



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

LEE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2023

Charles L. Shivers, CPA, LLC
Ridgeland, MS

This page left blank intentionally.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	7
BASIC FINANCIAL STATEMENTS.....	17
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	19
Exhibit B Statement of Activities.....	21
Governmental Funds Financial Statements	
Exhibit C Balance Sheet	22
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	23
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances.....	24
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	25
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION.....	49
Budgetary Comparison Schedule for the General Fund.....	51
Schedule of the District's Proportionate Share of the Net Pension Liability.....	52
Schedule of District Contributions (PERS).....	53
Schedule of the District's Proportionate Share of the Net OPEB Liability.....	54
Schedule of District Contributions (OPEB).....	55
Notes to the Required Supplementary Information.....	56
SUPPLEMENTARY INFORMATION.....	61
Schedule of Expenditures of Federal Awards.....	63
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	65
OTHER INFORMATION.....	67
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	69
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	70
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	75
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	83
AUDITEE'S CORRECTIVE ACTION PLAN	87

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORT

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lee County School District

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Lee County School District's basic financial statements as listed in the table of contents.

In my 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 Lee County School District, as of June 30, 2023, 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

I conducted my 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Lee County School District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 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 Lee 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.

Member: AICPA MSCP

The CPA Never Underestimate The Value.®

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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*, I

- 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 Lee 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lee County School District's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lee 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 my 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 my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 19, 2024, on my consideration of the Lee County School District's internal control over financial reporting and on my 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 my 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 Lee 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 Lee County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 19, 2024

This page left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023

The following discussion and analysis of Lee County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2023. 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 2023 decreased \$4,011,333, including a prior period adjustment of \$159,821, which represents a 12% decrease from fiscal year 2022. Total net position for 2022 increased \$9,009,167, including a prior period adjustment of (\$55), which represents a 21% increase from fiscal year 2021.
- General revenues amounted to \$63,147,038 and \$58,395,919, or 81% and 80% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,891,374, or 19% of total revenues for 2023, and \$14,843,997, or 20% of total revenues for 2022.
- The District had \$82,209,566 and \$64,230,694 in expenses for fiscal years 2023 and 2022; only \$14,891,374 for 2023 and \$14,843,997 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$63,147,038 for 2023 were not adequate to provide for these programs. General revenues of \$58,395,919 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$60,163,250 in revenues and \$58,896,323 in expenditures for 2023, and \$55,625,087 in revenues and \$53,191,065 in expenditures in 2022. The General Fund's fund balance increased by \$331,856 from 2022 to 2023 and increased by \$2,046,295 from 2021 to 2022.
- Capital assets, net of accumulated depreciation, increased by \$1,014,468 for 2023 and increased by \$1,081,775 for 2022. The increase for 2023 was due primarily to the addition of construction in progress.
- Long-term debt decreased by \$3,191,488 for 2023 and increased by \$4,227,234 for 2022. This decrease for 2023 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$196,717 for 2023 and increased by \$103,513 for 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$37,066,065 as of June 30, 2023.

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, 2023 and June 30, 2022.

Table 1
Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Percentage Change
Current assets	\$ 28,351,330	\$ 22,982,992	23.36 %
Restricted assets	12,826,362	19,815,950	(35.27) %
Capital assets, net	62,478,214	61,463,747	1.65 %
Total assets	103,655,906	104,262,689	(0.58) %
 Deferred outflows of resources	 22,258,793	 14,830,738	 50.09 %
 Current liabilities	 5,364,305	 8,814,643	 (39.14) %
Long-term debt outstanding	34,912,106	34,060,018	2.50 %
Net OPEB liability	3,903,200	5,027,332	(22.36) %
Net pension liability	114,335,116	82,156,024	39.17 %
Total liabilities	158,514,727	130,058,017	21.88 %
 Deferred inflows of resources	 4,466,037	 22,090,142	 (79.78) %
 Net position:			
Net investment in capital assets	35,742,617	31,838,275	12.26 %
Restricted	10,556,608	13,124,581	(19.57) %
Unrestricted	(83,365,290)	(78,017,588)	(6.85) %
Total net position	\$ (37,066,065)	\$ (33,054,732)	(12.14) %

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)	\$(83,365,290)
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	101,710,802
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$18,345,512

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 \$1,014,468.
- The principal retirement of \$3,945,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$78,038,412 and \$73,239,916, respectively. The total cost of all programs and services was \$82,209,566 for 2023 and \$64,230,694 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

