipment	636,110			636,110
Furniture and equipment	397,402	25,560		422,962
Total depreciable capital assets	6,094,756	25,560	-	6,120,316
<u>Less accumulated depreciation for:</u>				
Buildings	2,547,599	63,973		2,611,572
Building improvements	31,871	4,271		36,142
Mobile equipment	569,561	1,469		571,030
Furniture and equipment	383,455	10,093		393,548
Total accumulated depreciation	3,532,486	79,806	-	3,612,292
Total depreciable capital assets, net	2,562,270	(54,246)	-	2,508,024
Governmental activities capital assets, net	\$ 2,640,030	\$ (54,246)	\$ -	\$ 2,585,784

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 69,335
Support services	10,471
Total depreciation expense - Governmental activities	\$ 79,806

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. General obligation bonds payable	\$ 1,659,000	\$	\$ 119,000	\$ 1,540,000	\$ 105,000
B. Three mill notes payable	327,000		51,000	276,000	52,000
C. Shortfall notes payable	93,868	105,400	39,203	160,065	73,944
D. Compensated absences payable	27,724		492	27,232	1,362
Total	\$ 2,107,592	\$ 105,400	\$ 209,695	\$ 2,003,297	\$ 232,306
Add: Bond premiums	4,184		321	3,863	-
Total	\$ 2,111,776	\$ 105,400	\$ 210,016	\$ 2,007,160	\$ 232,306

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. GO Bonds, Series 2014	3.95%	12/1/2014	6/1/2025	\$ 400,000	\$ 245,000
2. GO Bonds, Series 2015	3.0-4.0%	6/25/2015	9/1/2032	1,600,000	1,295,000
Total				<u>\$ 2,000,000</u>	<u>\$ 1,540,000</u>

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

1. General obligation bonds, Series 2014 issued on December 1, 2014:

Year Ending June 30	Principal	Interest	Total
2022	\$ 40,000	\$ 7,861	\$ 47,861
2023	45,000	6,083	51,083
2024	50,000	4,108	54,108
2025	110,000	1,975	111,975
Total	<u>\$ 245,000</u>	<u>\$ 20,027</u>	<u>\$ 265,027</u>

This debt will be retired from the GO Bond Series 2014 Debt Service Fund.

2. General obligation bonds, Series 2015 issued on June 25, 2015:

Year Ending June 30	Principal	Interest	Total
2022	\$ 65,000	\$ 46,025	\$ 111,025
2023	65,000	43,425	108,425
2024	65,000	40,825	105,825
2025	65,000	38,225	103,225
2026	75,000	35,800	110,800
2027 – 2031	690,000	117,675	807,675
2032 – 2033	270,000	10,200	280,200
Total	<u>\$ 1,295,000</u>	<u>\$ 332,175</u>	<u>\$ 1,627,175</u>

This debt will be retired from the GO Bond Series 2015 Debt Service Fund.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 105,000	\$ 53,886	\$ 158,886
2023	110,000	49,508	159,508
2024	115,000	44,933	159,933
2025	175,000	40,200	215,200
2026	75,000	35,800	110,800
2027 – 2031	690,000	117,675	807,675
2032 – 2033	270,000	10,200	280,200
Total	<u>\$ 1,540,000</u>	<u>\$ 352,202</u>	<u>\$ 1,892,202</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2021, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2020.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Promissory Note, Series 2016	2.3-2.625%	7/1/2016	7/1/2026	\$ 480,000	\$ 276,000
Total				<u>\$ 480,000</u>	<u>\$ 276,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 52,000	\$ 6,978	\$ 58,978
2023	54,000	5,701	59,701
2024	55,000	4,365	59,365
2025	57,000	2,976	59,976
2026	58,000	1,523	59,523
Total	<u>\$ 276,000</u>	<u>\$ 21,543</u>	<u>\$ 297,543</u>

