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CLEVELAND SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2023

CLEVELAND SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Cleveland School District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland 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

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

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 Cleveland School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cleveland School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cleveland School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cleveland School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024, on our consideration of the Cleveland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cleveland 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 Cleveland School District's internal control over financial reporting and compliance.

Brown CPA, PLLC
Madison, Mississippi
October 25, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

The following discussion and analysis of Cleveland 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 increased \$5,720,016, including a prior period adjustment of (\$78,850), which represents a 30% increase from fiscal year 2022. Total net position for 2022 increased \$9,737,351, including a prior period adjustment of \$19,292, which represents a 34% increase from fiscal year 2021.
- General revenues amounted to \$27,492,129 and \$31,114,536, or 62% and 73% 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 \$16,827,645, or 38% of total revenues for 2023, and \$11,386,522, or 27% of total revenues for 2022.
- The district had \$38,520,908 and \$32,782,999 in expenses for fiscal years 2023 and 2022; only \$16,827,645 for 2023 and \$11,386,522 for 2022 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$27,492,129 for 2023 and general revenues of \$31,114,536 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$27,951,686 in revenues and \$30,661,892 in expenditures for 2023, and \$27,533,118 in revenues and \$23,603,478 in expenditures in 2022. The General Fund's fund balance decreased by \$57,648, including a prior period adjustment of (\$107,486), from 2022 to 2023, and increased by \$5,798,728, from 2021 to 2022.
- Capital assets, including intangible right to use assets and net of accumulated depreciation and amortization, increased by \$8,384,383, including a prior period adjustment of \$1, for 2023 and increased by \$2,136,101, including a prior period adjustment of \$19,292 for 2022. The increase for 2023 is mainly due to the addition of construction in progress and the purchase of equipment.
- Long-term debt, including compensated absences, leases and SBITA obligations, increased by \$3,759,402 for 2023 and decreased by \$500,386 for 2022. This increase for 2023 was due primarily to the issuance of two different loans. The liability for compensated absences decreased by \$35,530 and \$40,884 for 2023 and 2022, respectively.

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

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the district's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,370,962 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.

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Current assets	\$ 24,095,877	\$ 22,349,202	7.82 %
Restricted assets	6,160,177	5,306,365	16.09 %
Lease receivable	1,139,154	2,420,434	(52.94) %
Capital assets, net	22,649,912	14,265,529	58.77 %
Total assets	<u>54,045,120</u>	<u>44,341,530</u>	21.88 %
Deferred outflows of resources	<u>9,753,474</u>	<u>9,472,160</u>	2.97 %
Current liabilities	4,065,739	2,693,827	50.93 %
Long-term debt outstanding	13,174,878	9,317,484	41.40 %
Lease liability	175,495	279,421	(37.19) %
SBITA liability	5,934	-	N/A %
Net OPEB liability	1,795,792	2,480,294	(27.60) %
Net pension liability	52,829,350	41,677,137	26.76 %
Total liabilities	<u>72,047,188</u>	<u>56,448,163</u>	27.63 %
Deferred inflows of resources	<u>5,122,368</u>	<u>16,456,505</u>	(68.87) %
Net position:			
Net investment in capital assets	9,514,531	5,204,501	82.81 %
Restricted	11,452,014	10,349,011	10.66 %
Unrestricted	(34,337,507)	(34,644,490)	0.89 %
Total net position	<u>\$ (13,370,962)</u>	<u>\$ (19,090,978)</u>	29.96 %

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)	\$ (34,337,507)
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	48,784,183
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 14,446,676</u>

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 \$8,384,383, including right to use assets for leases and SBITAs.
- The principal retirement of \$724,997 of long-term debt.
- The principal payment for leases and SBITA obligations in the amount of \$117,302.
- Recognition of the net pension liability in the amount of \$52,829,350.
- Recognition of the OPEB liability in the amount of \$1,795,792.

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$44,319,774 and \$42,501,058, respectively. The total cost of all programs and services was \$38,520,908 for 2023 and \$32,782,999 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**

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 276,556	\$ 220,550	25.39 %
Operating grants and contributions	16,551,089	10,410,034	58.99 %
Capital Grants and Contributions	-	755,938	(100.00) %
General revenues:			
Property taxes	11,418,536	11,232,578	1.66 %
Grants and contributions not restricted	15,338,584	16,055,688	(4.47) %
Investment earnings	164,424	142,963	15.01 %
Sixteenth section sources	225,584	377,955	(40.31) %
Other	345,001	3,305,352	(89.56) %
Total revenues	<u>44,319,774</u>	<u>42,501,058</u>	4.28 %
Expenses:			
Instruction	17,756,996	16,900,969	5.06 %
Support services	14,309,547	11,441,814	25.06 %
Non-instructional	2,596,657	2,238,416	16.00 %
Sixteenth section	57,054	87,312	(34.66) %
Pension expense	3,826,435	2,062,681	85.51 %
OPEB expense	(286,601)	(159,693)	(79.47) %
Interest on long-term liabilities	260,820	211,500	23.32 %
Total expenses	<u>38,520,908</u>	<u>32,782,999</u>	17.50 %
Increase (Decrease) in net position	<u>5,798,866</u>	<u>9,718,059</u>	(40.33) %
Net Position, July 1, as previously reported	(19,090,978)	(28,828,329)	33.78 %
Prior Period Adjustment	<u>(78,850)</u>	<u>19,292</u>	(508.72) %
Net Position, July 1, as restated	<u>(19,169,828)</u>	<u>(28,809,037)</u>	33.46 %
Net Position, June 30	<u>\$ (13,370,962)</u>	<u>\$ (19,090,978)</u>	29.96 %

Governmental activities

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

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

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	\$ 17,756,996	\$ 16,900,969	5.06	%
Support services	14,309,547	11,441,814	25.06	%
Non-instructional	2,596,657	2,238,416	16.00	%
Sixteenth section	57,054	87,312	(34.66)	%
Pension Expense	3,826,435	2,062,681	85.51	%
OPEB Expense	(286,601)	(159,693)	(79.47)	%
Interest on long-term liabilities	260,820	211,500	23.32	%
Total expenses	\$ 38,520,908	\$ 32,782,999	17.50	%

	Net (Expense) Revenue		Percentage Change	
	2023	2022		
Instruction	\$ (7,794,739)	\$ (10,886,463)	28.40	%
Support services	(9,818,237)	(8,541,902)	(14.94)	%
Non-instructional	(222,579)	233,688	(195.25)	%
Sixteenth section	(57,054)	(87,312)	34.66	%
Pension Expense	(3,826,435)	(2,062,681)	(85.51)	%
OPEB Expense	286,601	159,693	79.47	%
Interest on long-term liabilities	(260,820)	(211,500)	(23.32)	%
Total net (expense) revenue	\$ (21,693,263)	\$ (21,396,477)	(1.39)	%

- Net cost of governmental activities (\$21,693,263) for 2023 and (\$21,396,477) for 2022 was financed by general revenue, which is primarily made up of property taxes (\$11,418,536 for 2023 and \$11,232,578 for 2022) and state and federal revenues (\$15,338,584 for 2023 and \$16,055,688 for 2022). In addition, there was \$225,584 and \$377,955 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$164,424 for 2023 and \$142,963 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 \$26,212,585, an increase of \$1,140,421, which includes a prior period adjustment of (\$78,851) and an increase in inventory of \$8,891. \$14,667,602 or 56% 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