Table 2
Changes in Net Position

	Year Ended June 30, 2023	Year Ended June 30, 2022	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,645,012	\$ 2,002,499	32.09 %
Operating grants and contributions	12,246,362	12,841,498	(4.63) %
General revenues:			
Property taxes	23,019,949	21,783,677	5.68 %
Grants and contributions not restricted	39,877,993	36,508,877	9.23 %
Investment earnings	217,257	39,655	447.87 %
Other	31,839	63,710	(50.03) %
Total revenues	78,038,412	73,239,916	6.55 %
Expenses:			
Instruction	42,099,386	39,046,858	7.82 %
Support services	22,405,564	20,207,701	10.88 %
Non-instructional	3,122,507	2,995,177	4.25 %
Pension expense	13,919,352	942,984	1,376.10 %
OPEB expense	(481,389)	(251,849)	(91.14) %
Interest on long-term liabilities	1,144,146	1,289,823	(11.29) %
Total expenses	82,209,566	64,230,694	27.99 %
Increase (Decrease) in net position	(4,171,154)	9,009,222	(146.30) %
Net Position, July 1, as previously reported	(33,054,732)	(42,063,899)	21.42 %
Prior Period Adjustment	159,821	(55)	290,683.64 %
Net Position, July 1, as restated	(32,894,911)	(42,063,954)	21.80 %
Net Position, June 30	\$ (37,066,065)	\$ (33,054,732)	(12.14) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2023	2022	
Instruction	\$ 42,099,386	\$ 39,046,858	7.82 %
Support services	22,405,564	20,207,701	10.88 %
Non-instructional	3,122,507	2,995,177	4.25 %
Pension Expense	13,919,352	942,984	1,376.10 %
OPEB Expense	(481,389)	(251,849)	(91.14) %
Interest on long-term liabilities	1,144,146	1,289,823	(11.29) %
Total expenses	\$ 82,209,566	\$ 64,230,694	27.99 %
	Net (Expense) Revenue		Percentage Change
	2023	2022	
Instruction	\$ (35,020,922)	\$ (33,114,508)	(5.76) %
Support services	(18,937,382)	(16,360,334)	(15.75) %
Non-instructional	1,222,221	2,069,103	(40.93) %
Pension Expense	(13,919,352)	(942,984)	(1,376.10) %
OPEB Expense	481,389	251,849	91.14 %
Interest on long-term liabilities	(1,144,146)	(1,289,823)	11.29 %
Total net (expense) revenue	\$ (67,318,192)	\$ (49,386,697)	(36.31) %

- Net cost of governmental activities (\$67,318,192 for 2023 and \$49,386,697 for 2022) was financed by general revenue, which is primarily made up of property taxes (\$23,019,949 for 2023 and \$21,783,677 for 2022) and state and federal revenues (\$39,877,993 for 2023 and \$36,508,877 for 2022).
- Investment earnings amounted to \$217,257 for 2023 and \$39,655 for 2022.

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 \$36,383,361, a decrease of \$2,116,639, which includes a decrease in inventory of \$26,115. \$18,252,277 or 50.2% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$18,131,084 or 49.8% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$331,856. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,470,125, which includes a decrease in reserve for inventory of \$26,115. The 2022 G.O. Building Projects Fund showed an increase in the amount of \$21,630

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the District's total capital assets were \$105,080,280, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,743,615 from 2022. Total accumulated depreciation as of June 30, 2023, was \$42,602,066, and total depreciation expense for the year was \$2,527,131, resulting in total net capital assets of \$62,478,214.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2023	June 30, 2022	Percentage Change
Land	\$ 2,225,687	\$ 2,225,687	0.00 %
Construction in Progress	1,645,080	242,936	577.17 %
Buildings	50,360,030	51,887,843	(2.94) %
Building improvements	1,439,275	1,554,619	(7.42) %
Improvements other than buildings	1,854,247	1,352,918	37.06 %
Mobile equipment	4,264,603	3,498,557	21.90 %
Furniture and equipment	689,292	701,186	(1.70) %
Total	\$ 62,478,214	\$ 61,463,746	1.65 %

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

Debt Administration. At June 30, 2023, the District had \$34,912,106 in outstanding long-term debt, of which \$2,793,540 is due within one year. The liability for compensated absences decreased \$196,717 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 21,400,000	\$ 22,565,000	(5.16) %
Premiums/Discounts	186,999	188,078	(0.57) %
General obligation refunding bonds payable	8,630,000	10,475,000	(17.61) %
Premiums	0	24,192	(100.00) %
Three mill notes payable	975,500	935,000	4.33 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	719,607	916,324	(21.47) %
Total	<u>\$ 34,912,106</u>	<u>\$ 38,103,594</u>	<u>(8.38) %</u>

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

CURRENT ISSUES

The Lee County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

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

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 Lee County School District, 1280 College View Drive, Tupelo, Mississippi 38804.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 20,427,513
Investments	5,042,095
Due from other governments	2,660,867
Inventories	220,855
Restricted assets	12,826,362
Capital assets, non-depreciable:	
Land	2,225,687
Construction in progress	1,645,080
Capital assets, net of accumulated depreciation:	
Buildings	50,360,030
Building improvements	1,439,275
Improvements other than buildings	1,854,247
Mobile equipment	4,264,603
Furniture and equipment	689,292
Total Assets	<u>103,655,906</u>
Deferred Outflows of Resources	
Deferred outflow - pensions	20,015,176
Deferred outflow - OPEB	978,375
Deferred outflow - advance refunding on bonds	1,265,242
Total Deferred Outflows of Resources	<u>22,258,793</u>
Liabilities	
Accounts payable and accrued liabilities	4,794,331
Interest payable on long-term liabilities	569,974
Long-term liabilities (Due within one year)	
Capital related liabilities	2,720,500
Bond premiums (discounts)	1,079
Non-capital related liabilities	71,961
Net OPEB liability	193,742
Long-term liabilities (Due beyond one year)	
Capital related liabilities	31,285,000
Bond premiums (discounts)	185,920
Non-capital related liabilities	647,646
Net OPEB liability	3,709,458
Net pension liability	114,335,116
Total Liabilities	<u>158,514,727</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,411,791
Deferred inflows - OPEB	2,054,246
Total Deferred Inflows of Resources	<u>4,466,037</u>

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

LEE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

Exhibit A

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	35,742,617
Restricted net position	
Expendable	
School-based activities	3,644,043
Debt service	5,394,029
Capital Projects	1,340,063
Unemployment benefits	178,473
Unrestricted	<u>(83,365,290)</u>
Total Net Position	<u><u>\$ (37,066,065)</u></u>

