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Leake County School District

Audited Financial Statements
For the Year Ended June 30, 2022

Fortenberry & Ballard, PC
Certified Public Accountants

**Leake County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Leake County School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Leake County School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Leake County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, the school district implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, during the fiscal year ended June 30, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and

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for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Leake County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Leake County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Leake County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic 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 Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2023, on our consideration of the Leake County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Leake County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leake County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 7, 2023

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

The following discussion and analysis of Leake County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. 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 2022 increased \$3,771,600, including a prior period adjustment of \$10,086, which represents a 27% increase from fiscal year 2021. Total net position for 2021 decreased \$160,418, including a reclassification of fund type of \$180,961 and a prior period adjustment of \$103,788, which represents a 1% decrease from fiscal year 2020.
- General revenues amounted to \$20,274,426 and \$20,694,222, or 63% and 71% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,919,159, or 37% of total revenues for 2022, and \$8,275,206, or 29 % of total revenues for 2021.
- The District had \$28,432,071 and \$29,414,595 in expenses for fiscal years 2022 and 2021; only \$11,919,159 for 2022 and \$8,275,206 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,274,426 for 2022 were adequate to provide for these programs, while general revenues of \$20,694,222 were not adequate to provide for these programs in 2021.
- Among major funds, the General Fund had \$20,109,886 in revenues and \$19,910,789 in expenditures for 2022, and \$20,179,679 in revenues and \$19,079,487 in expenditures in 2021. The General Fund's fund balance increased by \$2,477,672, including a prior period adjustment of \$10,085, from 2021 to 2022, and decreased by \$170,770 from 2020 to 2021, including a prior period adjustment of (\$1,200) and a reclassification of fund type of \$180,961.
- Capital assets, net of accumulated depreciation, increased by \$59,655, including a prior period adjustment of \$52,244, for 2022 and decreased by \$286,575, including a prior period adjustment of \$796, for 2021. The increase for 2022 was due mainly to the increase in mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$268,464 for 2022 and decreased by \$294,747 for 2021. This decrease for 2022 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$36,840 for 2022 and increased by \$19,253 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

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.

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 \$10,063,873 as of June 30, 2022.

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, 2022 and June 30, 2021.

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

Table 1
Condensed Statement of Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Current assets	\$ 15,399,019	\$ 12,073,602	27.54%
Restricted assets	296,786	296,711	0.03%
Capital assets, net	<u>15,771,779</u>	<u>15,712,124</u>	<u>0.38%</u>
Total assets	<u>31,467,584</u>	<u>28,082,437</u>	<u>12.05%</u>
 Deferred outflows of resources	 <u>9,076,839</u>	 <u>5,534,002</u>	 <u>64.02%</u>
 Current liabilities	 1,087,492	 1,305,016	 -16.67%
Long-term debt outstanding	3,268,895	3,537,359	-7.59%
Net OPEB liability	31,632,648	38,973,213	-18.83%
Net pension liability	<u>2,111,244</u>	<u>2,383,743</u>	<u>-11.43%</u>
Total liabilities	<u>38,100,279</u>	<u>46,199,331</u>	<u>-17.53%</u>
 Deferred inflows of resources	 <u>12,508,017</u>	 <u>1,252,581</u>	 <u>898.58%</u>
 Net position:			
Net investment in capital assets	12,611,403	12,320,124	2.36%
Restricted	1,344,108	1,190,440	12.91%
Unrestricted	<u>(24,019,384)</u>	<u>(27,346,037)</u>	<u>12.17%</u>
Total net position (Deficit)	<u>\$ (10,063,873)</u>	<u>\$ (13,835,473)</u>	<u>27.26%</u>

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)	\$ (24,019,384)
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	<u>36,496,224</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 12,476,840</u>

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

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

- Increase in net capital assets in the amount of \$59,655.
- The principal retirement of \$359,092 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$32,193,585 and \$28,969,428, respectively. The total cost of all programs and services was \$28,432,071 for 2022 and \$29,414,595 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 369,633	\$ 259,520	42.43%
Operating grants and contributions	11,268,936	7,999,322	40.87%
Capital Grants and Contributions	280,590	16,364	1614.68%
General revenues:			
Property taxes	4,926,781	5,018,243	-1.82%
Grants and contributions not restricted	14,578,449	15,045,720	-3.11%
Investment earnings	246,880	242,100	1.97%
Sixteenth section sources	484,240	362,634	33.53%
Other	38,076	25,525	49.17%
Total revenues	<u>32,193,585</u>	<u>28,969,428</u>	<u>11.13%</u>
Expenses:			
Instruction	12,523,371	13,874,833	-9.74%
Support services	11,548,826	10,252,596	12.64%
Non-instructional	2,255,925	1,694,929	33.10%
Sixteenth section	27,534	41,463	-33.59%
Pension expense	2,137,258	3,456,674	-38.17%

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

OPEB expense	(114,990)	24,054	578.05%
Interest on long-term liabilities	54,147	70,046	-22.70%
Total expenses	28,432,071	29,414,595	-3.34%
Increase (Decrease) in net position	3,761,514	(445,167)	944.97%
Net Position, July 1, as previously reported	(13,835,473)	(13,675,055)	-1.17%
Prior Period Adjustment	10,086	103,788	-90.28%
Reclassify Fund Type	-	180,961	-100.00%
Net Position, July 1, as restated	(13,825,387)	(13,390,306)	-3.25%
Net Position, June 30	\$ (10,063,873)	(13,835,473)	27.26%

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 12,523,371	\$ 13,874,833	-9.74%
Support services	11,548,826	10,252,596	12.64%
Non-instructional	2,255,925	1,694,929	33.10%
Sixteenth section	27,534	41,463	-33.59%
Pension Expense	2,137,258	3,456,674	-38.17%
OPEB Expense	(114,990)	24,054	-578.05%
Interest on long-term liabilities	54,147	70,046	-22.70%
Total expenses	\$ 28,432,071	\$ 29,414,595	-3.34%