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

\$11,544,983 or 44% is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the district. The decrease in fund balance in the General Fund for the fiscal year was \$57,648, which includes a prior period adjustment of (\$107,486). The fund balance of Other Governmental Funds showed an increase in the amount of \$1,198,069, which includes a prior period adjustment of \$28,635 and an increase in inventory of \$8,891. The increase (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER I Fund	No increase or decrease
ESSER III ARP Fund	No increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the district's total capital assets were \$34,803,936, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment, and intangible assets. This amount represents an increase of \$9,142,984 from 2022. Total accumulated depreciation as of June 30, 2023, was \$12,154,024, and total depreciation expense for the year was \$779,520, resulting in total net capital assets of \$22,649,912.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>	
Land	\$ 111,036	\$ 111,036	-	%
Construction in progress	8,948,787	2,292,930	290.28	%
Buildings	5,376,684	5,497,920	(2.21)	%
Building improvements	5,665,558	3,737,139	51.60	%
Improvements other than buildings	722,414	712,416	1.40	%
Mobile equipment	1,357,527	1,523,657	(10.90)	%
Furniture and equipment	293,384	117,711	149.24	%
Intangible right to use assets	174,522	272,720	(36.01)	%
Total	\$ 22,649,912	\$ 14,265,529	58.77	%

Additional information on the District's capital assets can be found in Note 5 included in this report. The right to use assets – leases and SBITAs information is presented in more detail in Note 6 included in this report.

CLEVELAND SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2023

Debt Administration. At June 30, 2023, the District had \$13,356,307 in outstanding long-term debt, including obligations under lease and SBITA liabilities, of which \$891,535 is due within one year. The liability for compensated absences decreased \$35,530 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>	
Three mill notes payable	1,040,000	1,195,000	(12.97)	%
Qualified school construction bonds payable	6,741,437	6,741,437	-	%
Education facilities revolving loan payable	750,000	-	N/A	%
Installment purchase loans payable	4,422,515	1,124,591	293.26	%
Lease liabilities	175,495	279,421	(37.19)	%
SBITA liabilities	5,934	-	N/A	%
Compensated absences payable	220,926	256,456	(13.85)	%
Total	<u>\$ 13,356,307</u>	<u>\$ 9,596,905</u>	39.17	%

Additional information on the district's long-term debt can be found in Note 7 and the information for leases and SBITAs can be found in Note 6 included in this report.

CURRENT ISSUES

The Cleveland School District is financially stable. The district has improved its financial condition over the last few years and plans to continue its sound fiscal management to meet the challenges and needs of the District. The District is proud of its community support of the public schools.

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 Cleveland School District, 305 Merritt Drive, Cleveland, MS 38732.

FINANCIAL STATEMENTS

CLEVELAND SCHOOL DISTRICT

**Statement of Net Position
June 30, 2023**

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	15,574,318
Due from other governments		5,636,313
Accrued interest receivable		22,044
Other receivables, net		2,800,547
Lease receivable		1,139,154
Inventories		62,655
Restricted assets		6,160,177
Capital assets, non-depreciable:		
Land		111,036
Construction in progress		8,948,787
Capital assets, net of accumulated depreciation:		
Buildings		5,376,684
Building improvements		5,665,558
Improvements other than buildings		722,414
Mobile equipment		1,357,527
Furniture and equipment		293,384
Leased Assets		167,151
Subscription IT assets		7,371
Total Assets		54,045,120
Deferred Outflows of Resources		
Deferred outflows - pensions		9,356,897
Deferred outflows - OPEB		396,577
Total Deferred Outflows of Resources		9,753,474
Liabilities		
Accounts payable and accrued liabilities		3,972,770
Interest payable on long-term liabilities		92,969
Long-term liabilities, due within one year:		
Leases liabilities		109,244
Capital related liabilities		765,311
Non-capital related liabilities		11,046
SBITA liabilities		5,934
Net OPEB liability		87,741
Long-term liabilities, due beyond one year:		
Leases liabilities		66,251
Capital related liabilities		12,188,641
Non-capital related liabilities		209,880
Net pension liability		52,829,350
Net OPEB liability		1,708,051
Total Liabilities		72,047,188
Deferred Inflows of Resources		
Deferred inflows - pensions		2,787,331
Deferred inflows - OPEB		1,125,184
Deferred inflows - leases		1,209,853
Total Deferred Inflows of Resources		5,122,368
Net Position		
Net investment in capital assets		9,514,531
Restricted for:		
Expendable:		
School-based activities		1,882,709
Debt service		5,659,631
Capital improvements		3,350,082
Forestry improvements		146
Unemployment benefits		123,351
Non-expendable:		
Sixteenth section		436,095
Unrestricted		(34,337,507)
Total Net Position (deficit)	\$	(13,370,962)

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

CLEVELAND SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2023**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 17,756,996	\$ 246,201	\$ 9,716,056	\$ -		\$ (7,794,739)
Support services	14,309,547	-	4,491,310	-		(9,818,237)
Non-instructional	2,596,657	30,355	2,343,723	-		(222,579)
Sixteenth section	57,054	-	-	-		(57,054)
Pension expense	3,826,435	-	-	-		(3,826,435)
OPEB expense	(286,601)	-	-	-		286,601
Interest on long-term liabilities	260,820	-	-	-		(260,820)
Total Governmental Activities	\$ 38,520,908	\$ 276,556	\$ 16,551,089	\$ -		\$ (21,693,263)

General Revenues:

Taxes:

General purpose levies	10,965,911
Debt purpose levies	452,625

Unrestricted grants and contributions:

State	15,145,962
Federal	192,622
Unrestricted investment earnings	164,424
Sixteenth section sources	225,584
Other	345,001

Total General Revenues	<u>27,492,129</u>
------------------------	-------------------

Change in Net Position	<u>5,798,866</u>
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Net Position - Beginning, as previously reported	(19,090,978)
Prior Period Adjustments	<u>(78,850)</u>

Net Position - Beginning, as restated	<u>(19,169,828)</u>
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Net Position (deficit) - Ending	<u>\$ (13,370,962)</u>
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The notes to the financial statements are an integral part of this statement.

CLEVELAND SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2023

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	ESSER II Fund	ESSER III ARP Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 13,137,420	-	-	\$ 3,533,662	\$ 16,671,082
Cash with fiscal agents	-	-	-	280,803	280,803
Investments	-	-	-	4,782,610	4,782,610
Due from other governments	404,803	1,066,297	3,138,138	1,027,075	5,636,313
Accrued interest receivable	-	-	-	22,044	22,044
Other receivables, net	2,589,327	-	-	211,220	2,800,547
Lease receivable	1,139,154	-	-	-	1,139,154
Due from other funds	3,735,338	-	-	12,899	3,748,237
Inventories	-	-	-	62,655	62,655
Total Assets	<u>\$ 21,006,042</u>	<u>\$ 1,066,297</u>	<u>\$ 3,138,138</u>	<u>\$ 9,932,968</u>	<u>\$ 35,143,445</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,284,081	\$ 311,806	\$ 1,364,694	\$ 12,189	\$ 3,972,770
Due to other funds	-	754,491	1,773,444	1,220,302	3,748,237
Total Liabilities	<u>2,284,081</u>	<u>1,066,297</u>	<u>3,138,138</u>	<u>1,232,491</u>	<u>7,721,007</u>
Deferred Inflows of Resources					
Leases	\$ 1,209,853	-	-	-	1,209,853
Total Deferred Inflows of Resources	<u>1,209,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,209,853</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	62,655	62,655
Permanent fund principal	-	-	-	436,095	436,095
Restricted:					
Debt service	-	-	-	5,752,600	5,752,600
Capital projects	-	-	-	760,755	760,755
Forestry improvement purposes	-	-	-	146	146
Unemployment benefits	-	-	-	123,351	123,351
Grant activities	-	-	-	133,817	133,817
Food service	-	-	-	1,431,058	1,431,058
Assigned:					
Capital improvements	2,589,327	-	-	-	2,589,327
School activities	255,179	-	-	-	255,179
Total Fund Balances	<u>14,667,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,667,602</u>
Total Fund Balances	<u>17,512,108</u>	<u>-</u>	<u>-</u>	<u>8,700,477</u>	<u>26,212,585</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,006,042</u>	<u>\$ 1,066,297</u>	<u>\$ 3,138,138</u>	<u>\$ 9,932,968</u>	<u>\$ 35,143,445</u>