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

LEE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2023

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 42,099,386	1,772,753	5,305,711	(35,020,922)
Support services	22,405,564		3,468,182	(18,937,382)
Non-instructional	3,122,507	872,259	3,472,469	1,222,221
Pension expense	13,919,352			(13,919,352)
OPEB expense	(481,389)			481,389
Interest on long-term liabilities	1,144,146			(1,144,146)
Total Governmental Activities	<u>82,209,566</u>	<u>2,645,012</u>	<u>12,246,362</u>	<u>(67,318,192)</u>
General Revenues				
Taxes				
				19,119,544
				3,900,405
Unrestricted grants and contributions				
				39,539,647
				338,346
				217,257
				31,839
				<u>63,147,038</u>
Changes in Net Position				
				<u>(4,171,154)</u>
Net Position - Beginning , as previously reported				
				(33,054,732)
Prior Period Adjustments				
				159,821
Net Position - Beginning - as restated				
				<u>(32,894,911)</u>
Net Position - Ending				
				<u>\$ (37,066,065)</u>

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

LEE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2023

Exhibit C

	Major Funds			
	General Fund	2022 G.O. Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 16,040,211	6,191,661	8,424,598	30,656,470
Cash with fiscal agent			2,597,405	2,597,405
Investments	5,042,095			5,042,095
Due from other governments	938,281		1,722,586	2,660,867
Due from other funds	1,636,450			1,636,450
Inventories			220,855	220,855
Total Assets	23,657,037	6,191,661	12,965,444	42,814,142
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	4,591,918		202,413	4,794,331
Due to other funds			1,636,450	1,636,450
Total Liabilities	4,591,918	0	1,838,863	6,430,781
Fund Balances				
Nonspendable				
Inventory			220,855	220,855
Restricted				
Debt service			5,964,002	5,964,002
Capital projects		6,191,661	1,340,063	7,531,724
Unemployment benefits			178,473	178,473
Grant activities			3,423,188	3,423,188
Assigned				
School activities	812,842			812,842
Unassigned	18,252,277			18,252,277
Total Fund Balances	19,065,119	6,191,661	11,126,581	36,383,361
Total Liabilities and Fund Balances	\$ 23,657,037	6,191,661	12,965,444	42,814,142

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

LEE COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 36,383,361
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	2,225,687	
Construction in progress	1,645,080	
Buildings	81,283,453	
Building improvements	3,238,103	
Improvement other than buildings	2,444,179	
Mobile equipment	11,563,266	
Furniture and equipment	2,680,512	
Accumulated depreciation	<u>(42,602,066)</u>	62,478,214
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(114,335,116)
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	20,015,176	
Deferred inflows of resources related to pensions	<u>(2,411,791)</u>	17,603,385
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		(3,903,200)
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	978,375	
Deferred inflows of resources related to OPEB	<u>(2,054,246)</u>	(1,075,871)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(30,030,000)	
Qualified school construction bonds	(3,000,000)	
Notes payable	(975,500)	
Compensated absences	(719,607)	
Unamortized charges	1,265,242	
Unamortized premiums	(186,999)	
Accrued interest payable	<u>(569,974)</u>	(34,216,838)
Total Net Position - Governmental Activities		<u><u>\$ (37,066,065)</u></u>

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

LEE COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			
	General Fund	2022 G.O. Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 20,927,401	21,630	4,936,245	25,885,276
State sources	38,897,502		1,579,549	40,477,051
Federal sources	338,347		11,305,899	11,644,246
Total Revenues	60,163,250	21,630	17,821,693	78,006,573
Expenditures				
Instruction	38,497,244		6,618,131	45,115,375
Support services	20,386,328		5,157,586	25,543,914
Noninstructional services			3,721,282	3,721,282
Facilities acquisition and construction	12,751		1,807,884	1,820,635
Debt service				
Principal			3,945,000	3,945,000
Interest			945,043	945,043
Other			13,187	13,187
Total Expenditures	58,896,323	0	22,208,113	81,104,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,266,927	21,630	(4,386,420)	(3,097,863)
Other Financing Sources (Uses)				
Bonds and notes issued			975,500	975,500
Insurance loss recoveries	1,948			1,948
Sale of transportation equipment	29,115			29,115
Sale of other property	776			776
Operating transfers in	116,160		2,015,898	2,132,058
Operating transfers out	(1,083,070)		(1,048,988)	(2,132,058)
Total Other Financing Sources (Uses)	(935,071)	0	1,942,410	1,007,339
Net Change in Fund Balances	331,856	21,630	(2,444,010)	(2,090,524)
Fund Balances				
July 1, 2022	18,733,263	6,170,031	13,596,706	38,500,000
Decrease in reserve for inventory			(26,115)	(26,115)
June 30, 2023	\$ 19,065,119	6,191,661	11,126,581	36,383,361

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

LEE COUNTY SCHOOL DISTRICT
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, 2023

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (2,090,524)

Amounts reported for governmental activities in the Statement of
Activities are different because:

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, those amounts are:

Capital outlay	3,465,648	
Depreciation expense	<u>(2,527,131)</u>	938,517

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 asset sold.

(83,870)

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

Bonds and notes issued	(975,500)	
Payments of debt principal	3,945,000	
Accrued interest payable	<u>(97,849)</u>	2,871,651

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. These activities include:

Pension expense	(13,919,352)	
Contributions made subsequent to the measurement date	<u>7,367,946</u>	(6,551,406)

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. These activities include:

OPEB expense	481,389	
Contributions made subsequent to the measurement date	<u>193,742</u>	675,131

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 the governmental funds. These activities include:

Change in compensated absences	196,717	
Change in inventory reserve	(26,115)	
Amortization of deferred charges and premiums	<u>(101,255)</u>	69,347

Changes in Net Position of Governmental Activities	<u>\$ (4,171,154)</u>
--	-----------------------

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

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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, 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

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

2022 G.O. Building Project Fund - This fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of a general obligation bond issue.