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (6,920,549)	\$ (9,731,772)	28.89%
Support services	(8,389,053)	(7,858,307)	-6.75%
Non-instructional	825,003	(7,607)	10945.31%
Sixteenth section	48,102	9,071	430.28%
Pension Expense	(2,137,258)	(3,456,674)	38.17%
OPEB Expense	114,990	(24,054)	578.05%
Interest on long-term liabilities	(54,147)	(70,046)	22.70%
Total net (expense) revenue	\$ (16,512,912)	\$ (21,139,389)	21.89%

- Net cost of governmental activities ((\$16,512,912) for 2022 and (\$21,139,389) for 2021) was financed by general revenue, which is primarily made up of property taxes (\$4,926,781 for 2022 and \$5,018,243 for 2021) and state and federal revenues (\$14,578,449 for 2022 and \$15,045,720 for 2021). In addition, there was \$484,240 and \$362,634 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$246,880 for 2022 and \$242,100 for 2021.

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 \$13,940,928, an increase of \$2,863,013, which includes a prior period adjustment of \$10,085 and a decrease in inventory of \$26,535. \$11,071,935 or 79% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$2,868,993 or 21% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,477,672. The fund balance of Other Governmental Funds showed a decrease in the amount of \$297,963, due primarily to a decrease in fund balance in the Building Projects Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ 683,304
Title I Regular Fund	no increase or decrease
Esser III 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 major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$31,165,863, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$886,884, including a prior period adjustment of \$52,244 from 2021. Total accumulated depreciation as of June 30, 2022, was \$15,394,084, and total depreciation expense for the year was \$854,241, resulting in total net capital assets of \$15,771,779.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 459,075	\$ 459,075	0.00%
Construction in Progress	76,388	-	N/A
Buildings	12,464,614	12,833,982	-2.88%
Building Improvements	77,144	85,034	-9.28%
Improvements other than buildings	192,263	163,719	17.43%
Mobile equipment	2,074,815	2,007,854	3.33%
Furniture and equipment	349,009	162,460	114.83%
Intangible assets	78,471	-	N/A
Total	\$ 15,771,779	\$ 15,712,124	0.38%

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

Debt Administration. At June 30, 2022, the District had \$3,268,895 in outstanding long-term debt, of which \$362,706 is due within one year. The liability for compensated absences decreased \$36,840 from the prior year.

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2022

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Other loans payable	\$ 3,081,000	\$ 3,392,000	-9.17%
Obligations under leases	79,376	-	N/A
Compensated absences payable	<u>108,519</u>	<u>145,359</u>	<u>-25.34%</u>
Total	<u>\$ 3,268,895</u>	<u>\$ 3,537,359</u>	<u>-7.59%</u>

Additional information on the District's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

The school district has 5 schools and a career and technical center:

Leake Central Elementary School
Leake Central High School
Leake Central Junior High
Leake County Elementary School
Leake County High School
Leake County Career and Technical Center

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Leake County School District, 109 West Main Street, Carthage, Mississippi 39051.

FINANCIAL STATEMENTS

LEAKE COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2022**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 13,442,602
Cash with fiscal agents	3,992
Due from other governments	1,240,027
Other receivables, net	5,424
Lease receivable	651,891
Inventories	55,083
Restricted assets	296,786
Capital assets, non-depreciable:	
Land	459,075
Construction in progress	76,388
Capital assets, net of accumulated depreciation:	
Buildings	12,464,614
Building improvements	77,144
Improvements other than buildings	192,263
Mobile equipment	2,074,815
Furniture and equipment	349,009
Intangible assets	78,471
Total Assets	<u>31,467,584</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	8,509,695
Deferred outflows - OPEB	567,144
Total Deferred Outflows of Resources	<u>9,076,839</u>
Liabilities	
Accounts payable and accrued liabilities	1,076,031
Interest payable on long-term liabilities	11,461
Long-term liabilities, due within one year:	
Leases payable	44,706
Capital related liabilities	318,000
Net OPEB liability	64,892
Long-term liabilities, due beyond one year:	
Leases payable	34,670
Capital related liabilities	2,763,000
Non-capital related liabilities	108,519
Net pension liability	31,632,648
Net OPEB liability	2,046,352
Total Liabilities	<u>38,100,279</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	11,021,827
Deferred inflows - OPEB	807,344
Deferred inflows - leases	678,846
Total Deferred Inflows of Resources	<u>12,508,017</u>
Net Position	
Net investment in capital assets	12,611,403
Restricted for:	
Expendable:	
School-based activities	646,862
Debt service	72,835
Forestry improvements	268,612
Unemployment benefits	59,013
Non-expendable:	
Sixteenth section	296,786
Unrestricted	(24,019,384)
Total Net Position (Deficit)	<u>\$ (10,063,873)</u>

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

LEAKE COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2022

					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 12,523,371	273,848	5,094,774	234,200	(6,920,549)
Support services	11,548,826	875	3,112,508	46,390	(8,389,053)
Non-instructional	2,255,925	19,274	3,061,654		825,003
Sixteenth section	27,534	75,636			48,102
Pension expense	2,137,258				(2,137,258)
OPEB expense	(114,990)				114,990
Interest on long-term liabilities	54,147				(54,147)
Total Governmental Activities	<u>\$ 28,432,071</u>	<u>369,633</u>	<u>11,268,936</u>	<u>280,590</u>	<u>\$ (16,512,912)</u>
General Revenues:					
Taxes:					
General purpose levies					4,578,429
Debt purpose levies					348,352
Unrestricted grants and contributions:					
State					14,526,422
Federal					52,027
Unrestricted investment earnings					246,880
Sixteenth section sources					484,240
Other					38,076
Total General Revenues					<u>20,274,426</u>
Change in Net Position					<u>3,761,514</u>
Net Position (Deficit) - Beginning, as previously reported					(13,835,473)
Prior Period Adjustments					10,086
Net Position (Deficit) - Beginning, as restated					<u>(13,825,387)</u>
Net Position (Deficit) - Ending					<u>\$ (10,063,873)</u>