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

CLEVELAND SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Exhibit C-1

Total fund balances for governmental funds \$ 26,212,585

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	\$	111,036	
Construction in progress		8,948,787	
Buildings		11,457,177	
Building improvements		7,068,208	
Improvements other than buildings		940,156	
Mobile equipment		4,505,522	
Furniture and equipment		1,375,451	
Accumulated depreciation		(11,930,947)	
Leased assets		378,289	
Accumulated amortization		(211,138)	
Subscription IT assets		19,310	
Accumulated amortization		(11,939)	
		22,649,912	22,649,912

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

3. 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		(52,829,350)	
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		9,356,897	
Deferred inflows of resources related to pensions		(2,787,331)	(46,259,784)
		(46,259,784)	

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

Net OPEB liability		(1,795,792)	
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		396,577	
Deferred inflows of resources related to OPEB		(1,125,184)	(2,524,399)
		(728,607)	

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

Leases liabilities		(175,495)	
SBITA liabilities		(5,934)	
Other bonds payable		(6,741,437)	
Notes payable		(1,040,000)	
Installment purchases loans payable		(4,422,515)	
Education facilities loans		(750,000)	
Compensated absences		(220,926)	
Accrued interest payable		(92,969)	
		(13,449,276)	(13,449,276)

Net Position of governmental activities **\$ (13,370,962)**

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

CLEVELAND SCHOOL DISTRICT
Governmental Funds

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

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	ESSER II Fund	ESSER III ARP Fund		
Revenues:					
Local sources	\$ 11,401,352	\$ -	\$ -	552,391	\$ 11,953,743
State sources	16,132,128	-	-	2,315,003	18,447,131
Federal sources	192,622	2,055,385	4,262,195	6,932,338	13,442,540
Sixteenth section sources	225,584	-	-	2,835	228,419
Total Revenues	27,951,686	2,055,385	4,262,195	9,802,567	44,071,833
Expenditures:					
Instruction	15,433,423	296,766	561,074	3,920,873	20,212,136
Support services	11,429,019	175,164	26,500	3,244,777	14,875,460
Noninstructional services	197,826	-	-	2,466,482	2,664,308
Sixteenth section	57,054	-	-		57,054
Facilities acquisition and construction	3,413,174	1,583,455	3,674,621	166,746	8,837,996
Debt service:					
Principal	117,302	-	-	724,997	842,299
Interest	14,094	-	-	219,382	233,476
Other	-	-	-	5,000	5,000
Total Expenditures	30,661,892	2,055,385	4,262,195	10,748,257	47,727,729
Excess (Deficiency) of Revenues over (under) Expenditures	(2,710,206)	-	-	(945,690)	(3,655,896)
Other Financing Sources (Uses):					
Proceeds of loans	-	-	-	750,000	750,000
Inception of finance	3,867,921	-	-	-	3,867,921
SBITA issued	415	-	-	-	415
Insurance recovery	36,721	-	-	211,220	247,941
Payments held by escrow agent	-	-	-	439,532	439,532
Payment to QSCB debt escrow agent	-	-	-	(439,532)	(439,532)
Operating transfers in	68,029	-	-	1,360,776	1,428,805
Operating transfers out	(1,213,042)	-	-	(215,763)	(1,428,805)
Total Other Financing Sources (Uses)	2,760,044	-	-	2,106,233	4,866,277
Net Change in Fund Balances	49,838	-	-	1,160,543	1,210,381
Fund Balances:					
July 1, 2022, as previously reported	17,569,756	-	-	7,502,408	25,072,164
Prior period adjustments	(107,486)			28,635	(78,851)
July 1, 2022, as restated	17,462,270	-	-	7,531,043	24,993,313
Increase (Decrease) in inventory	-	-	-	8,891	8,891
June 30, 2023	\$ 17,512,108	\$ -	\$ -	8,700,477	\$ 26,212,585

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

**CLEVELAND SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,210,381

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 9,144,804	
	Depreciation expense	(662,012)	
	SBITA outlay	415	
	Amortization expense	<u>(117,508)</u>	8,365,699
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(212)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Bonds and notes issued	(4,617,921)	
	SBITA issued	(415)	
	Payments of debt principal	724,997	
	Payments to leases principal	103,926	
	Payments of SBITA principal	13,376	
	Accrued interest payable	<u>(22,344)</u>	(3,798,381)
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	Pension expense	(3,826,435)	
	Contributions subsequent to the measurement date	<u>3,426,444</u>	(399,991)
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	OPEB expense	286,601	
	Contributions subsequent to the measurement date	<u>90,348</u>	376,949
6.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	35,530	
	Change in inventory	<u>8,891</u>	44,421
Change in Net Position of governmental activities		<u>\$</u>	<u>5,798,866</u>

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Cleveland 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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

ESSER II Fund – This fund is used to account for the Elementary and Secondary School Emergency Relief Fund federal grant in response to the COVID-19 pandemic.

ESSER III ARP Fund – This is a special revenue fund that accounts for the expenditures and revenues of the American Rescue Plan Elementary and Secondary School Emergency Relief (**ARP ESSER**) Fund under the American Rescue Plan (**ARP**) Act of 2021, Public Law 117-2, enacted on March 11, 2021. The ARP ESSER III funding from the ARP Act provides support for K-12 schools to help safely open and sustain the safe operations of schools and address the impacts of the coronavirus pandemic on the nation's students.

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing authority of the city 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 not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the district as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Right to use leased property asset	**	**
Right to use Subscription IT asset	***	***

(**) A capitalization threshold amount has not been set for right to use property assets. Right to use leased property assets will be amortized in a rational and systematic manner over the shorter of the lease term or the useful life of the underlying asset.

(***) A capitalization threshold amount has not been set for right to use subscription IT assets. Right to use subscription IT assets will be amortized in a rational and systematic manner over the shorter of the subscription term or the useful of the underlying IT asset.

The term 'depreciation' includes the amortization of intangible assets.

7. Deferred outflows/inflows of resources

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

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

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

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

See Notes 6, 9, 10, and 16 for further details.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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.

When acting as the lessee, the school district uses the Federal prime borrowing rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

When acting as the lessor, the school district uses 4% to calculate the present value of lease payments involving the leasing of 16th section school lands. See Note 6 for details.

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, reliability, relevance and consistency of information about SBITAs. The school district implemented GASB 96 in fiscal year 2023.

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the official action of the school board to approve committed fund balances and to detail the action in its official minutes. 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 district management pursuant to authorization established by school board policy.

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the district's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the district's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts. The goal of the district is to maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 7% of state and local revenues.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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, reliability, 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 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 \$16,671,082. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$15,574,318 and restricted assets in the amount of \$6,160,177 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2023 none of the district's bank balance of \$17,467,192 was exposed to custodial credit risk.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents was \$280,803.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Government securities	AA+	1-5 years	<u>\$ 4,782,610</u>
Total			<u>\$ 4,782,610</u>

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

The district has the following recurring fair value measurements as of June 30, 2023:

- Level 1 type of investments of \$4,782,610 are valued using quoted market prices (Level 1 inputs).