This debt will be retired from the 2016 Three Mill Note Fund.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note, Series 2018	5.30%	12/18/2018	12/18/2021	\$ 75,676	\$ 25,225
2. Shortfall note, Series 2019	3.50%	9/26/2019	9/26/2022	43,417	29,440
3. Shortfall note, Series 2020	2.55%	11/19/2020	11/19/2023	105,400	105,400
Total				<u>\$ 224,493</u>	<u>\$ 160,065</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes payable issued on December 18, 2018:

Year Ending June 30	Principal	Interest	Total
2022	\$ 25,225	\$ 1,337	\$ 26,562
Total	<u>\$ 25,225</u>	<u>\$ 1,337</u>	<u>\$ 26,562</u>

This debt will be retired from the Shortfall Note 2018 Fund.

2. Shortfall notes payable issued on September 26, 2019:

Year Ending June 30	Principal	Interest	Total
2022	\$ 14,467	\$ 1,030	\$ 15,497
2023	14,973	524	15,497
Total	<u>\$ 29,440</u>	<u>\$ 1,554</u>	<u>\$ 30,994</u>

This debt will be retired from the Shortfall Note 2019 Fund.

3. Shortfall notes payable issued on November 19, 2020:

Year Ending June 30	Principal	Interest	Total
2022	\$ 34,252	\$ 2,688	\$ 36,940
2023	35,126	1,814	36,940
2024	36,022	918	36,940
Total	<u>\$ 105,400</u>	<u>\$ 5,420</u>	<u>\$ 110,820</u>

This debt will be retired from the Shortfall Note 2020 Fund.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 73,944	\$ 5,055	\$ 78,999
2023	50,099	2,338	52,437
2024	36,022	918	36,940
Total	\$ 160,065	\$ 8,311	\$ 168,376

D. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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 \$643,949, \$618,934 and \$548,040, 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 \$10,341,491 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 0.053420 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.000008 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 \$918,609. 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	\$ 89,814	\$
Net difference between projected and actual earnings on pension plan investments	421,896	
Changes of assumptions	57,859	
Changes in proportion and differences between District contributions and proportionate share of contributions	19,086	85,375
District contributions subsequent to the measurement date	643,949	
Total	\$ <u>1,232,604</u>	\$ <u>85,375</u>

\$643,949 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	\$ 6,195
2023	160,314
2024	199,887
2025	136,884

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:

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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:

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 13,385,790	\$ 10,341,491	\$ 7,828,722

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

<http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

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

Contributions.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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 \$21,224 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 \$599,732 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 0.07706571 percent. This was a decrease of 0.00449453 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 \$7,768. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 764	\$ 104,369
Changes of assumptions	93,114	25,344
Net difference between projected and actual earnings on OPEB plan investments	19	
Changes in proportion and differences between District contributions and proportionate share of contributions	8,951	36,613
District contributions subsequent to the measurement date	21,224	
Total	\$ <u>124,072</u>	\$ <u>166,326</u>

\$21,224 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	\$ (13,958)
2023	(13,958)
2024	(13,185)
2025	(9,858)
2026	(12,519)

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:

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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	\$ 662,744	\$ 599,732	\$ 545,684

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	\$ 553,760	\$ 599,732	\$ 651,815

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

Note 9 – Fund Reclassification

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

Exhibit B - Statement of Activities

Explanation	Amount
To reclassify club funds and clearing funds at the governmental fund level per GASB 84	\$ 7,575
Total	<u>\$ 7,575</u>

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

Fund	Explanation	Amount
General Fund	To reclassify club funds and clearing funds to the General Funds per GASB 84	\$ 7,575
Total		<u>\$ 7,575</u>

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Note 10 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

Explanation	Amount
To correct prior year asset or liability at the governmental fund level	\$ (17,485)
Total	<u>\$ (17,485)</u>

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

Explanation	Amount
General Fund To correct prior year asset or liability	\$ (12,753)
Other Governmental Funds To correct prior year asset or liability	(4,732)
Total	<u>\$ (17,485)</u>