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

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2022

Exhibit C

	Major Funds					Total
	General Fund	Child Nutrition Fund	Title I Regular Fund	Esser III Fund	Other Governmental Funds	Governmental Funds
Assets						
Cash and cash equivalents	\$ 11,197,084	869,769			1,672,535	13,739,388
Cash with fiscal agents	3,992					3,992
Due from other governments	263,291	18,365	237,165	287,731	433,475	1,240,027
Other receivables, net	5,175	99			150	5,424
Leases receivable	651,891					651,891
Due from other funds	1,192,245	25,721				1,217,966
Inventories		55,083				55,083
Total Assets	13,313,678	969,037	237,165	287,731	2,106,160	16,913,771
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,076,031					1,076,031
Due to other funds		269,306	237,165	287,731	423,764	1,217,966
Total Liabilities	1,076,031	269,306	237,165	287,731	423,764	2,293,997
Deferred Inflows of Resources:						
Leases	678,846					678,846
Total Deferred Inflows of Resources	678,846	0	0	0	0	678,846
Fund Balances:						
Nonspendable:						
Inventory		55,083				55,083
Permanent fund principal					296,786	296,786
Restricted:						
Debt service					84,296	84,296
Forestry improvement purposes					268,612	268,612
Grant activities		644,648			591,779	1,236,427
Unemployment benefits					59,013	59,013
Assigned:						
Building Improvement					381,910	381,910
Student Activities	472,278					472,278
Technology	14,588					14,588
Unassigned	11,071,935					11,071,935
Total Fund Balances	11,558,801	699,731	0	0	1,682,396	13,940,928
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,313,678	969,037	237,165	287,731	2,106,160	16,913,771

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

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022**

Exhibit C-1

Total fund balances for governmental funds	\$	13,940,928
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Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Land	\$	459,075	
Construction in progress		76,388	
Buildings		23,214,084	
Building improvements		228,264	
Improvements other than buildings		300,137	
Mobile equipment		5,485,815	
Furniture and equipment		1,274,631	
Intangible assets		127,469	
Accumulated depreciation		<u>(15,394,084)</u>	15,771,779
2. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:			
Net pension liability		(31,632,648)	
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		8,509,695	
Deferred inflows of resources related to pensions		<u>(11,021,827)</u>	(34,144,780)
3. Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:			
Net OPEB liability		(2,111,244)	
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		567,144	
Deferred inflows of resources related to OPEB		<u>(807,344)</u>	(2,351,444)
4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
Other notes payable		(3,081,000)	
Compensated absences		(108,519)	
Lease obligations		(79,376)	
Accrued interest payable		<u>(11,461)</u>	(3,280,356)
Net Position of governmental activities	\$		<u><u>(10,063,873)</u></u>

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

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2022

	Major Funds					Total
	General Fund	Child Nutrition Fund	Title I Regular Fund	Esser III Fund	Other Governmental Funds	Governmental Funds
Revenues:						
Local sources	\$ 5,018,969	33,884			354,475	5,407,328
State sources	14,467,303	17,965			840,632	15,325,900
Federal sources	52,713	2,615,337	1,816,881	2,891,125	3,426,018	10,802,074
Sixteenth section sources	570,901				87,249	658,150
Total Revenues	20,109,886	2,667,186	1,816,881	2,891,125	4,708,374	32,193,452
Expenditures:						
Instruction	11,191,341		933,737	258,931	1,870,182	14,254,191
Support services	8,674,441	205,256	475,048	19,808	2,926,312	12,300,865
Noninstructional services	5,898	1,758,994	189,768	8,992	352,320	2,315,972
Sixteenth section	769				26,765	27,534
Facilities acquisition and construction					76,388	76,388
Debt service:						
Principal	36,434	1,625			321,033	359,092
Interest	1,906	127			53,271	55,304
Total Expenditures	19,910,789	1,966,002	1,598,553	287,731	5,626,271	29,389,346
Excess (Deficiency) of Revenues over (under) Expenditures	199,097	701,184	218,328	2,603,394	(917,897)	2,804,106
Other Financing Sources (Uses):						
Sale of transportation equipment	132					132
Leases issued	75,225					75,225
Operating transfers in	2,711,699	8,655			706,107	3,426,461
Operating transfers out	(518,566)		(218,328)	(2,603,394)	(86,173)	(3,426,461)
Total Other Financing Sources (Uses)	2,268,490	8,655	(218,328)	(2,603,394)	619,934	75,357
Net Change in Fund Balances	2,467,587	709,839	0	0	(297,963)	2,879,463
Fund Balances:						
July 1, 2021, as previously reported	9,081,129	16,427	0	0	1,980,359	11,077,915
Prior period adjustments	10,085	0	0	0		10,085
July 1, 2021, as restated	9,091,214	16,427	0	0	1,980,359	11,088,000
Decrease in reserve for inventory		(26,535)				(26,535)
June 30, 2022	\$ 11,558,801	699,731	0	0	1,682,396	13,940,928

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

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,879,463

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	\$ 864,341	
	Depreciation expense	(854,241)	10,100
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.	(2,689)	(2,689)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Leases issued	(75,225)	
	Payments of debt principal	359,092	
	Accrued interest payable	1,157	285,024
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	Pension expense	(2,137,258)	
	Contributions subsequent to the measurement date	2,536,686	399,428
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	OPEB expense	114,990	
	Contributions subsequent to the measurement date	64,892	179,882
6.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	36,840	
	Change in inventory	(26,535)	10,305
7.	Rounding		1
Change in Net Position of governmental activities		\$	3,761,514

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

Leake County School District

Notes to the Financial Statements
For the Year Ended June 30, 2022

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

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.

Child Nutrition Fund – This is a special revenue fund used to account for and report the financial resources, including grant revenues and the related expenditures of the Child Nutrition Cluster of federal awards.

Title I Regular Fund – This is a special revenue fund used to account for and report the financial resources, including grant revenues and the related expenditures of the Title I Regular federal award.