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.

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

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

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

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. 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.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting, OPEB reporting and advance refunding of general obligations bonds.

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

See Note 8, 9 and 15 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.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

The school district uses the incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs.

11. 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.

12. 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.

13. 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.

14. 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.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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 documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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

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

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

It is the policy of the Lee County School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the District Maintenance Fund revenues (General Fund).

15. Accounting Standards Update

GASB 96, Subscription-Based Information Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$30,656,470.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,597,405.

Investments

As of June 30, 2023, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government Treasury Bills	N/A	Less than 1	\$ <u>5,042,095</u>

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

The US Treasury Bills are valued using quoted market prices (Level 1 inputs).

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

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2023, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 1,636,450

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,083,070
Other governmental funds	General Fund	116,160
	Other governmental funds	932,828
Total		\$ 2,132,058

The transfer out of the General Fund was for the purpose of funding the vocational program, juvenile detention program and Pre-K collaborative program in the Other Governmental Funds. The transfer from Other Governmental Funds to the General Fund was for indirect cost. The transfers within the Other Governmental Funds was to the consolidated administrative cost fund and Title I as part of transferability of funds from Title I, Title IV and Title V and to fund debt service.

Note 4 – Restricted Assets

The restricted assets of \$12,826,362 represent the cash balance of \$10,228,957 and the cash with fiscal agent balance of \$2,597,405 which are legally restricted for capital projects, debt retirement and various grants and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

	Balance 7/1/2021	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2022
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 2,225,687	\$	\$		\$	2,225,687
Construction-in-progress	242,936	1,820,635		(578,311)	159,820	1,645,080
Total non-depreciable capital assets	2,468,623	1,820,635	0	(578,311)	159,820	3,870,767
<u>Depreciable capital assets:</u>						
Buildings	81,283,453					81,283,453
Building improvements	3,238,103					3,238,103
Improvements other than buildings	1,865,868			578,311		2,444,179
Mobile equipment	10,957,404	1,428,462	(822,600)			11,563,266
Furniture and equipment	2,523,214	216,551	(59,253)			2,680,512
Total depreciable capital assets	99,868,042	1,645,013	(881,853)	578,311	0	101,209,513
<u>Less accumulated depreciation for:</u>						
Buildings	29,395,610	1,527,813				30,923,423
Building improvements	1,683,484	115,344				1,798,828
Improvements other than buildings	512,950	76,982				589,932
Mobile equipment	7,458,847	580,157	(740,341)			7,298,663
Furniture and equipment	1,822,028	226,835	(57,642)		(1)	1,991,220
Total accumulated depreciation	40,872,919	2,527,131	(797,983)	0	(1)	42,602,066
Total depreciable capital assets, net	58,995,123	(882,118)	(83,870)	578,311	1	58,607,447
Governmental activities capital assets, net	\$ 61,463,746	\$ 938,517	\$ (83,870)	\$ 0	\$ 159,821	\$ 62,478,214

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,717,741
Support services	678,112
Non-instructional	131,278
Total depreciation expense - Governmental activities	\$ 2,527,131

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

	Spent to June 30, 2023	Remaining Commitment
Governmental Activities:		
ESSER HVAC	\$ 1,578,480	\$ 326,306
Sports Lighting Project	66,600	949,590
Total governmental activities	\$ 1,645,080	\$ 1,275,896

Construction projects included in governmental activities are funded with remaining ESSER grant funds and the general fund.

Note 6 – Intangible Right-to-Use Leases and Subscription Based IT Assets

Currently, the school district does not have any leased equipment or subscription based IT assets as lessor or lessee that meet the criteria established by GASB 87 or GASB 96.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Note 7 – Long-term Liabilities

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due within one year
A. General obligation bonds payable	\$ 22,565,000	\$	\$ 1,165,000	\$ 21,400,000	\$ 1,570,000
Premiums/Discounts	188,078		1,079	186,999	1,079
B. General obligation refunding bonds payable	10,475,000		1,845,000	8,630,000	175,000
Premiums	24,192		24,192	0	
C. Three mill notes payable	935,000	975,500	935,000	975,500	975,500
D. Qualified school construction bonds payable	3,000,000			3,000,000	0
E. Compensated absences payable	916,324		196,717	719,607	71,961
Total	\$ 38,103,594	\$ 975,500	\$ 4,166,988	\$ 34,912,106	\$ 2,793,540

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, 2013	4.0	10/16/2013	9/1/2023	\$ 12,285,000	570,000
2. General obligation bonds, 2020	3.0 - 4.0	4/2/2020	3/1/2040	15,000,000	14,380,000
3. General obligation bonds, 2022	2.66	5/12/2022	9/1/2037	6,450,000	6,450,000
Total				\$ 33,735,000	\$ 21,400,000

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

1. General obligation bond issue, 2013:

Year Ending June 30	Principal	Interest	Total
2024	\$ 570,000	\$ 11,400	\$ 581,400

This debt will be retired from the bond 2013 issue retirement fund (Debt Service Fund).

2. General obligation bond issue, 2020:

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 645,000	\$ 502,163	\$ 1,147,163
2025	670,000	476,362	1,146,362
2026	695,000	449,563	1,144,563
2027	715,000	428,712	1,143,712
2028	735,000	407,262	1,142,262
2029 – 2033	4,030,000	1,691,462	5,721,462
2034 – 2038	4,730,000	993,350	5,723,350
2039 – 2040	2,160,000	130,400	2,290,400
Total	<u>\$ 14,380,000</u>	<u>\$ 5,079,274</u>	<u>\$ 19,459,274</u>

This debt will be retired from the bond 2020 issue retirement fund (Debt Service Fund).