Note 11 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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'

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$9,082,421) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$643,949, resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$588,655 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 (\$9,082,421) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$85,375 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 (\$9,082,421) 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 \$21,224 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$102,848 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 (\$9,082,421) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$166,326 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 14 – Lowndes County Juvenile Detention Center Consortium

The school district entered into an agreement forming the consortium for the Lowndes County Juvenile Detention Center. This contract was in full force and effect beginning with fiscal year ended June 30, 2019. The consortium was established to meet the educational needs of neglected, delinquent, and at-risk children and youths, and to assist in the transition of students from correctional facilities to locally operated programs. The Columbus Municipal School District manages all daily operations, financial transactions, and any other business of regular school programming. Each district participating agrees to pledge a pro-rata financial allotment to support this alternative program as long as it maintains membership in the consortium, if needed above and beyond the MS Department of Education funds.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Okolona Municipal Separate School District evaluated the activity of the district through September 19, 2022, (the date the financial statements were available to be issued), and determined no subsequent event have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

				Variances	
	Budgeted Amounts		Actual (GAAP Basis)	Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,570,714	\$ 1,350,778	\$ 1,443,823	\$ (219,936)	\$ 93,045
State sources	3,371,845	3,458,010	3,486,430	86,165	28,420
Federal sources	14,200	20,276	20,276	6,076	-
Total Revenues	4,956,759	4,829,064	4,950,529	(127,695)	121,465
Expenditures:					
Instruction	2,889,177	2,779,962	2,778,906	109,215	1,056
Support services	2,161,804	2,029,901	2,020,709	131,903	9,192
Total Expenditures	5,050,981	4,809,863	4,799,615	241,118	10,248
Excess (Deficiency) of Revenues over (under) Expenditures	(94,222)	19,201	150,914	113,423	131,713
Other Financing Sources (Uses):					
Bonds and notes issued	-	105,400	105,400	105,400	-
Operating transfers in	697,025	697,749	69,846	724	(627,903)
Operating transfers out	(1,241,001)	(1,181,150)	(548,474)	59,851	632,676
Total Other Financing Sources (Uses)	(543,976)	(378,001)	(373,228)	165,975	4,773
Net Change in Fund Balances	(638,198)	(358,800)	(222,314)	279,398	136,486
Fund Balances:					
July 1, 2020, as previously reported	1,123,460	1,168,654	1,168,616	45,194	(38)
Fund reclassification	-	-	7,575	-	7,575
Prior period adjustments	-	-	(12,753)	-	(12,753)
July 1, 2020, as restated	1,123,460	1,168,654	1,163,438	45,194	(5,216)
June 30, 2021	\$ 485,262	\$ 809,854	\$ 941,124	\$ 324,592	\$ 131,270

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I-A Basic Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 573,489	\$ 610,684	\$ 411,490	\$ 37,195	\$ (199,194)
Total Revenues	573,489	610,684	411,490	37,195	(199,194)
Expenditures:					
Instruction	349,264	390,965	318,609	(41,701)	72,356
Support services	104,714	181,235	157,647	(76,521)	23,588
Total Expenditures	453,978	572,200	476,256	(118,222)	95,944
Excess (Deficiency) of Revenues over (under) Expenditures	119,511	38,484	(64,766)	(81,027)	(103,250)
Other Financing Sources (Uses):					
Operating transfers in	-	71,509	71,509	71,509	-
Operating transfers out	(15,801)	(8,597)	(6,743)	7,204	1,854
Total Other Financing Sources (Uses)	(15,801)	62,912	64,766	78,713	1,854
Net Change in Fund Balances	103,710	101,396	-	(2,314)	(101,396)
Fund Balances:					
July 1, 2020	(30,229)	9,507	-	39,736	(9,507)
June 30, 2021	\$ 73,481	\$ 110,903	\$ -	\$ 37,422	\$ (110,903)