Esser III Fund – This is a special revenue fund used to account for and report the financial resources, including grant revenues and the related expenditures of the Elementary and Secondary School Relief award funded through the American Recovery Plan.

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 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.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 leases are reported as other financing sources.

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

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

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

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

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

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

6. Capital Assets

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

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

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

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

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
Intangible assets	**	**

(**) The estimated useful life for intangible assets includes Right to Use Equipment Assets. Those assets are amortized over the life of the lease or the estimate useful life of the equipment, whichever is shorter. The term “depreciation” includes the amortization of these intangible assets.

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.

Deferred outflows of resources related to pensions

Deferred outflows of resources related to OPEB (Other post-employment benefits)

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

Deferred inflows of resources related to pensions

Deferred inflows of resources related to OPEB (Other post-employment benefits)

Deferred inflows of resources related to leases

See Note 14 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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

The school district uses the Federal Prime Borrowing Rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known when the school district is the lessee in a lease.

The school district uses 4% to calculate the present value of lease payments when the school district is the lessor in leases involving 16th Section lands. See Note 6 for details.

10. 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 7 for details.

11. 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.

12. 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.

13. Fund Balances

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

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

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

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

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

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 district management pursuant to authorization established by the school board policy.

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

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

It is the goal of the school District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 7% of District revenues.

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$13,739,388.

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, 2022, none of the District's bank balance of \$15,203,298 was exposed to custodial credit risk.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,992.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Child Nutrition Fund	\$ 269,306
	Title I Regular Fund	237,165
	Esser III Fund	287,731
	Other Governmental Funds	398,043
Child Nutrition Fund	Other Governmental Funds	25,721
Total		<u>\$ 1,217,966</u>

The inter-fund balances represents loans created by the existence of negative fund cash balances in a pooled bank account and interfund loans due to the General Fund at June 30, 2022. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from other governments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 518,566
	General Fund	30,787
	Other Governmental Funds	187,541
Esser III Fund	General Fund	2,603,394
Other Governmental Funds	General Fund	77,518
	Child Nutrition Fund	8,655
Total		<u>\$ 3,426,461</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds, transfers of indirect costs from the Title I Regular Fund, the Esser III fund, and other governmental funds due to the General Fund, and operating transfers between other governmental funds and the Child Nutrition Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$296,786, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 5 – Capital Assets

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

The term depreciation includes amortization of intangible assets.

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 459,075				459,075
Construction-in-progress		76,388			76,388
Total non-depreciable capital assets	459,075	76,388	-		535,463
<u>Depreciable capital assets:</u>					
Buildings	23,214,084				23,214,084
Building improvements	228,264				228,264
Improvements other than buildings	261,984	38,153			300,137
Mobile equipment	5,091,830	393,985			5,485,815
Furniture and equipment	1,023,742	280,590	29,701		1,274,631
Intangible right to use equipment	-	75,225		52,244	127,469
Total depreciable capital assets	29,819,904	787,953	29,701	52,244	30,630,400
<u>Less accumulated depreciation for:</u>					
Buildings	10,380,102	369,368			10,749,470
Building improvements	143,230	7,890			151,120
Improvements other than buildings	98,265	9,609			107,874
Mobile equipment	3,083,976	327,024			3,411,000
Furniture and equipment	861,282	91,352	27,012		925,622
Intangible right to use equipment	-	48,998			48,998
Total accumulated depreciation	14,566,855	854,241	27,012		15,394,084
Total depreciable capital assets, net	15,253,049	(66,288)	2,689		15,236,316
Governmental activities capital assets, net	\$ 15,712,124	10,100	2,689	52,244	15,771,779
Total capital assets, net excluding intangible right to use assets					15,693,308
Intangible right to use assets, net					78,471
Total capital assets, net as reported in the statement of net position					<u>\$ 15,771,779</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 139,848
Support services	696,300
Non-instructional	18,093
Total depreciation expense - Governmental activities	<u>\$ 854,241</u>

Adjustments were necessary to show the beginning intangible right to use equipment assets in the implementation of GASB Statement No. 87.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
Leake County High/Vo Tech HVAC Project	\$ 76,388	1,722,963
Total governmental activities	<u>\$ 76,388</u>	<u>1,722,963</u>

Construction projects included in governmental activities are funded with Elementary and Secondary School Relief awards.

Note 6 – Leases

As Lessee:

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses the Federal Prime Borrowing Rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The school district, acting as lessee, has entered into three (3) leases for equipment. Details of the lease obligations can be found in Note 7.

As Lessor:

Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract. The school district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the school district.

The school district, acting as lessor, has entered into 210 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type lease executed.

Leake County School District
Notes to the Financial Statements
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The total amount of inflows recognized in the reporting period from these leases is \$74,473. The school district has included in its financial statements at year end the net present value of future lease payment as a lease receivable (intangible asset) and as deferred inflows of resources.

The following are the future Principal and Interest Payments to be received on the leases:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 73,275	26,076	99,351
2024	76,206	23,145	99,351
2025	76,974	20,096	97,070
2026	57,685	17,017	74,702
2027	37,874	14,710	52,584
2028-2032	124,895	54,970	179,865
2033-2037	89,361	33,542	122,903
2038-2042	71,201	16,846	88,047
2043-2047	28,986	5,936	34,922
2048-2052	10,674	2,181	12,855
2053-2057	2,582	729	3,311
2058-2061	2,178	222	2,400
Total	<u>\$ 651,891</u>	<u>215,470</u>	<u>867,361</u>

Note 7 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Adjustments	Balance 6/30/2022	Amounts due within one year
A. Other loans payable	\$ 3,392,000		311,000		3,081,000	318,000
B. Obligations under leases		75,225	48,092	52,243	79,376	44,706
C. Compensated absences payable	145,359		36,840		108,519	
Total	<u>\$ 3,537,359</u>	<u>75,225</u>	<u>395,932</u>	<u>52,243</u>	<u>3,268,895</u>	<u>362,706</u>