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

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

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	ESSER II Fund	\$ 754,491
	ESSER III ARP Fund	1,773,444
	Other Governmental Funds	1,207,403
Other Governmental Funds	Other Governmental Funds	<u>12,899</u>
Total		<u>\$ 3,748,237</u>

The inter-fund balances primarily represent loans created by the existence of negative fund cash balances in a pooled bank account due to the General Fund at June 30, 2023. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from other governments. All balances are expected to be repaid within one year.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,213,042
Other Governmental Funds	General Fund	68,029
Other Governmental Funds	Other Governmental Funds	<u>147,734</u>
Total		<u>\$ 1,428,805</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds and transfers of indirect costs from other governmental funds to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$436,096 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The restricted assets also represent the cash, cash with fiscal agents and investment balance totaling \$280,803 and \$4,782,610 of the two QSCB Bond Retirement Funds. In addition, the restricted assets represent the cash balance, totaling \$660,668 of the debt service funds whose assets are restricted for future debt service requirements.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 5 – Capital Assets

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

	Balance 7/1/2022	Increases	Decreases	Adjustments	Balance 6/30/2023
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 111,036	\$ -	\$ -	\$ -	111,036
Construction in progress	2,292,930	8,837,996	-	(2,182,139)	8,948,787
Total non-depreciable capital assets	2,403,966	8,837,996	-	(2,182,139)	9,059,823
<u>Depreciable capital assets:</u>					
Buildings	11,457,177	-	-	-	11,457,177
Building improvements	4,886,069	-	-	2,182,139	7,068,208
Improvements other than buildings	940,156	-	-	-	940,156
Mobile equipment	4,441,127	66,900	-	-	4,508,027
Furniture and equipment	1,154,168	239,908	21,130	-	1,372,946
Total depreciable capital assets	22,878,697	306,808	21,130	2,182,139	25,346,514
<u>Less accumulated depreciation for:</u>					
Buildings	5,959,257	121,235	-	1	6,080,493
Building improvements	1,148,930	206,972	-	46,748	1,402,650
Improvements other than buildings	227,740	34,249	-	(44,247)	217,742
Mobile equipment	2,917,470	233,028	-	(2,503)	3,147,995
Furniture and equipment	1,036,457	66,528	20,918	-	1,082,067
Total accumulated depreciation	11,289,854	662,012	20,918	(1)	11,930,947
Total depreciable capital assets, net	11,588,843	(355,204)	212	2,182,140	13,415,567
Governmental activities capital assets, net	\$ 13,992,809	\$ 8,482,792	\$ 212	\$ 1	\$ 22,475,390
Lease assets, net (Note 6)					167,151
Subscription IT assets (SBITA), net (Note 6)					7,371
Total capital assets, net as reported in the statement of net position					22,649,912

Adjustments were made to correctly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 148,962
Support services	480,835
Non-instructional	32,215
Total depreciation expense	\$ 662,012

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

	Spent to June 30, 2023	Remaining Commitment
Governmental Activities:		
HVAC Project	\$ 7,933,717	9,089,976
Bathroom Renovation Project	1,015,070	2,491,684
Total governmental activities	8,948,787	11,581,660
Total construction in progress	\$ 8,948,787	11,581,660

Construction projects included in governmental activities are funded with the district maintenance fund, Parks Elem-Storm Renovations fund, and ESSER funds.

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

A summary of lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Adjustments	Balance 6/30/2023
Lease Assets:				
Furniture and Equipment	\$ 378,289	-	-	378,289
Total Lease Assets	378,289	-	-	378,289
Less Accumulated Amortization:				
Furniture and Equipment	105,569	105,569	-	211,138
Total Accumulated Amortization	105,569	105,569	-	211,138
Total Lease Assets, Net	272,720	(105,569)	-	167,151
Subscription IT Assets:				
Level Data Subscription	-	-	11,283	11,283
Microsoft Application	-	-	7,612	7,612
Web Based Curriculum	-	415	-	415
Total Subscription IT Assets	-	415	18,895	19,310
Less Accumulated Amortization:				
Level Data Subscription	-	5,641	-	5,641
Microsoft Application	-	6,090	-	6,090
Web Based Curriculum	-	208	-	208
Total Accumulated Amortization	-	11,939	-	11,939
Subscription IT Assets, Net	-	(11,524)	18,895	7,371
Total Lease and Subscription IT Assets, Net	\$ 272,720	(117,093)	18,895	174,522

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

A summary of lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Retirements	Adjustments	Balance 6/30/2023	Amounts due within one year
Lease Liabilities	\$ 279,421	\$ -	\$ 103,926	\$ -	\$ 175,495	\$ 109,244
Subscription IT Liabilities	\$ -	\$ 415	\$ 13,376	\$ 18,895	\$ 5,934	\$ 5,934
Total	\$ 279,421	\$ 415	\$ 117,302	\$ 18,895	\$ 181,429	\$ 115,178

Year Ending June 30	Principal	Interest	Total Payment
2024	\$ 115,178	\$ 8,906	\$ 124,084
2025	66,251	2,573	68,824
Total	\$ 181,429	\$ 11,479	\$ 192,908

Leases

As Lessee:

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

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

The Cleveland school district generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the district would expect to obtain for a similar financed purchase at the date of lease inception.

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

The district has entered into a 48 month lease of copiers and printers for a fixed price of \$9,835 per month. The lease agreement can only be cancelled if both parties agree. There are no options to extend the lease agreement and no variable payment options.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Copier Lease	5.00%	2/1/2021	1/31/2025	\$ 9,835	\$ 175,495
Total				<u>\$ 9,835</u>	<u>\$ 175,495</u>

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

Year Ending June 30	Principal	Interest	Total Payment
2025	\$ 109,244	\$ 8,776	\$ 118,020
2026	66,251	2,573	68,824
Total	<u>\$ 175,495</u>	<u>\$ 11,349</u>	<u>\$ 186,844</u>

As Lessor:

Sixteenth Section Lands

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

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 133 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed.

The total amount of inflows recognized in the reporting period from these leases is \$188,396. As of June 30, 2023, the School District recognized a lease receivable of \$1,139,154 and deferred inflow of resources of \$1,209,853, related to the Sixteenth section land leases. At lease inception, the district's lease receivable is measured at the present value of the lease payments expected to be received during the lease term and the deferred inflow is recorded in an amount equal to lease receivable plus any lease prepayments to be applied to future periods.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

The following are the future principal and interest payments to be received on the leases:

Year Ending June 30	Principal	Interest	Total Payment
2024	\$ 213,529	\$ 45,566	\$ 259,095
2025	222,070	37,025	259,095
2026	67,476	28,142	95,618
2027	68,765	25,443	94,208
2028	70,874	22,692	93,566
2029 - 2033	238,484	78,535	317,019
2034 - 2038	168,238	35,490	203,728
2039 - 2043	59,847	12,690	72,537
2044 - 2048	22,383	3,597	25,980
Thereafter	7,488	1,277	8,765
Total	\$ 1,139,154	\$ 290,457	\$ 1,429,611

SBITA

The school district has noncancellable SBITAs of various IT software. For subscriptions that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the subscription arrangement. For all other subscription based information technology arrangements, other than short term, the school district recognized a subscription payable and an intangible right-to-use subscription asset.

At subscription commencement, the school district initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the subscription made to the vendor at the inception of the arrangement, plus capitalized implementation costs, less vendor incentives. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset. The school district generally uses U. S. Treasury rate at subscription inception as the discount rate for subscriptions unless the rate that the lessor charges is known.