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Vocational Basic Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
State sources	\$ 216,500	\$ 211,808	\$ 211,808	\$ (4,692)	\$ -
Federal sources	5,627	13,360	13,360	7,733	-
Total Revenues	222,127	225,168	225,168	3,041	-
Expenditures:					
Instruction	561,370	540,494	540,494	20,876	-
Support services	233,733	228,118	228,118	5,615	-
Total Expenditures	795,103	768,612	768,612	26,491	-
Excess (Deficiency) of Revenues over (under) Expenditures	(572,976)	(543,444)	(543,444)	29,532	-
Other Financing Sources (Uses):					
Operating transfers in	573,776	543,444	543,444	(30,332)	-
Total Other Financing Sources (Uses)	573,776	543,444	543,444	(30,332)	-
Net Change in Fund Balances	800	-	-	(800)	-
Fund Balances:					
July 1, 2020	32	1	-	(31)	(1)
June 30, 2021	\$ 832	\$ 1	\$ -	\$ (831)	\$ (1)

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

Okolona Municipal Separate School District

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	0.053420%	0.053428%	0.054406%	0.053868%	0.056128%	0.054830%	0.052312%
District's proportionate share of the net pension liability	\$ 10,341,491	9,399,039	9,049,334	8,954,690	10,025,864	8,475,638	6,349,720
District's covered payroll	3,557,092	3,479,619	3,474,337	3,455,689	3,590,673	3,425,460	3,196,527
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Okolona Municipal Separate School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 643,949	618,934	548,040	547,208	544,271	565,531	539,510
Contributions in relation to the contractually required contribution	643,949	618,934	548,040	547,208	544,271	565,531	539,510
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered payroll	3,700,856	3,557,092	3,479,619	3,474,337	3,455,689	3,590,673	3,425,460
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Okolona Municipal Separate School District

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		0.07706571%	0.08156024%	0.08246515%	0.08216425%
District's proportionate share of the net OPEB liability	\$	599,732	692,072	637,909	644,668
District's covered - employee payroll		3,714,071	3,734,991	3,729,843	3,691,414
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.13%	0.12%	0.13%	0.00%

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

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

Okolona Municipal Separate School District

Schedule of District Contributions

OPEB

Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarially determined contribution	\$ 21,224	23,917	27,740	27,483
Contributions in relation to the actuarially determined contribution	21,224	23,917	27,740	27,483
Contribution deficiency (excess)	\$ -	-	-	-
District's covered - employee payroll	3,700,856	3,557,092	3,479,619	3,474,337
Contributions as a percentage of covered - employee payroll	0.57%	0.67%	0.80%	0.79%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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. Prior year information is based on historical amounts reported in prior year audit reports.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR 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%.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR 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.

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR 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%

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE 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 - donated commodities	10.555	215MS326N1099	48,902
Covid-19 Summer food service program for children	10.559	215MS326N1099	324,010
Total child nutrition cluster			<u>372,912</u>
State Administrative Expenses for Child Nutrition	10.560	215MS907N2533	773
Total passed-through Mississippi Department of Education			<u>373,685</u>
Total U.S. Department of Agriculture			<u>373,685</u>
<u>U.S. Department of Treasury</u>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	213,074
Total passed-through Mississippi Department of Education			<u>213,074</u>
Total U.S. Department of Treasury			<u>213,074</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	29,129
Title I grants to local educational agencies	84.010	ES010A190024	102,707
Title I grants to local educational agencies	84.010	ES010A200024	279,653
Career and technical education - basic grants to states	84.048	V048A200024	13,360
Rural education	84.358	ES358B180024	6,573
Rural education	84.358	ES358B190024	12,244
Rural education	84.358	ES358B200024	6,356
Supporting effective instruction state grants	84.367	ES367A180023	530
Supporting effective instruction state grants	84.367	ES367A200023	47,231
Student support and academic enrichment	84.424	ES424A180025	16,813
Student support and academic enrichment	84.424	ES424A190025	2,444
Student support and academic enrichment	84.424	ES424A200025	26,205
Elementary and Secondary School Emergency Relief Fund I	84.425D	S425D200031	132,606
Subtotal			<u>675,851</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	10,208
Special education - grants to states	84.027	H027A190108	65,627
Special education - grants to states	84.027	H027A200108	120,544
Special education - preschool grants	84.173	H173A190113	2,958
Total special education cluster			<u>199,337</u>
Total passed-through Mississippi Department of Education			<u>875,188</u>
Total U.S. Department of Education			<u>875,188</u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2105MS5ADM	4,197
Total passed-through Mississippi Department of Education			<u>4,197</u>
Total U.S. Department of Health and Human Services			<u>4,197</u>
<u>U. S. Department of Social Security</u>			
Passed-through Mississippi Department of Rehabilitation Services			
Social security disability insurance	96.001	04-21-04MSD100	112
Total passed-through Mississippi Department of Rehabilitation Services			<u>112</u>
Total U.S. Department of Social Security			<u>112</u>
Total for All Federal Awards			<u>\$ 1,466,256</u>