A. Other loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2020	1.86%	8-Jun-20	15-Apr-31	\$ 3,706,000	\$ 3,081,000

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

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

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ 318,000	57,307	375,307
2024	324,000	51,392	375,392
2025	328,000	45,365	373,365
2026	337,000	39,265	376,265
2027	340,000	32,996	372,996
2028-2031	1,434,000	67,295	1,501,295
Total	\$ 3,081,000	293,620	3,374,620

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

Pledge of Future Revenues

The \$3,706,000 Limited Tax Note, Series 2020, is secured with a pledge of Education Enhancement Funds (EEF) for buildings and buses that is to be used for repayment of the limited tax note. Proceeds of the note were used to refund the Limited Tax Note, Series 2011, the proceeds of which were used to finance capital improvements in the school district. The notes are payable partially from the future revenue of the Education Enhancement revenue funds for buildings and buses and partially from a local ad valorem tax levy and are payable through April 15, 2031. Annual principal and interest payments on the notes are expected to require all of the district's annual allocation of such state revenues with local ad valorem taxes being levied to complete the required debt service payments. The total principal and interest payments remaining are \$3,374,620. The principal and interest payments for the current year and State EEF funds for buildings and buses were \$374,091 and \$101,817, respectively.

B. Obligations under leases

The school district has entered into a lease agreement as lessee.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Eleven (11) Copiers	3.30%	1-Sep-21	31-Aug-24	\$ 75,225	54,910
2. Three (3) Copiers	3.30% **	1-Jul-21	31-Aug-22	11,831	1,712
3. Five (5) Copiers	3.30% **	1-Jul-21	30-Sep-23	40,412	22,754
Total				\$ 127,468	79,376

** (GASB) issued Statement No. 87, *Leases* (GASB 87) was implemented July 1, 2021. The issuance dates on these existing leases reflect that July 1, 2021, implementation date. The following is a schedule by years of the total payments due on this debt:

Lease 1 – Eleven (11) Copiers maturing August 31, 2024:

Year Ending June 30	Principal	Interest	Total
2023	\$ 24,865	1,416	26,281
2024	25,684	596	26,280
2025	4,361	18	4,379
Total	\$ 54,910	2,030	56,940

Leake County School District
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Lease 2 – Three (3) Copiers maturing August 31, 2022:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,712	8	1,720
Total	\$ 1,712	8	1,720

Lease 3 – Five (5) Copiers maturing September 30, 2023:

Year Ending June 30	Principal	Interest	Total
2023	\$ 18,129	471	18,600
2024	4,625	25	4,650
Total	\$ 22,754	496	23,250

Total payments due on all lease obligations:

Year Ending June 30	Principal	Interest	Total
2023	\$ 44,706	1,895	46,601
2024	30,309	621	30,930
2025	4,361	18	4,379
Total	\$ 79,376	2,534	81,910

C. 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 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to \$1,722,963.

Note 9 – 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'

Leake County School District
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For the Year Ended June 30, 2022

authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 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, 2022, 2021 and 2020 were \$2,536,686, \$2,476,010 and \$2,332,545, 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, 2022, the school district reported a liability of \$31,632,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022 net pension liability was 0.214017 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.012697 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$2,137,258. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 492,882	\$
Net difference between projected and actual earnings on pension plan investments		10,761,128
Changes of assumptions	2,426,013	
Changes in proportion and differences between District contributions and proportionate share of contributions	3,054,114	260,699
District contributions subsequent to the measurement date	2,536,686	
Total	\$ 8,509,695	\$ 11,021,827

\$2,536,686 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, 2023. 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:	
2023	\$ (498,087)
2024	(474,537)
2025	(1,237,378)
2026	(2,838,816)
Total	\$ (5,048,818)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

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Notes to the Financial Statements
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<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.55 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 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 44,799,245	\$ 31,632,648	\$ 20,782,324

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 10 – 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

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$64,892 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$2,111,244 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.32799484 percent. This was an increase of 0.02168303 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$114,990). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,296	\$ 660,158
Changes of assumptions	341,931	71,404
Net difference between projected and actual earnings on OPEB plan investments	98	
Changes in proportion and differences between District contributions and proportionate share of contributions	157,927	75,782
District contributions subsequent to the measurement date	64,892	
Total	\$ 567,144	\$ 807,344

\$64,892 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Year Ending June 30:

2023	\$	(91,072)
2024		(79,966)
2025		(48,894)
2026		(61,709)
2027		(23,451)
Total	\$	<u>(305,092)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 2,336,845	\$ 2,111,244	\$ 1,918,885

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,955,558	\$ 2,111,244	\$ 2,287,429

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 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Restatement of a prior period asset or liability	\$ 10,085
2. Rounding of a prior period OPEB liability	1
Total	\$ 10,086

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

Fund	Explanation	Amount
General Fund	Restatement of a prior period asset or liability	\$ 10,085
Total		\$ 10,085

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 12 – 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 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 52 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 43 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 43 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Leake County School District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$24,019,384) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,536,686 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$5,973,009 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$24,019,384) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$11,021,827 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$24,019,384) 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 \$64,892 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$502,252 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$24,019,384) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$807,344 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$24,019,384) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$678,846 balance of deferred inflow of resources related to leases, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 39 years.