3. General obligation bond issue, 2022:

Year Ending June 30	Principal	Interest	Total
2024	\$ 355,000	\$ 171,570	\$ 526,570
2025	365,000	162,127	527,127
2026	375,000	152,418	527,418
2027	385,000	142,443	527,443
2028	395,000	132,202	527,202
2029 – 2033	2,135,000	497,952	2,632,952
2034 – 2038	2,440,000	198,037	2,638,037
Total	<u>\$ 6,450,000</u>	<u>\$ 1,456,749</u>	<u>\$ 7,906,749</u>

This debt will be retired from the bond 2022 issue retirement fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,570,000	\$ 685,133	\$ 2,255,133
2025	1,035,000	638,489	1,673,489
2026	1,070,000	601,981	1,671,981
2027	1,100,000	571,155	1,671,155
2028	1,130,000	539,464	1,669,464
2029 – 2033	6,165,000	2,189,414	8,354,414
2034 – 2038	7,170,000	1,191,387	8,361,387
2039 – 2040	2,160,000	130,400	2,290,400
Total	<u>\$ 21,400,000</u>	<u>\$ 6,547,423</u>	<u>\$ 27,947,423</u>

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

B. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2016	2.0 - 3.0	9/1/2016	9/1/2033	\$ 9,630,000	\$ 8,630,000

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 175,000	\$ 188,744	\$ 363,744
2025	770,000	179,294	949,294
2026	785,000	163,744	948,744
2027	800,000	147,894	947,894
2028	815,000	131,744	946,744
2029 – 2033	4,350,000	379,446	4,729,446
2034	935,000	11,687	946,687
Total	\$ 8,630,000	\$ 1,202,553	\$ 9,832,553

This debt will be retired from the bond 2013 issue retirement fund (Debt Service Fund).

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2023, the amount of outstanding bonded indebtedness was equal to 7.6% of property assessments as of October 1, 2022.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2023	3.62	10/28/2022	10/28/2023	\$ 975,500	\$ 975,500

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 975,500	\$ 35,313	\$ 1,010,813

This debt will be retired from the three mill note retirement fund (Debt Service Fund).

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.94	12/22/09	09/15/24	\$ 3,000,000	\$ 3,000,000

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 28,200	\$ 28,200	\$ 56,400
2025	3,000,000	28,200	3,028,200
Total	\$ 3,000,000	\$ 56,400	\$ 3,056,400

This debt will be retired from the QSCB Limited Tax Note Fund (Debt Service Fund) which is funded with ad valorem taxes and pledged Education Enhancement Funds. This debt is partially secured by an irrevocable pledge of building and bus fund revenues the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$175,000 of those funds are applied toward this debt.

E. Compensated absences payable

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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, 2023 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, 2023, 2022 and 2021 were \$7,367,946, \$6,653,770 and \$6,430,683, 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, 2023, the school district reported a liability of \$114,335,116 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023 net pension liability was 0.555466 percent, which was based on a measurement date of June 30, 2022. This was a decrease of 0.000377 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$13,919,352. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,867,065	\$ 682,183
Net difference between projected and actual earnings on pension plan investments	4,804	0
Changes of assumptions	4,623,856	1,729,608
Changes in proportion and differences between District contributions and proportionate share of contributions	6,151,505	0

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	7,367,946	0
Total	\$ 20,015,176	\$ 2,411,791

\$7,367,946 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, 2024. 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:	
2024	\$ 3,631,327
2025	3,631,327
2026	2,971,585
2027	1,200

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	25.00 %	4.60 %
International Equity	20.00	4.50

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
Total	<u>100</u>	<u>%</u>

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:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 149,219,003	\$ 114,335,116	\$ 85,575,125

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 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$193,742 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$3,903,200 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.79223199 percent. This was an increase of 0.01120476% percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$481,389). At June 30, 2023, 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	\$ 3,232	\$ 1,691,027
Changes of assumptions	608,767	361,385
Net difference between projected and actual earnings on OPEB plan investments	269	0
Changes in proportion and differences between District contributions and proportionate share of contributions	172,365	1,834
District contributions subsequent to the measurement date	193,742	0

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total	\$ <u>978,375</u>	\$ <u>2,054,246</u>

\$193,742 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2024	\$ (308,458)
2025	(261,803)
2026	(298,193)
2027	(227,745)
2028	(123,863)
Thereafter	(49,551)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, 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	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2029 FYE

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.

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

The demographic actuarial assumptions used in the June 30, 2022 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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. 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, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 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 (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 4,299,855	\$ 3,903,200	\$ 3,562,477

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	\$ 3,631,647	\$ 3,903,200	\$ 4,208,796

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

Note 10 – Prior Period Adjustments

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Exhibit B - Statement of Activities

Explanation	Amount
Error correction - adjustment to capital assets	\$ 159,821

Note 11 – Contingencies

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

Note 12 – Risk Management

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

Note 13 – Qualified School Construction Bonds

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2023 was \$2,597,405. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2024	\$ 240,000
2025	240,000
Total	\$ 480,000

Note 14 – Tax Abatement

On August 4, 2014 and subsequent dates, the Union County Board of Supervisors, Pontotoc County Board of Supervisors, the Pontotoc, Union and Lee Economic Development Alliance (PUL Alliance), Mississippi Major Economic Impact Authority, and the Toyota Motor Manufacturing and related companies entered into several agreements for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one-third of the taxes otherwise payable for the

LEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

company property and additions to company property. The payment period will not exceed ten years pursuant to applicable state laws. The amount received by the Lee County School District for the 2022-23 fiscal year was \$415,621. The amounts to be received in future periods will vary from this amount due to various factors being considered by the taxing authority in calculation of the in lieu amounts. The payment periods are expected to continue for an undetermined period of time. The Lee County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the Lee County School District.