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

The school district has entered into three (3) subscription IT arrangements.

Details of the subscription obligations are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Subscription Based IT Agreements	1.85-2.19%	Varies	Varies	\$ 19,310	\$ 5,934
Total				<u>\$ 19,310</u>	<u>\$ 5,934</u>

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

Year Ending June 30	Principal	Interest	Total Payment
2024	\$ 5,934	\$ 130	\$ 6,064
Total	<u>\$ 5,934</u>	<u>\$ 130</u>	<u>\$ 6,064</u>

Note 7 – Long-term Liabilities

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due within one year
A. Three mill notes payable	\$ 1,195,000	-	155,000	\$ 1,040,000	\$ 160,000
B. Education facilities revolving loan payable	-	750,000	-	750,000	75,000
C. Installment purchases loans payable	1,124,591	3,867,921	569,997	4,422,515	530,311
D. Qualified school construction bonds payable	6,741,437	-	-	6,741,437	-
E. Compensated absences payable	256,456	-	35,530	220,926	11,046
Total	<u>\$ 9,317,484</u>	<u>\$ 4,617,921</u>	<u>\$ 760,527</u>	<u>\$ 13,174,878</u>	<u>\$ 776,357</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes payable, series 2017	2.52%	9/14/2017	6/15/2029	\$ 2,000,000	\$ 1,040,000
Total				<u>\$ 2,000,000</u>	<u>\$ 1,040,000</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 160,000	\$ 26,208	\$ 186,208
2025	165,000	22,176	187,176
2026	175,000	18,018	193,018
2027	175,000	13,608	188,608
2028	180,000	9,198	189,198
2029	185,000	4,662	189,662
Total	<u>\$ 1,040,000</u>	<u>\$ 93,870</u>	<u>\$ 1,133,870</u>

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

B. Education facilities revolving loan payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Education Facilities Revolving Loans Payable	0.00%	5/1/2023	5/1/2033	\$ 750,000	\$ 750,000
Total				<u>\$ 750,000</u>	<u>\$ 750,000</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 75,000	\$ -	\$ 75,000
2025	75,000	-	75,000
2026	75,000	-	75,000
2027	75,000	-	75,000
2028	75,000	-	75,000
2029-2033	375,000	-	375,000
Total	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>

This debt will be retired from the district maintenance fund.

C. Installment purchases loans payable

The district has entered into purchase agreements for financing the acquisition of technology upgrades and equipment, buses, and door security/access project.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Buses	4.02%	6/29/2018	4/10/2028	\$ 1,218,607	\$ 664,419
2. Door access project	2.83%	7/18/2019	4/10/2024	827,918	173,688
3. HVAC purchase agreement	5.35%	1/19/2023	10/10/2029	3,387,921	3,584,408
Total				<u>\$ 5,434,446</u>	<u>\$ 4,422,515</u>

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Buses

Year Ending June 30	Principal	Interest	Total
2024	\$ 122,432	\$ 25,472	\$ 147,904
2025	127,453	20,501	147,954
2026	132,679	15,327	148,006
2027	138,121	9,945	148,066
2028	143,734	4,343	148,077
Total	\$ 664,419	\$ 75,588	\$ 740,007

This debt will be retired from the installment purchase debt service fund.

2. Door access project

Year Ending June 30	Principal	Interest	Total
2024	\$ 173,688	\$ 3,695	\$ 177,383
Total	\$ 173,688	\$ 3,695	\$ 177,383

This debt will be retired from the installment purchase debt service fund.

3. HVAC purchase agreement

Year Ending June 30	Principal	Interest	Total
2024	\$ 234,191	\$ 95,883	\$ 330,074
2025	500,379	159,768	660,147
2026	527,507	132,639	660,146
2027	556,106	104,040	660,146
2028	586,256	73,891	660,147
2029-2030	1,179,969	140,324	1,320,293
Total	\$ 3,584,408	\$ 706,545	\$ 4,290,953

This debt will be retired from the installment purchase debt service fund.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Total installment purchase loans payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 530,311	\$ 121,355	\$ 651,666
2025	627,832	180,269	808,101
2026	660,186	147,966	808,152
2027	694,227	113,985	808,212
2028	729,990	78,234	808,224
2029-2030	1,179,969	140,324	1,320,293
Total	\$ 4,422,515	\$ 782,133	\$ 5,204,648

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
1. QSCB - Series 2010	5.85%	11/19/2010	12/1/2024	\$ 1,771,437	\$ 1,771,437
2. QSCB - Series 2012	0.00%	3/20/2012	3/15/2027	3,970,000	3,970,000
3. QSCB - Series 2013	0.00%	6/18/2013	6/1/2028	1,000,000	1,000,000
Total				\$ 6,741,437	\$ 6,741,437

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

QSCB – Series 2010:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 103,629	\$ 103,629
2025	1,771,437	103,629	1,875,066
Total	\$ 1,771,437	\$ 207,258	\$ 1,978,695

This debt will be retired from the QSCB, Series 2010 debt service sinking fund.

E. Compensated absences payable

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

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 \$3,426,444, \$3,074,425 and \$3,262,235, 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 \$52,829,350 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 0.256657 percent, which was based on a measurement date of June 30, 2022. This was a decrease of 0.025318 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.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$3,826,435. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 418,732	\$
Net difference between projected and actual earnings on pension plan investments	245,935	
Changes of assumptions	2,007,403	
Changes in proportion and differences between District contributions and proportionate share of contributions	3,258,383	2,787,331
District contributions subsequent to the measurement date	3,426,444	
Total	\$ 9,356,897	\$ 2,787,331

\$3,426,444 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	\$ 1,174,677
2025	602,349
2026	(1,500,574)
2027	2,866,670
Total	\$ 3,143,122

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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	
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	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District’s proportionate share of the net pension liability	\$ 68,947,697	\$ 52,829,350	\$ 39,540,593

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

Note 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$90,348 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 \$1,795,792 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 0.36449166 percent. This was a decrease of 0.02083747 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 (\$286,601). 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	\$ 1,487	\$ 778,011
Changes of assumptions	280,083	166,267
Net difference between projected and actual earnings on OPEB plan investments	124	

Cleveland School District
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Changes in proportion and differences between District contributions and proportionate share of contributions	24,535	180,906
District contributions subsequent to the measurement date	90,348	
 Total	 \$ <u>396,577</u>	 \$ <u>1,125,184</u>

\$90,348 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	\$	(204,661)
2025		(172,506)
2026		(176,202)
2027		(142,488)
2028		(87,924)
Thereafter		(35,174)
Total	\$	<u>(818,955)</u>

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 rate of 4.50% by 2029 FYE
Pre-Medicare	

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.

Cleveland School District
Notes to the Financial Statements
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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	\$ 1,978,286	\$ 1,795,792	\$ 1,639,032

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,670,855	\$ 1,795,792	\$ 1,936,391

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/>.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correctly present capital assets	\$ 1
2. See explanation below.	(78,851)
Total	<u>\$ (78,850)</u>

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

Fund	Explanation	Amount
General Fund	To correct beginning fund balances	\$ (91,801)
General Fund	To correct a balance sheet accrual	(15,685)
Other Governmental Funds	To correct beginning fund balances	(374)
Other Governmental Funds	To correct a balance sheet accrual	29,009
Total		<u>\$ (78,851)</u>

Note 12 – Risk Management

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 48 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

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.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2023, the district received \$32,272 in interest rate subsidies.