Note 15 – Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

Note 16 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Leake County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent events has occurred requiring disclosure in the notes to the financial statements:

On October 6, 2022, the School District approved a bid from Sullivan Enterprises of \$2,809,000 for an ESSER II project to install touchless bathroom fixtures for all schools excluding Leake Couty Elementary. The project also includes HVAC installation at Leake Central Elementary, Leake Central High and Leake Central Jr. High

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,109,065	5,030,119	5,018,969	(78,946)	(11,150)
State sources	14,417,201	14,467,303	14,467,303	50,102	0
Federal sources	163,810	52,713	52,713	(111,097)	0
Sixteenth section sources	445,500	597,456	570,901	151,956	(26,555)
Total Revenues	20,135,576	20,147,591	20,109,886	12,015	(37,705)
Expenditures:					
Instruction	12,768,877	11,202,479	11,191,341	1,566,398	11,138
Support services	9,890,406	8,631,440	8,674,441	1,258,966	(43,001)
Noninstructional services	11,260	5,898	5,898	5,362	0
Sixteenth section	1,000	769	769	231	0
Debt service:					
Principal	0	0	36,434	0	(36,434)
Interest	0	0	1,906	0	(1,906)
Total Expenditures	22,671,543	19,840,586	19,910,789	2,830,957	(70,203)
Excess (Deficiency) of Revenues over (under) Expenditures	(2,535,967)	307,005	199,097	2,842,972	(107,908)
Other Financing Sources (Uses):					
Leases issued	0	0	75,225	0	75,225
Insurance recovery	20,000	0	0	(20,000)	0
Sale of transportation equipment	35,000	132	132	(34,868)	0
Sale of other property	100	0	0	(100)	0
Operating transfers in	1,485,793	6,183,426	2,711,699	4,697,633	(3,471,727)
Operating transfers out	(1,631,128)	(3,990,293)	(518,566)	(2,359,165)	3,471,727
Total Other Financing Sources (Uses)	(90,235)	2,193,265	2,268,490	2,283,500	75,225
Net Change in Fund Balances	(2,626,202)	2,500,270	2,467,587	5,126,472	(32,683)
Fund Balances:					
July 1, 2021, as previously reported	8,794,114	9,081,129	9,081,129	287,015	0
Prior period adjustments		10,086	10,085	10,086	(1)
July 1, 2021, as restated	8,794,114	9,091,215	9,091,214	297,101	(1)
June 30, 2022	\$ 6,167,912	11,591,485	11,558,801	5,423,573	(32,684)

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

LEAKE COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Child Nutrition Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Local sources	\$ 17,550	33,884	33,884	16,334	0
State sources	8,050	17,965	17,965	9,915	0
Federal sources	2,174,031	2,587,270	2,615,337	413,239	28,067
Total Revenues	2,199,631	2,639,119	2,667,186	439,488	28,067
Expenditures:					
Support services	233,639	207,008	205,256	26,631	1,752
Noninstructional services	1,965,992	1,730,927	1,758,994	235,065	(28,067)
Debt service:					
Principal	0	0	1,625	0	(1,625)
Interest	0	0	127	0	(127)
Total Expenditures	2,199,631	1,937,935	1,966,002	261,696	(28,067)
Excess (Deficiency) of Revenues over (under) Expenditures	0	701,184	701,184	701,184	0
Other Financing Sources (Uses):					
Operating transfers in	0	16,992	8,655	16,992	(8,337)
Operating transfers out	0	(25,721)	0	(25,721)	25,721
Total Other Financing Sources (Uses)	0	(8,729)	8,655	(8,729)	17,384
Net Change in Fund Balances	0	692,455	709,839	692,455	17,384
Fund Balances:					
July 1, 2021	119,880	16,427	16,427	(103,453)	0
Decrease in inventory	0	0	(26,535)	0	(26,535)
June 30, 2022	\$ 119,880	708,882	699,731	589,002	(9,151)

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

LEAKE COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Regular Fund

For the Year Ended June 30, 2022

	Variances				
	Budgeted Amounts		Actual (GAAP Basis)	Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,090,060	2,381,694	1,816,881	291,634	(564,813)
Total Revenues	2,090,060	2,381,694	1,816,881	291,634	(564,813)
Expenditures:					
Instruction	700,009	1,169,227	933,737	(469,218)	235,490
Support services	1,175,619	740,747	475,048	434,872	265,699
Noninstructional services	185,242	219,759	189,768	(34,517)	29,991
Total Expenditures	2,060,870	2,129,733	1,598,553	(68,863)	531,180
Excess (Deficiency) of Revenues					
over (under) Expenditures	29,190	251,961	218,328	222,771	(33,633)
Other Financing Sources (Uses):					
Operating transfers out	(29,190)	(251,961)	(218,328)	(222,771)	33,633
Total Other Financing Sources (Uses)	(29,190)	(251,961)	(218,328)	(222,771)	33,633
Net Change in Fund Balances					
	0	0	0	0	0
Fund Balances:					
July 1, 2021	0	0		0	0
June 30, 2022	\$ 0	0	0	0	0

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

LEAKE COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

ESSER III Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 12,607,340	12,614,746	2,891,125	7,406	(9,723,621)
Total Revenues	12,607,340	12,614,746	2,891,125	7,406	(9,723,621)
Expenditures:					
Instruction	0	2,562,444	258,931	(2,562,444)	2,303,513
Support services	0	19,808	19,808	(19,808)	0
Noninstructional services	0	21,908	8,992	(21,908)	12,916
Facilities acquisition and construction	12,607,340	7,407,192	0	5,200,148	7,407,192
Total Expenditures	12,607,340	10,011,352	287,731	2,595,988	9,723,621
Excess (Deficiency) of Revenues over (under) Expenditures	0	2,603,394	2,603,394	2,603,394	0
Other Financing Sources (Uses):					
Operating transfers out	0	(2,603,394)	(2,603,394)	(2,603,394)	0
Total Other Financing Sources (Uses)	0	(2,603,394)	(2,603,394)	(2,603,394)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2021	0	0		0	0
June 30, 2022	\$ 0	0	0	0	0

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

Leake County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 31,632,648	38,973,213	34,600,068	33,979,330	34,063,994	38,666,233	32,901,949	25,534,823
District's proportion of the net pension liability	0.214017%	0.201320%	0.196681%	0.204289%	0.204916%	0.216466%	0.212847%	0.210368%
District's covered payroll	14,229,943	13,405,431	11,594,638	13,045,797	13,145,505	13,847,873	13,297,479	12,860,432
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	298.41%	260.46%	259.13%	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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.