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets of \$35,742,617 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and bond premiums/discounts. The \$1,265,242 balance of deferred outflow of resources from advance refunding and the \$186,999 balance of bond premiums/discounts at June 30, 2023, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 10 years and 16 years, respectfully.

The unrestricted net position amount of (\$83,365,290) 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 \$7,367,946 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, 2024. The \$12,647,230 balance of deferred outflow of resources related to pensions, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$83,365,290) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,411,791 balance of deferred inflow of resources related to pensions, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$83,365,290) 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 \$193,742 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, 2024. The \$784,633 balance of deferred outflow of resources related to OPEB, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$83,365,290) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$2,054,246 balance of deferred inflow of resources related to OPEB, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

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 School District evaluated the activity of the district through July 19, 2024, (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.

In October 2023, the school board approved the issuance of \$998,000 in Three Mill Notes to be repaid to Community Bank over a one-year period with an interest rate of 5.21%. The note proceeds will be used to acquire school buses.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 20,760,798	20,924,351	20,927,401	163,553	3,050
State sources	38,782,221	38,901,694	38,897,502	119,473	(4,192)
Federal sources	339,852	338,347	338,347	(1,505)	0
Total Revenues	<u>59,882,871</u>	<u>60,164,392</u>	<u>60,163,250</u>	<u>281,521</u>	<u>(1,142)</u>
Expenditures					
Instruction	39,547,656	38,497,244	38,497,244	1,050,412	0
Support services	20,110,087	20,386,328	20,386,328	(276,241)	0
Facilities acquisition and construction	0	16,943	12,751	(16,943)	4,192
Total Expenditures	<u>59,657,743</u>	<u>58,900,515</u>	<u>58,896,323</u>	<u>757,228</u>	<u>4,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>225,128</u>	<u>1,263,877</u>	<u>1,266,927</u>	<u>1,038,749</u>	<u>3,050</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	1,948	1,948	1,948	0
Sale of transportation equipment	0	29,115	29,115	29,115	0
Sale of other property	0	776	776	776	0
Operating transfers in	2,632,038	2,145,115	116,160	(486,923)	(2,028,955)
Operating transfers out	(3,382,329)	(3,225,134)	(1,083,070)	157,195	2,142,064
Total Other Financing Sources (Uses)	<u>(750,291)</u>	<u>(1,048,180)</u>	<u>(935,071)</u>	<u>(297,889)</u>	<u>113,109</u>
Net Change in Fund Balances			<u>331,856</u>		
Fund Balances					
July 1, 2022			<u>18,733,263</u>		
June 30, 2023			<u>\$ 19,065,119</u>		

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

LEE COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	2023	2022	2021	2020
District's proportion of the net pension liability	0.555466%	0.555843%	0.547213%	0.544872%
District's proportionate share of the net pension liability	\$ 114,335,116	82,156,024	105,934,078	95,853,735
District's covered payroll	\$ 38,240,057	36,957,948	36,437,580	35,486,057
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	270.12%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.544117%	0.542060%	0.541124%	0.548020%	0.544522%
District's proportionate share of the net pension liability	90,502,823	90,108,770	96,658,259	84,370,225	65,546,112
District's covered payroll	34,747,054	34,773,435	34,617,010	34,065,486	33,288,292
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.67%	196.90%
Plan fiduciary net position as a percentage of the total pension liability	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 the 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.

LEE COUNTY SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2023	2022	2021	2020
Contractually required contribution	\$ 7,367,946	6,653,770	6,430,683	6,340,139
Contributions in relation to the contractually required contribution	7,367,946	6,653,770	6,430,683	6,340,139
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 42,344,517	38,240,057	36,957,948	36,437,580
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%

	2019	2018	2017	2016	2015
Contractually required contribution	5,589,054	5,472,661	5,476,816	5,452,179	5,365,314
Contributions in relation to the contractually required contribution	5,589,054	5,472,661	5,476,816	5,452,179	5,365,314
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	35,486,057	34,747,054	34,773,435	34,617,010	34,065,486
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 68 was implemented in the 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.

LEE COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.79223199%	0.78102723%	0.76622976%	0.76666629%	0.76508506%	0.76075530%
District's proportionate share of the net OPEB liability	\$ 3,903,200	5,027,332	5,962,861	6,505,478	5,918,315	5,968,956
Covered employee payroll	\$ 38,240,057	36,957,948	36,437,580	35,486,057	34,747,054	34,773,435
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	10.21%	13.60%	16.36%	18.33%	17.03%	17.17%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 75 was implemented in the 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. 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.

LEE COUNTY SCHOOL DISTRICT
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 193,742	159,064	202,066	237,798	260,760	254,465
Contributions in relation to the actuarially determined contribution	193,742	159,064	202,066	237,798	260,760	254,465
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 42,344,517	38,240,057	36,957,948	36,437,580	35,486,057	34,747,054
Contributions as a percentage of covered employee payroll	0.46%	0.42%	0.55%	0.65%	0.73%	0.73%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 75 was implemented in the 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.

LEE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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%.

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%.

LEE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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, 2020 valuation for the June 30, 2022 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	27.7 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.