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

OKOLONA MUNICIPAL SEPARATE 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 Okolona Municipal Separate 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 Okolona Municipal Separate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Okolona Municipal Separate School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements. 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 Okolona Municipal Separate School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OKOLONA MUNICIPAL SEPARATE 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	\$ 5,165,744	3,816,814	406,519	443,202	499,209
Other	2,135,311	781,237	103,649	1,468	1,248,957
Total	<u>\$ 7,301,055</u>	<u>4,598,051</u>	<u>510,168</u>	<u>444,670</u>	<u>1,748,166</u>
Total number of students *	<u>520</u>				
Cost per student	<u>\$ 14,040</u>	<u>8,842</u>	<u>981</u>	<u>855</u>	<u>3,362</u>

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

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

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

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

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

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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE 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	\$ 1,443,823	1,545,622	1,522,462	1,461,883
State sources	3,486,430	3,549,377	3,502,232	3,655,714
Federal sources	20,276	19,536	17,208	27,701
Total Revenues	4,950,529	5,114,535	5,041,902	5,145,298
Expenditures:				
Instruction	2,778,906	2,756,507	2,801,931	2,642,804
Support services	2,020,709	2,004,142	1,985,205	1,790,952
Debt service:				
Principal			127,232	126,335
Interest			704	1,601
Total Expenditures	4,799,615	4,760,649	4,915,072	4,561,692
Excess (Deficiency) of Revenues over (under) Expenditures	150,914	353,886	126,830	583,606
Other Financing Sources (Uses):				
Bonds and notes issued	105,400	43,417	75,676	
Insurance recovery		136,427		
Operating transfers in	69,846	46,085	44,459	16,223
Operating transfers out	(548,474)	(521,622)	(560,783)	(549,046)
Total Other Financing Sources (Uses)	(373,228)	(295,693)	(440,648)	(532,823)
Net Change in Fund Balances	(222,314)	58,193	(313,818)	50,783
Fund Balances:				
Beginning of period, as previously reported	1,168,616	1,110,423	1,424,241	1,373,458
Fund reclassification	7,575			
Prior period adjustments	(12,753)			
Beginning of period, as restated	1,163,438	1,110,423	1,424,241	1,373,458
End of Period	941,124 \$	1,168,616 \$	1,110,423 \$	1,424,241