Leake County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

		2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	<u>2,536,686</u>	<u>2,476,010</u>	<u>2,332,545</u>	<u>2,017,467</u>	<u>2,054,713</u>	<u>2,070,417</u>	<u>2,181,040</u>	<u>2,094,353</u>
Contributions in relation to the contractually required contribution		2,536,686	2,476,010	2,332,545	2,017,467	2,054,713	2,070,417	2,181,040	2,094,353
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	\$	14,578,655	14,229,943	13,405,431	12,809,314	13,045,797	13,145,505	13,847,873	13,297,479
Contributions as a percentage of covered payroll		17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Leake County School District

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 2,111,244	2,383,743	2,657,302	2,446,283	2,457,364
District's proportion of the net OPEB liability	0.32799484%	0.30631181%	0.31316127%	0.31624115%	0.31319600%
District's covered-employee payroll	15,593,524	14,762,257	14,340,989	14,303,372	14,071,035 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.54%	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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 report(s).

Leake County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	
Actuarially determined contribution	\$ 64,892	84,832	95,063	106,513	104,761	**
Contributions in relation to the actuarially determined contribution	64,892	84,832	95,063	106,513	104,761	**
Contribution deficiency (excess)	\$ -	-	-	-	-	
District's covered-employee payroll	\$ 13,117,025	14,229,943	13,405,431	12,809,315	13,045,797	
Contributions as a percentage of covered-employee payroll	0.49%	0.60%	0.71%	0.83%	0.80%	

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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 report(s).

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

Leake County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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%.

Leake County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

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

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

2019:

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

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

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

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

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

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

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

Leake County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

(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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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.

Leake County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

2018:

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

2019:

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

2020:

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

2021:

The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% 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 coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

2021:

The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

(3) *Methods and assumptions used in calculation 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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Leake County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2022

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	
Pre-Medicare	7.00%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

SUPPLEMENTARY INFORMATION

LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	225MS326N1099	\$ 193,129
National school lunch program	10.555	225MS326N1099	2,350,369
Summer food service program for children	10.559	225MS326N1099	34,376
Total child nutrition cluster			<u>2,577,874</u>
Administrative expense reimbursement	10.560	225MS907N2533	6,720
Emergency Food Assistance Program (Administrative Costs)	10.568	225MS326N1099	65,119
Total passed-through Mississippi Department of Education			<u>2,649,713</u>
Total U.S. Department of Agriculture			<u>2,649,713</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A210024	2,176,586
Career and technical education - basic grants to states	84.048	V048A210024	60,565
Twenty-first century community learning centers	84.287	S287C210024	144,233
Rural education	84.358	S358B210024	63,809
English language acquisition grants	84.365	S365A210024	52,480
Supporting Effective Instruction State Grants	84.367	S367A210023	417,809
Student support and enrichment program	84.424	S424A210025	106,690
Subtotal			<u>3,022,172</u>
Special education cluster:			
Special education - grants to states	84.027	H027A210108	810,528
IDEA, Part B ARP Grant	84.027X	H027X210108	69,290
Special education - preschool grants	84.173	H173A210113	34,420
IDEA, Part B Preschool ARP Grant	84.173X	H173X210113	7,662
Total special education cluster			<u>921,900</u>
COVID-19 - Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	228,449
COVID- 19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	1,037,221
COVID- 19 - Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	2,891,125
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			<u>4,156,795</u>
Total passed-through Mississippi Department of Education			<u>8,100,867</u>
Total U.S. Department of Education			<u>8,100,867</u>
<u>Social Security Administration</u>			
Passed through the Mississippi Department of Rehabilitation Services			
Social security disability insurance	96.001	2022-A1/2022-A2	686
Total passed-through Mississippi Department of Rehabilitation Services			<u>686</u>
Total Social Security Administration			<u>686</u>
Total for All Federal Awards			<u>\$ 10,751,266</u>

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

Leake County School District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

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 School District under programs of the federal government for the year ended June 30, 2022. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$192,005 are included in the National School Lunch Program for Children.

LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2022**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 20,529,736	14,596,395	1,215,841	1,626,454	3,091,046
Other	8,859,610	2,678,499	310,284	108,149	5,762,678
Total	<u>\$ 29,389,346</u>	<u>17,274,894</u>	<u>1,526,125</u>	<u>1,734,603</u>	<u>8,853,724</u>
Total number of students *	<u>2,253</u>				
Cost per student	<u>\$ 13,045</u>	<u>7,668</u>	<u>677</u>	<u>770</u>	<u>3,930</u>

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

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

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

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

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

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

OTHER INFORMATION

LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 5,018,969	5,009,009	4,771,221	4,470,208
State sources	14,467,303	14,598,012	15,125,664	14,981,365
Federal sources	52,713	128,213	82,090	255,615
Sixteenth section sources	570,901	444,445	223,084	345,594
Total Revenues	20,109,886	20,179,679	20,202,059	20,052,782
Expenditures:				
Instruction	11,191,341	10,971,406	10,780,807	10,265,756
Support services	8,674,441	8,099,959	8,152,665	7,948,383
Noninstructional services	5,898	7,212	8,873	6,925
Sixteenth section	769	910	151	296
Debt service:				
Principal	36,434			
Interest	1,906			
Total Expenditures	19,910,789	19,079,487	18,942,496	18,221,360
Excess (Deficiency) of Revenues over (under) Expenditures	199,097	1,100,192	1,259,563	1,831,422
Other Financing Sources (Uses):				
Leases issued	75,225			
Insurance recovery		17,903	17,450	1,435
Sale of transportation equipment	132		9,475	3,100
Sale of other property		60		
Operating transfers in	2,711,699	43,078	53,574	97,553
Operating transfers out	(518,566)	(1,511,764)	(534,266)	(601,482)
Total Other Financing Sources (Uses)	2,268,490	(1,450,723)	(453,767)	(499,394)
Net Change in Fund Balances	2,467,587	(350,531)	805,796	1,332,028
Fund Balances:				
Beginning of period, as previously reported	9,081,129	9,251,899	8,446,377	7,114,349
Prior period adjustments	10,085	(1,200)	(274)	
Reclassify fund type		180,961		
Beginning of period, as restated	9,091,214	9,431,660	8,446,103	7,114,349
End of Period	\$ 11,558,801	9,081,129	9,251,899	8,446,377