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.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

LEE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

2018: None

2019: None

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

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.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending 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	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	235MS326N1099	\$ 1,050,771
National school lunch program	10.555	235MS326N1099	2,916,061
Total child nutrition cluster			3,966,832
Total passed-through Mississippi Department of Education			3,966,832
Total U.S. Department of Agriculture			3,966,832
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010A	S010A220024	2,297,506
Career and technical education - basic grants to states	84.048A	V048A220024	37,526
Title V Rural education	84.358B	S358B220024	155,488
Supporting effective instruction - state grants	84.367A	S367A220023	104,291
Student support and academic enrichment program	84.424A	S424A220025	130,264
Total			2,725,075
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	1,379,055
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	1,862,730
COVID-19 - Homeless children & youth - ARP	84.425W	S425W210025	4,698
COVID-19 - CTE equipment grant (ESSER II)	84.425D	S425D210031	78,043
Total education stabilization funds			3,324,526
Special education cluster:			
Special education - grants to states	84.027A	H027A220108	1,565,258
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	194,026
Total special education - grants to states			1,759,284
Special education - preschool grants	84.173A	H173A220113	89,052
COVID-19 - Special education - preschool grants ARP	84.173X	H173X220113	9,917
Total special education - preschool grants			98,969
Total special education cluster			1,858,253
Total passed-through Mississippi Department of Education			7,907,854
Total U.S. Department of Education			7,907,854
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2305MS5ADM	42,900
Total passed-through Mississippi Department of Education			42,900
Total U.S. Department of Health and Human Services			42,900

Total for All Federal Awards \$ 11,917,586

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

LEE COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2023

(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, 2023. 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 reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$298,577 are included in the national school lunch program.

(5) Other Items

As allowed by federal regulations, the school district elected to transfer program funds. The district expended \$180,926 from its Supporting Effective Instruction - State Grants ALN# 84.367 and \$31,097 from Student Support and Academic Enrichment Program ALN# 84.424 on allowable activities of the Title I - Grants to Local Educational Agencies ALN# 84.010. These amounts are reflected in the expenditures of Title I - Grants to Local Educational Agencies.

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

LEE COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2023

		Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Expenditures	Total				
Salaries and fringe benefits	\$ 57,580,302	46,222,231	1,472,903	4,328,094	5,557,074
Other	<u>23,524,134</u>	<u>4,533,490</u>	<u>552,335</u>	<u>55,159</u>	<u>18,383,150</u>
Total	<u>81,104,436</u>	<u>50,755,721</u>	<u>2,025,238</u>	<u>4,383,253</u>	<u>23,940,224</u>
Total number of students	<u>5,252</u>				
Cost per student	<u>\$ 15,443</u>	<u>9,664</u>	<u>386</u>	<u>835</u>	<u>4,558</u>

Notes to the schedule.

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.

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

This page left blank intentionally.

OTHER INFORMATION

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	UNAUDITED			
	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 20,927,401	19,692,147	19,649,571	18,847,282
State sources	38,897,502	35,582,671	35,058,056	36,551,284
Federal sources	338,347	350,269	325,275	480,978
Total Revenues	<u>60,163,250</u>	<u>55,625,087</u>	<u>55,032,902</u>	<u>55,879,544</u>
Expenditures				
Instruction	38,497,244	34,746,994	34,275,093	34,611,917
Support services	20,386,328	18,442,571	17,718,631	17,582,168
Noninstructional services	0	1,500	150	1,185
Facilities acquisition and construction	12,751	0	0	0
Debt service				
Other	0	0	1,780	0
Total Expenditures	<u>58,896,323</u>	<u>53,191,065</u>	<u>51,995,654</u>	<u>52,195,270</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,266,927</u>	<u>2,434,022</u>	<u>3,037,248</u>	<u>3,684,274</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	1,948	63,710	1,458	3,136
Sale of transportation equipment	29,115	0	37,466	0
Sale of other property	776	0	1,948	30
Operating transfers in	116,160	322,938	29,924	33,318
Other financing sources	0	0	0	10,143
Operating transfers out	(1,083,070)	(774,375)	(583,451)	(440,910)
Total Other Financing Sources (Uses)	<u>(935,071)</u>	<u>(387,727)</u>	<u>(512,655)</u>	<u>(394,283)</u>
Net Change in Fund Balances	<u>331,856</u>	<u>2,046,295</u>	<u>2,524,593</u>	<u>3,289,991</u>
Fund Balances:				
Beginning of period, as previously reported	18,733,263	16,686,968	14,161,293	10,775,837
Prior period adjustments	0	0	1,082	95,465
Beginning of period, as restated	<u>18,733,263</u>	<u>16,686,968</u>	<u>14,162,375</u>	<u>10,871,302</u>
End of period	<u>\$ 19,065,119</u>	<u>18,733,263</u>	<u>16,686,968</u>	<u>14,161,293</u>

* Source - Prior year audit reports.