*SOURCE - PRIOR YEAR AUDIT REPORTS

OKOLONA MUNICIPAL SEPARATE 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	1,764,201	1,857,061	1,796,396	1,727,374
State sources	3,733,841	3,875,489	3,779,739	4,004,343
Federal sources	1,482,222	1,101,579	1,136,445	1,286,710
Total Revenues	6,980,264	6,834,129	6,712,580	7,018,427
Expenditures:				
Instruction	3,914,195	3,791,980	3,694,777	3,768,749
Support services	2,791,039	2,590,191	2,730,113	2,373,221
Noninstructional services	317,298	319,372	365,224	409,883
Facilities acquisition and construction				3,232
Debt service:				
Principal	209,203	161,280	502,872	408,569
Interest	68,660	76,486	78,172	88,823
Other	660	645	3,244	2,748
Total Expenditures	7,301,055	6,939,954	7,374,402	7,055,225
Excess (Deficiency) of Revenues over (under) Expenditures	(320,791)	(105,825)	(661,822)	(36,798)
Other Financing Sources (Uses):				
Bonds and notes issued	105,400	43,417	75,676	
Insurance loss recovery		136,427		
Payments held by QZAB escrow agent			22,780	88,956
Payment to QZAB escrow agent			(22,780)	(88,956)
Operating transfers in	728,682	718,121	761,312	723,224
Operating transfers out	(728,682)	(718,121)	(761,312)	(723,224)
Total Other Financing Sources (Uses)	105,400	179,844	75,676	0
Net Change in Fund Balances	(215,391)	74,019	(586,146)	(36,798)
Fund Balances:				
Beginning of period, as previously reported	1,999,107	1,921,423	2,520,292	2,557,517
Fund reclassification	7,575			
Prior period adjustments	(17,485)		(12,000)	
Beginning of period, as restated	1,989,197	1,921,423	2,508,292	2,557,517
Increase (Decrease) in reserve for inventory	(5,631)	3,665	(723)	(427)
End of Period	1,768,175 \$	1,999,107 \$	1,921,423 \$	2,520,292

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

**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
Okolona Municipal Separate 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 Okolona Municipal Separate School District as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Okolona Municipal Separate School District's basic financial statements, and have issued our report thereon dated September 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Okolona Municipal Separate School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Okolona Municipal Separate 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist they have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Cost that we consider to be a significant deficiency as Finding 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okolona Municipal Separate 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Okolona Municipal Separate School District's Responses to Findings

Okolona Municipal Separate School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The Okolona Municipal Separate School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion.

Purpose of this Report

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

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
September 19, 2022

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

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

Superintendent and School Board
Okolona Municipal Separate School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Okolona Municipal Separate 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 Okolona Municipal Separate 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 Okolona Municipal Separate School District's internal control over compliance.

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

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

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

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
September 19, 2022

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

(This page left blank intentionally)

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

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

Superintendent and School Board
Okolona Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okolona Municipal Separate School District as of and for the year ended June 30, 2021, which collectively comprise Okolona Municipal Separate School District's basic financial statements and have issued our report thereon dated September 19, 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 SL-001

CRITERIA: Section 37-39-21, Mississippi Code 1972 Ann., requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office.

CONDITION: A review of the district's board policy revealed the following were designated as a purchasing agent for the district: the superintendent, deputy superintendent, business manager, directors, and school principals, however all were not bonded as a purchasing agent for the district.

CAUSE: An oversight on the part of the business office resulted in the purchasing agents not being bonded.

EFFECT OF CONDITION: The effect of this condition results in non-compliance with state law.

RECOMMENDATION: It is recommended that the district implement procedures to ensure that individuals designated by the school board as purchasing agents are bonded as a purchasing agent in the amount of \$50,000.

RESPONSE: The Superintendent will submit a revised policy to the school board for review and approval. Upon approval, the district will comply with the state law which include naming the purchasing agents and procuring the bonds for the purchasing agent.

Finding SL-002

CRITERIA: Section 25-11-127, Miss. Code Ann. (1972) addresses reemployment of PERS retirees by a school district under the PERS system. The district is required to submit a PERS Form 4 B "Certification/Acknowledgement of Reemployment of Retiree." The employee should not be paid more than the amount allowed by law as noted on the Form 4-B.

CONDITION: During our test of PERS Form 4Bs it was noted that two retirees were paid a total of \$3,523.60 more than the allowable limit listed on their PERS Form 4-B.