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 \$5,085,457. The amount accumulated in the sinking fund at the end of the seventeen-year period will 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	Series 2010	Series 2012	Series 2013	Total
2024	\$ 126,531	310,000	67,000	503,531
2025	126,531	310,000	67,000	503,531
2026	-	310,000	67,000	377,000
2027	-	310,000	67,000	377,000
2028	-	-	67,000	67,000
Total	\$ 253,062	1,240,000	335,000	1,828,062

Note 14 – Contingencies

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

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

Note 15 - Insurance loss recovery

The Cleveland School District received \$247,941 in insurance loss recoveries during the year related to theft and damage to buses. The amount was reported as other general revenue.

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$34,337,507) 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 \$3,426,444 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 \$5,930,453 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.

Cleveland School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

The unrestricted net position amount of (\$34,337,507) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,787,331 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 (\$34,337,507) 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 \$90,348 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 \$306,229 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 (\$34,337,507) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,125,184 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.

The unrestricted net position amount of (\$34,337,507) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$1,209,853 balance of deferred inflow of resources related to leases, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 39 years.

Note 17 – Juvenile Detention Center Education Program

The Cleveland School District entered into an Alternative School Agreement dated August 16, 2018 creating the Washington County Juvenile Detention Center. This program was in accordance with Section 43-21-321, Miss. Code Ann. (1972) which states sponsoring school district must provide educational services to youths detained in juvenile centers. It was approved by the Mississippi Department of Education and includes the Cleveland School District, Greenville Public School District, Grenada School District, Hollandale School District, Leland School District, North Bolivar Consolidated School District, Quitman County School District, West Bolivar Consolidated School District, Western Line School District and the Washington County Youth Court. The Greenville Public School District has been designated as the lead school district for the Washington County Juvenile Detention Center.

Note 18 - 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 Cleveland School District evaluated the activity of the district through October 25, 2024, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

On March 24, 2024, the school board approved an installment agreement (master lease) for \$4,249,072 payable to Bank of America. The note will have an interest rate of 4.59% and will be payable over 15 years.

REQUIRED SUPPLEMENTARY INFORMATION

CLEVELAND SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
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	\$ 11,539,510	\$ 11,401,352	\$ 11,401,352	\$ (138,158)	\$ -
State sources	15,025,589	16,105,415	16,132,128	1,079,826	26,713
Federal sources	139,149	199,088	192,622	59,939	(6,466)
Sixteenth section sources	294,000	336,082	225,584	42,082	(110,498)
Total Revenues	26,998,248	28,041,937	27,951,686	1,043,689	(90,251)
Expenditures:					
Instruction	16,877,203	15,471,157	15,433,423	1,406,046	37,734
Support services	12,331,724	10,786,416	11,429,019	1,545,308	(642,603)
Noninstructional services	195,531	197,826	197,826	(2,295)	-
Sixteenth section	74,945	81,945	57,054	(7,000)	24,891
Facilities acquisition and construction	-	4,321,540	3,413,174	(4,321,540)	908,366
Debt service:					
Principal	-	-	117,302	-	(117,302)
Interest	-	-	14,094	-	(14,094)
Total Expenditures	29,479,403	30,858,884	30,661,892	(1,379,481)	196,992
Excess (Deficiency) of Revenues over (under) Expenditures	(2,481,155)	(2,816,947)	(2,710,206)	(335,792)	106,741
Other Financing Sources (Uses):					
Inception of finance	-	-	3,867,921	-	3,867,921
Leases issued	-	1,278,594	-	1,278,594	(1,278,594)
SBITA issued	-	-	415	-	415
Insurance recovery	-	36,721	36,721	36,721	-
Operating transfers in	1,295,534	217,195	68,029	(1,078,339)	(149,166)
Other financing sources	-	-	-	-	-
Operating transfers out	(2,268,579)	(149,166)	(1,213,042)	2,119,413	(1,063,876)
Other financing uses	(20,000)	-	-	20,000	-
Total Other Financing Sources (Uses)	(993,045)	1,383,344	2,760,044	2,376,389	1,376,700
Net Change in Fund Balances	(3,474,200)	(1,433,603)	49,838	2,040,597	1,483,441
Fund Balances:					
July 1, 2022, as previously reported	18,147,597	17,477,955	17,569,756	(669,642)	91,801
Prior period adjustments	-	(6,137)	(107,486)	(6,137)	(101,349)
July 1, 2022, as restated	18,147,597	17,471,818	17,462,270	(675,779)	(9,548)
June 30, 2023	\$ 14,673,397	\$ 16,038,215	\$ 17,512,108	\$ 1,364,818	\$ 1,473,893

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

CLEVELAND SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ESSER II Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 4,511,788	\$ 4,511,788	\$ 2,055,385	\$ -	\$ (2,456,403)
Total Revenues	4,511,788	4,511,788	2,055,385	-	(2,456,403)
Expenditures:					
Instruction	759,698	678,145	296,766	81,553	381,379
Support services	152,120	233,673	175,164	(81,553)	58,509
Facilities acquisition and construction	3,599,970	3,599,970	1,583,455	-	2,016,515
Total Expenditures	4,511,788	4,511,788	2,055,385	-	2,456,403
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -

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

CLEVELAND SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ESSER III ARP Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 11,781,257	\$ 10,932,367	\$ 4,262,195	\$ (848,890)	\$ (6,670,172)
Total Revenues	11,781,257	10,932,367	4,262,195	(848,890)	(6,670,172)
Expenditures:					
Instruction	3,023,363	2,066,948	561,074	956,415	1,505,874
Support services	148,875	64,946	26,500	83,929	38,446
Facilities acquisition and construction	8,609,019	8,800,473	3,674,621	(191,454)	5,125,852
Total Expenditures	11,781,257	10,932,367	4,262,195	848,890	6,670,172
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -

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

Cleveland School District

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

PERS

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.256657%	0.281975%	0.268094%	0.267546%	0.279916%	0.282500%	0.286600%	0.290000%	0.280000%
District's proportionate share of the net pension liability	\$ 52,829,350	41,677,137	51,899,883	47,066,620	46,558,346	46,961,088	51,193,916	44,828,281	33,986,873
District's covered payroll	\$ 17,669,103	18,748,477	17,851,770	17,424,584	17,875,295	18,124,844	18,337,460	18,034,070	17,319,168
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	270.12%	260.46%	259.10%	279.18%	248.58%	196.24%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

Cleveland School District

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,426,444	3,074,425	3,262,235	3,106,208	2,744,372	2,815,359	2,854,663	2,888,150	2,840,366
Contributions in relation to the contractually required contribution	\$ 3,426,444	3,074,425	3,262,235	3,106,208	2,744,372	2,815,359	2,854,663	2,888,150	2,840,366
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 19,692,207	17,669,109	18,748,477	17,851,770	17,424,584	17,875,295	18,124,844	18,337,460	18,034,070
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Cleveland 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	0.36449166%	0.38532913%	0.38390280%	0.37991288%	0.39159723%	0.39624371%
District's proportionate share of the net OPEB liability	\$ 1,795,792	2,480,294	2,987,562	3,223,717	3,029,200	3,108,964
District's covered - employee payroll	\$ 17,910,960	18,748,477	17,851,770	17,424,584	17,711,676	17,802,140
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	10.03%	13.23%	16.74%	18.50%	17.10%	17.46%
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.

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

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

Cleveland School District
 Schedule of District Contributions
 OPEB
 Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 90,348	73,183	99,692	119,144	129,216	132,540
Contributions in relation to the actuarially determined contribution	90,348	73,183	99,692	119,144	129,216	132,540
Contribution deficiency (excess)	\$ -	-	-	-	-	-
District's covered - employee payroll	\$ 19,692,207	17,669,109	18,748,477	17,851,770	16,137,327	17,845,295
Contributions as a percentage of covered - employee payroll	0.46%	0.41%	0.53%	0.67%	0.80%	0.74%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

Cleveland School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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%.