LEE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

	UNAUDITED			
	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 25,885,276	23,825,814	23,906,888	23,394,870
State sources	40,477,051	36,943,531	36,618,647	38,094,356
Federal sources	11,644,246	12,406,861	11,241,316	6,794,414
Total Revenues	<u>78,006,573</u>	<u>73,176,206</u>	<u>71,766,851</u>	<u>68,283,640</u>
Expenditures				
Instruction	45,115,375	41,958,519	42,417,206	38,488,312
Support services	25,543,914	22,067,595	20,400,530	20,518,647
Noninstructional services	3,721,282	3,600,065	3,062,595	3,358,861
Facilities acquisition and construction	1,820,635	2,402,053	6,617,725	390,769
Debt service				
Principal	3,945,000	3,236,000	3,081,750	2,936,000
Interest	945,043	875,533	906,342	489,709
Other	13,187	291,326	8,660	6,880
Total Expenditures	<u>81,104,436</u>	<u>74,431,091</u>	<u>76,494,808</u>	<u>66,189,178</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,097,863)</u>	<u>(1,254,885)</u>	<u>(4,727,957)</u>	<u>2,094,462</u>
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	6,450,000	0	15,000,000
Proceeds of loans	975,500	935,000	921,000	861,750
Payment held by QSCB escrow agent	0	0	0	240,000
Insurance loss recoveries	1,948	63,710	1,458	3,136
Sale of transportation equipment	29,115	0	38,266	0
Sale of other property	776	0	2,318	30
Operating transfers in	2,132,058	1,400,498	1,477,471	1,746,257
Other financing sources	0	0	6,669	404,158
Operating transfers out	(2,132,058)	(1,400,498)	(1,477,471)	(1,746,257)
Payment to QSCB escrow agent	0	0		(240,000)
Other financing uses	0	0	0	(151,075)
Total Other Financing Sources (Uses)	<u>1,007,339</u>	<u>7,448,710</u>	<u>969,711</u>	<u>16,117,999</u>
Net Change in Fund Balances	<u>(2,090,524)</u>	<u>6,193,825</u>	<u>(3,758,246)</u>	<u>18,212,461</u>
Fund Balances:				
Beginning of period, as previously reported	38,500,000	32,318,838	36,084,145	17,691,063
Prior period adjustments	0	0	1,082	95,465
Beginning of period, as restated	<u>38,500,000</u>	<u>32,318,838</u>	<u>36,085,227</u>	<u>17,786,528</u>
Increase (Decrease) in reserve for inventory	<u>(26,115)</u>	<u>(12,663)</u>	<u>(8,143)</u>	<u>85,156</u>
End of period	<u>\$ 36,383,361</u>	<u>38,500,000</u>	<u>32,318,838</u>	<u>36,084,145</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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*

Independent Auditor's Report

Superintendent and School Board
Lee County School District

I 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 Lee County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lee County School District's basic financial statements, and have issued my report thereon dated July 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Lee County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Lee County 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.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County School District's financial statements are free from material misstatement, I 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 my audit, and

accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

July 19, 2024

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Independent Auditor's Report

Superintendent and School Board
Lee County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Lee 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 Lee County School District's major federal programs for the year ended June 30, 2023. Lee 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 my opinion, Lee 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, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my 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). My 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.

I am required to be independent of Lee County School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Lee 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 Lee County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My 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 Lee 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 Lee 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, I did

- 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 Lee 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 Lee 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 Lee County School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I identified during the audit.

Report on Internal Control Over Compliance

My consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, I did identify a certain deficiency in internal control over compliance that I consider to be a significant deficiency.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item [2023-001], to be a significant deficiency.

My 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.

Government Auditing Standards requires the auditor to perform limited procedures on Lee County School District's response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. Lee County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 19, 2024

This page left blank intentionally.

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

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Lee County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County School District as of and for the year ended June 30, 2023, which collectively comprise Lee County School District's basic financial statements and have issued my report thereon dated July 19, 2024. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

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

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

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my 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, 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

July 19, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

LEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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? | None Reported |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. Federal program identified as major program: | |

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Grants to Local Education Agencies
84.027A, 84.027X, 84.173A, 84.173X	Special Education Cluster
84.425D	COVID-19 – Education Stabilization Fund (ESSER) II
84.425U	COVID-19 – Education Stabilization Fund (ESSER) ARP III
84.425W	COVID-19 – Homeless Children and Youth – ARP
84.425D	COVID-19 – CTE Equipment Grant (ESSER II)

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

Section II: Financial Statement Findings

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

LEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section III: Federal Award Findings and Questioned Costs

Significant deficiency identified that is not considered to be a material weakness.

Finding 2023-001

Assisting Listing Number No.: 84.027A, 84.027X, 84.173A, 84.173X Special Education Cluster

Compliance Requirement: Procurement, Suspension and Debarment

CRITERIA: Uniform Guidance requires two written quotes for the purchase of services that exceed \$10,000 but are less than \$250,000.

CONDITION: The school district purchased professional services that exceeded \$10,000 without having received an adequate number or comparable quotes from other service providers.

CAUSE OF CONDITION: The cause of the condition was an oversight of management.

EFFECT OF CONDITION: The effect of this condition could result in noncompliance with program requirements.

QUESTIONED COSTS: None

PREVALENCE AND CONSEQUENCE: This appears to be an isolated matter.

REPEAT FINDING: Not a repeat finding

RECOMMENDATION: It is recommended that an adequate number of quotes be received from qualified vendors when the expenditure will exceed \$10,000.

VIEWS OF RESPONSIBLE OFFICIALS: In agreement. See the school district's response in the Correction Action Plan in this report.

AUDITEE'S CORRECTIVE ACTION PLAN

This page left blank intentionally.



LEE COUNTY SCHOOL DISTRICT

1280 College View Drive, Tupelo, MS 38804 - 662.841.9144

Corrective Action Plan

July 19, 2024

As required by 2 CFR 200.511(a), the Lee 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, 2023.

Finding 2023-001

Corrective Action Plan

- a. Contact person responsible for corrective action: Anthony Bryant, Special Education Director
- b. Description of correction action to be taken: The district did obtain two quotes for the same contract for the 2023-24 school year. In addition, the Special Education Department has developed a checklist for all purchases that includes obtaining two quotes when required by state law and/or Uniform Guidance.
- c. Anticipated completion date of corrective action: Corrective action was taken in October of 2023.

Superintendent of Education

This page left blank intentionally.