*SOURCE - PRIOR YEAR AUDIT REPORTS

LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 5,407,328	5,383,825	5,198,792	4,883,517
State sources	15,325,900	15,713,067	15,950,088	15,944,181
Federal sources	10,802,074	7,348,340	4,480,783	4,869,276
Sixteenth section sources	658,150	506,233	251,165	393,841
Total Revenues	32,193,452	28,951,465	25,880,828	26,090,815
Expenditures:				
Instruction	14,254,191	15,389,708	12,586,550	12,168,223
Support services	12,300,865	10,909,424	10,475,604	10,203,527
Noninstructional services	2,315,972	1,755,615	1,747,144	1,922,559
Sixteenth section	27,534	41,463	83,898	37,373
Facilities acquisition and construction	76,388			
Debt service:				
Principal	359,092	314,000	3,865,000	255,000
Interest	55,304	69,185	170,484	160,081
Other			87,646	1,740
Total Expenditures	29,389,346	28,479,395	29,016,326	24,748,503
Excess (Deficiency) of Revenues over (under) Expenditures	2,804,106	472,070	(3,135,498)	1,342,312
Other Financing Sources (Uses):				
Proceeds from the issuance of refunding bonds			3,706,000	
Leases issued	75,225			
Insurance recovery		17,903	17,450	1,435
Sale of transportation equipment	132		9,475	3,100
Sale of other property		60		
Operating transfers in	3,426,461	1,568,154	865,781	814,031
Operating transfers out	(3,426,461)	(1,568,154)	(865,781)	(814,031)
Total Other Financing Sources (Uses)	75,357	17,963	3,732,925	4,535
Net Change in Fund Balances	2,879,463	490,033	597,427	1,346,847
Fund Balances:				
Beginning of period, as previously reported	11,077,915	10,429,950	9,786,149	8,417,176
Prior period adjustments	10,085	(1,200)	(1,775)	
Reclassify fund type		180,961		
Beginning of period, as restated	11,088,000	10,609,711	9,784,374	8,417,176
Increase (Decrease) in reserve for inventory	(26,535)	(21,829)	48,149	22,126
End of Period	\$ 13,940,928	11,077,915	10,429,950	9,786,149

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Leake County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leake County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Leake County School District's basic financial statements, and have issued our report thereon dated June 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as Finding 2022-001.

Report on Compliance and Other Matters

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

Leake County School District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Leake County School District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Leake County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 7, 2023

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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
Leake County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Leake County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Leake County School District's major federal programs for the year ended June 30, 2022. The Leake County 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.

In our opinion, Leake County School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Leake County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Leake County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Leake County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Leake County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Leake County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Leake County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Leake County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Leake County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is 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 the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 7, 2023

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2022, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated June 7, 2023. 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 ensure 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 ensure 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 did not disclose any instances of noncompliance with other state laws and regulations.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 7, 2023

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Leake County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

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:

Assistance Listing Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.425D*	COVID-19 - Elementary & Secondary School Emergency Relief Fund I & II
84.425U*	COVID-19 - Elementary & Secondary School Emergency Relief Fund ARP III

* These two programs were audited as one major program - Education Stabilization Fund.

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

10. Prior fiscal year audit 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 2 CFR 200.511(b). Yes.

Section II: Financial Statements Findings

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

Significant Deficiency

Finding 2022-001

Criteria:

The client should implement policies to hold principals and teachers responsible for any items that are missing, ensure assets are tagged and entered into the system after arriving on site, and develop procedures to ensure deleted assets are immediately taken off site.

Condition:

Control procedures regarding the deletion, tagging, proper placement, and transferring of fixed are not adequate.

Cause:

The School District did not have controls in place at the schools to properly monitor the capital assets.

Effect:

There were 18 deleted items found but not on list, 21 items found and on site but not listed, 3 items found but not tagged, 5 items not in correct location and one item that could not be located.

Recommendation:

Auditee should implement procedures to hold teachers and administrators responsible for lost and missing assets, procedures to ensure deleted items are immediately taken off campus after approval for deletion by the board, and procedures ensuring new items are immediately tagged and uploaded into the system upon delivery.

Response:

The District has adopted a Fixed Asset Manual that has been approved by the school board for use. The manual gives detailed instructions on how fixed assets should be maintained, transferred, or disposed of. Training will be held at the beginning of each fiscal year for all fixed asset managers. School/Office fixed asset managers are expected to have yearly trainings with all staff.

Section III: Federal Awards Findings and Questioned Costs

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

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

Leake County
Department of Education
*The mission of the Leake County School District is
to provide a high quality education that will increase the learning of all students.*
Post Office Drawer 478
Carthage, Mississippi 39051
www.leakesd.org
Phone: (601) 267-4579 Fax: (601) 267-5283

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Leake County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2022.

Finding

2022-001

Corrective Action Plan Details

a. Name of Contact Person Responsible for Corrective Action

Name: Jeremy Stewart
Title: Principal, Leake Central High
Phone Number: 601-267-7713

Name: Gerry Anderson
Title: Principal, Leake County High
Phone Number: 601-253-2393

b. Correction Action Planned: The District has adopted a Fixed Asset Manual that has been approved by the school board for use. The manual gives detailed instructions on how fixed assets should be maintained, transferred, or disposed of. Trainings will be held at the beginning of each fiscal year for all fixed asset managers. School/Office fixed asset managers are expected to have yearly trainings with all staff.

c. Anticipated Completion Date: July 1, 2023

d. Correction Action Planned: July 1, 2023

Leake County
Department of Education

*The mission of the Leake County School District is
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SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOLLOW UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Leake County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2022:

<u>Finding</u>	<u>Status</u>
2021-001	Questioned Cost was presented to MDE and the School District was released from this finding.
2021-002	Completed