Cleveland 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%.

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

Cleveland School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

(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

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.

Cleveland School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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%

SUPPLEMENTARY INFORMATION

**Cleveland School District
Supplementary Information**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	235MS326N1099	\$ 534,347
National School Lunch Program	10.555	235MS326N1099	2,068,262
Summer School Food Service Program	10.559	235MS326N1099	31,997
Fresh Fruits and Vegetables Program	10.582	235MS326L1603	3,867
Total Child Nutrition Cluster			<u>2,638,473</u>
Total passed-through the Mississippi Department of Education			<u>2,638,473</u>
Total U.S. Department of Agriculture			<u>2,638,473</u>
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A220024	1,913,360
Career and Technical Education - Basic Grants to States	84.048	V048A220024	11,162
Rural Education	84.358	S358B220024	87,391
School Improvement Grant 1003(g) (SIG)	84.377	S377A160025	13,306
Supporting Effective Instruction State Grants	84.367	S367A220023	125,499
Student Support and Academic Enrichment Program	84.424	S424A220025	167,441
Subtotal			<u>2,318,159</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A220108	1,150,928
COVID-19 - Special Education - Grants to States	84.027X	H027X210108	93,100
Subtotal			<u>1,244,028</u>
Special Education - Preschool Grants	84.173	H173A220113	33,130
COVID-19 - IDEA, Part B Preschool ARP Grant	84.173X	H173X210113	4,401
Subtotal			<u>37,531</u>
Total Special Education Cluster			<u>1,281,559</u>
Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	S425D200031	3,159
Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	S425D210031	2,055,385
Elementary and Secondary School Emergency Relief Fund (ARP III)	84.425U	S425U210031	4,262,195
Elementary and Secondary School Emergency Relief Fund (Early Childhood Pre-K)	84.425D	S425D210031	110,909
Elementary and Secondary School Emergency Relief Fund (CTE)	84.425D	S425D200031	8,563
Elementary and Secondary School Emergency Relief Fund (School Nurse)	84.425D	S425D200031	40,122
Education for Homeless Children and Youth (Education & Reading - HQIM)	84.425U	S425U210031	633,668
COVID-19 - Education Stabilization Fund (ESSER)			<u>7,114,001</u>
Total passed-through the Mississippi Department of Education			<u>10,713,719</u>
Total U.S. Department of Education			<u>10,713,719</u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medicaid Cluster:			
Medical Assistance Program	93.778	2205MS5ADM	68,356
Total Medicaid Cluster			<u>68,356</u>
Total passed-through the Mississippi Department of Education			<u>68,356</u>
Total U.S. Department of Health and Human Services			<u>68,356</u>
<u>Social Security Administration</u>			
Passed-through Mississippi Department of Rehabilitation Services			
Social Security Disability Insurance	96.001	N/A	616
Total passed-through the Mississippi Department of Rehabilitation Services			<u>616</u>
Total Social Security Administration			<u>616</u>
Total for All Federal Awards			<u>\$ 13,421,164</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Cleveland School District
Notes to the Supplementary Information
For the Year Ended June 30, 2023

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Cleveland 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 Cleveland School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cleveland School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities are included in the National School Lunch Program.

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

**CLEVELAND SCHOOL DISTRICT
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2023**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 27,187,738	21,233,102	1,477,463	1,994,741	2,482,432
Other	20,539,991	4,011,898	1,041,815	12,093	15,474,185
Total	\$ 47,727,729	25,245,000	2,519,278	2,006,834	17,956,617
Total number of students *	2,779				
Cost per student	\$ 17,174	9,084	907	722	6,462

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

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

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

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

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

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

OTHER INFORMATION

CLEVELAND SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 11,401,352	\$ 11,345,528	\$ 11,017,871	\$ 10,965,926
State sources	16,132,128	15,495,391	15,234,794	15,832,034
Federal sources	192,622	314,244	163,053	181,433
Sixteenth section sources	225,584	377,955	331,998	311,844
Total Revenues	27,951,686	27,533,118	26,747,716	27,291,237
Expenditures:				
Instruction	15,433,423	13,542,443	14,036,324	14,495,357
Support services	11,429,019	9,667,903	10,235,400	11,244,356
Noninstructional services	197,826	187,800	121,043	133,582
Sixteenth section	57,054	87,312	33,330	46,996
Facilities acquisition and construction	3,413,174	-	-	906,082
Debt service:				
Principal	117,302	98,868	-	-
Interest	14,094	19,152	-	-
Total Expenditures	30,661,892	23,603,478	24,426,097	26,826,373
Excess (Deficiency) of Revenues over (under) Expenditures	(2,710,206)	3,929,640	2,321,619	464,864
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	827,918
Inception of finance	3,867,921	-	-	-
SBITA issued	415	-	-	-
Insurance recovery	36,721	2,700,000	12,989	905,662
Operating transfers in	68,029	185,750	88,329	66,730
Other financing sources	-	-	25,333	-
Operating transfers out	(1,213,042)	(985,279)	(1,358,274)	(617,409)
Other financing uses	-	(31,383)	-	(134,024)
Total Other Financing Sources (Uses)	2,760,044	1,869,088	(1,231,623)	1,048,877
Net Change in Fund Balances	49,838	5,798,728	1,089,996	1,513,741
Fund Balances:				
Beginning of period, as previously reported	17,569,756	11,771,028	10,673,565	9,648,129
Prior period adjustments	(107,486)	-	7,467	(488,305)
Beginning of period, as restated	17,462,270	11,771,028	10,681,032	9,159,824
End of Period	\$ 17,512,108	\$ 17,569,756	\$ 11,771,028	\$ 10,673,565

*SOURCE - PRIOR YEAR AUDIT REPORTS

CLEVELAND SCHOOL DISTRICT
Other Information

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

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 11,953,743	\$ 11,787,426	\$ 11,561,000	\$ 11,662,708
State sources	18,447,131	17,153,389	16,949,352	17,804,528
Federal sources	13,442,540	10,068,271	8,875,831	5,039,923
Sixteenth section sources	228,419	377,955	331,998	311,844
Total Revenues	44,071,833	39,387,041	37,718,181	34,819,003
Expenditures:				
Instruction	20,212,136	18,738,488	19,729,551	17,624,335
Support services	14,875,460	12,380,646	12,545,161	13,479,218
Noninstructional services	2,664,308	2,307,710	1,994,207	1,976,842
Sixteenth section	57,054	87,312	33,330	46,996
Facilities acquisition and construction	8,837,996	2,080,799	164,948	953,265
Debt service:				
Principal	842,299	599,254	518,379	531,567
Interest	233,476	206,525	203,540	213,933
Advance refunding escrow	-	-	-	-
Other	5,000	7,500	2,500	5,000
Total Expenditures	47,727,729	36,408,234	35,191,616	34,831,156
Excess (Deficiency) of Revenues over (under) Expenditures	(3,655,896)	2,978,807	2,526,565	(12,153)
Other Financing Sources (Uses):				
Bonds and notes issued	750,000	-	-	827,918
Inception of finance	3,867,921	-	-	-
SBITA issued	415	-	-	-
Insurance recovery	247,941	3,150,000	841,288	1,055,662
Payment to escrow agent	439,532	-	-	-
Payment to Qualified Zone Academy debt escrow agent	(439,532)	-	-	-
Operating transfers in	1,428,805	1,480,387	1,835,782	871,848
Other financing sources	-	-	25,333	-
Operating transfers out	(1,428,805)	(1,480,387)	(1,835,782)	(871,848)
Other financing uses	-	(35,983)	(1,192)	(158,197)
Total Other Financing Sources (Uses)	4,866,277	3,114,017	865,429	1,725,383
Net Change in Fund Balances	1,210,381	6,092,824	3,391,994	1,713,230
Fund Balances:				
Beginning of period, as previously reported **	25,072,164	18,979,908	15,628,909	14,331,682
Prior period adjustments	(78,851)	-	7,467	(488,305)
Beginning of period, as restated **	24,993,313	18,979,908	15,636,376	13,843,377
Increase (Decrease) in inventory	8,891	(568)	(48,462)	72,302
End of Period	\$ 26,212,585	\$ 25,072,164	\$ 18,979,908	\$ 15,628,909