CAUSE: The school district failed to comply with Section 25-11-127, Miss. Code of 1972.

EFFECT OF CONDITION: This could result in non-compliance with Section 25-11-127, Miss. Code Ann. (1972).

RECOMMENDATION: We recommend the district limit amounts paid to retirees to the amount allowable per Section 25-11-127, Miss. Code Ann. (1972). Revised PERS Form 4-Bs should be submitted to PERS should the annual salary for the position change during the school year as a result of the school receiving School Recognition funds.

RESPONSE: In the future, the district will monitor the days and hours worked by the retiree to ensure he/she does not exceed the allowable limit listed on their PERS Form 4-B.

Finding SL-003

CRITERIA: Section 31-7-13, Miss. Code Ann. (1972) et. al states, "If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications.

CONDITION: A test of a sample of purchase orders with total price between \$5,001 and \$50,000, revealed one item was purchased from the highest bidder without providing documentation and spreading it upon the board minutes detailing how the bid was determined to be the lowest and best. Specifications for such purchase was not available for audit.

EFFECT OF CONDITION: This could result in non-compliance with Section 31-7-13, Miss. Code Ann. (1972).

RECOMMENDATION: We recommend the district comply with the requirements of Section 31-7-13, et. al, Miss. Code Ann. (1972). Written specifications should be prepared and maintained. The district should only accept a bid based on items included in the specifications. In addition, if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid.

RESPONSE: In the future, all departments will comply with purchasing laws.

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 ensure that corrective action has been taken. The Okolona Municipal Separate 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.

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, MS
September 19, 2022

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

OKOLONA MUNICIPAL SEPARATE 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? No
 - b. Significant deficiency(ies) identified? Yes
3. Noncompliance material to financial statements noted? No

Federal Awards:

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

CFDA Numbers	Name of Federal Program or Cluster
21.019	COVID-19 – Coronavirus Relief Fund
84.010	Title I grants to local educational agencies
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). Yes

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Significant Deficiency

Finding 2021-001 Repeat Finding 2020-003

Deficiencies surrounding the control cycle of procurement of goods.

CONDITION: During our testwork of purchases made by the district during our audit period. We noted that the district made a purchase over \$5,000 but not over \$50,000 in which the bidder awarded was not the lowest bidder.

CRITERIA: Management is charged with the responsibility of establishing an internal control system that ensures that strong financial accountability and safeguarding of district's funds surrounding the procurement of goods.

CAUSE: The cause is a failure to adhere to written district guidelines in the area of procurement by management.

EFFECT: The district increases the risk of making an improper purchase with district funds not being detected and prevented in a timely manner. This could result in district's funds being misused by overpaying for purchases.

RECOMMENDATION: We recommend that the board hold management and staff accountable for following established policies and procedures for procurement of goods.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

Section III: Federal Award Findings and Questioned Costs

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



Okolona Municipal Separate School District
Dr. Paul Moton • Superintendent of Education

411 West Main Street, Okolona, MS 38860

• Tel: 662.447.2353 • Email: pmoton@okolona.k12.ms.us

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

Finding 2021-001 Deficiencies surrounding the control cycle of procurement of goods.

- a. Name of Contact Person Responsible for Corrective Action: Casandra Trimble
- b. Corrective Action Planned: This purchase was for an elevator lift for a student to enter and exit the cafeteria. In the future, all departments will comply with purchasing laws.
- c. Anticipated Completion Date: September 20, 2022



Okolona Municipal Separate School District
Dr. Paul Moton • Superintendent of Education

411 West Main Street, Okolona, MS 38860

• Tel: 662.447.2353 • Email: pmoton@okolona.k12.ms.us

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by the Uniform Guidance, the Okolona Municipal Separate School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2021:

Finding	Status
Finding 2020-001	Corrected
Finding 2020-002	Corrected
Finding 2020-003	Repeat finding 2021-001
Finding 2020-004	Corrected
Finding 2020-005	Corrected