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Cleveland School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleveland School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Cleveland School District's basic financial statements, and have issued our report thereon dated October 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brown CPA, PLLC
Madison, Mississippi
October 25, 2024

A handwritten signature in black ink that reads "Brown CPA, PLLC". The signature is written in a cursive, slightly slanted style.

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

Superintendent and School Board
Cleveland School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cleveland 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 Cleveland School District's major federal programs for the year ended June 30, 2023. The Cleveland School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cleveland 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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Cleveland School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cleveland 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 the Cleveland School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cleveland 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 generally accepted auditing standards, 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 the Cleveland School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cleveland 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 the Cleveland 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 the Cleveland School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance


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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Brown CPA, PLLC
Madison, Mississippi
October 25, 2024



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

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

Superintendent and School Board
Cleveland School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2023, which collectively comprise Cleveland School District's basic financial statements and have issued our report thereon dated October 25, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

State Legal Finding 01:

Internal Control Deficiency:

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission specifies that a satisfactory control environment is only effective when there are adequate control activities in place. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

Condition:

During our review of the internal controls surrounding receipting, the auditors noted the secretaries at each school locations receipt monies, prepare the deposit, and take the deposits to the bank.

Cause:

The district did not have the proper internal controls in place with regard to segregation of duties.

Effect:

Inadequate segregation of duties surrounding receipting could result in fraud or misappropriation of public monies.

Recommendation:

The district should strengthen internal controls by implementing effective and proper segregation of duties surrounding receipting of monies within all school locations.

District Response:

The district has implemented procedures to strengthen their internal controls by segregating the duties of the school secretaries.

Repeat Finding:

Yes – State Legal Finding 1

State Legal Finding 02:

Internal Control Deficiency:

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require management to be responsible for insuring travel advances are settled timely.

Applicable State Law:

Section 25-3-41(4), Mississippi Code Annotated (1972), states, “ In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes.” *Board Policy, Section D, Policy DJD, Expense Reimbursements*, states, “Accounting for any travel advance shall be made within five (5) working days after the end of the month in which the official travel was made. a. Any money not used for travel related expenses shall be repaid the school district at this time. b. The travel reimbursement form prescribed by the Cleveland School District shall be completed and submitted at this time for all money not refunded the school district, and c. Actual receipts for all travel expense except meals and travel in personal vehicles are to be included.”

Condition:

During the review of the district’s travel reimbursements, a total of twenty-three (23) in the sample, the auditor noted the following exceptions:

- The district did not reimburse the correct federal mileage rate for seven (7) in the sample. The rate that was reimbursed was lower than the amount allowed. The lower amount was not approved by the board.

- One (1) in the sample where the district could not provide documentation showing a comparison of quotes to ensure the most economical rental car was selected.

Cause:

The district did not have the proper internal controls in place with regard to travel expenditures.

Effect:

A lack of controls could result in fraud, loss, or misappropriation of public funds.

Recommendation:

The district should strengthen internal controls of travel expenditures and ensure all reimbursements follow the policies and procedures of the district and ensure that the policies and procedures are in compliance with state law.

District Response:

The district concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 25-3-41(4)*.

Repeat Finding:

Yes – State Legal Finding 3

State Legal Finding 03:

Internal Control Deficiency:

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the School Board establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

Applicable State Law:

Section 37-61-19, Mississippi Code Annotated (1972), states, “It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund...”

Condition:

During our review of the school district’s budgets, the auditor noted the following exceptions:

1. The Board approved the 2022-2023 original budget which included the following twenty-six (26) funds reflecting a negative fund balance:
 - Special Ed (1130) – **(\$2,392.85)**
 - Alternative Center (1140) – **(\$814.69)**
 - Activity Fund (1151) – **(\$23,611.68)**
 - Extended School Year (2090) – **(\$9,548.44)**
 - Child and Adult Food Care Program (2111) – **(\$2,570.46)**
 - Food and Vegetable Program (2112) – **(\$30.25)**
 - Summer Feeding 2022 (2132) – **(\$25,057.53)**
 - Title I (2211) – **(\$207,244.87)**
 - Title I School Imp (2213) – **(\$69,224.93)**
 - Title I Program Imp (2240) – **(\$4,443.95)**
 - Consolidated Admin Cost (2290) – **(\$101,811.87)**
 - Title V (2311) – **(\$9,113.5)**
 - Title II A Imp (2511) – **(\$85,361.41)**
 - ESSER I (2590) – **(\$39,284.16)**
 - ESSER II (2594) – **(\$195,140.03)**
 - ESSER Pre K (2595) – **(\$1,428)**
 - ESSER III ARP (2598) – **(\$99,940.42)**
 - IDEA, Pt B ARP (2599) – **(\$16,795.62)**
 - IDEA, Preschool ARP (2600) – **(\$1,773.15)**
 - IDEA, Pt B (2610) – **(\$110,796.12)**

- IDEA, Preschool (2620) – **(\$5,572.24)**
- Vocational (2711) – **(\$7,277.18)**
- Title IV A Safe Drug Free (2811) – **(\$54,103.76)**
- School Nurse Grant (2909) – **(\$15,532.71)**
- Pave the Way Grant (2945) – **(\$133,518.08)**
- Master Lease Debt Service (4095) – **(\$370,226.84)**

Cause:

The district did not ensure budgets were presented to the board that projected adequate funds to cover expenditures.

Effect:

The actual fund balances at year end were not negative at June 30, 2023; however, the approval of budgets with ending deficit fund balances could result in the violation of state law.

Recommendation:

We recommend the district to strengthen internal controls to ensure compliance by implementing sound budgeting practices that will prevent projected negative fund balances from being presented to the school board. A thorough review of such budgets should be made prior to the presentation to the board for approval.

District Response:

The district concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 37-61-19*. We will strengthen our internal controls to ensure that the budget is thoroughly reviewed prior to presenting the budget for board approval.

Repeat Finding:

Yes – State Legal Finding 4

State Legal Finding 04:

Applicable State Law:

Mississippi Attorney General Opinion No. 2005-0039 and *The Constitution of the State of Mississippi Article 4 Section 96* states, “The legislature shall never grant extra compensation, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law... by the foregoing constitutional provision and prior opinions, the free admission ... to sporting and social events would not be permissible.”

Mississippi Attorney General Opinion 2011-00405, states, “Pursuant to Section 96, teachers who are current under contract to perform services during the school year may not be given extra compensation using state dollars for services rendered which are already covered by the contract. *MS AG Op., Adams January 10, 2003*. If teachers have already contracted with the school district and part of their contractual duties include working games and extra-curricular activities, *Article 4, Section 96 of Mississippi Constitution* prohibits the school district from using state dollars to compensate the teachers for services rendered which are already covered by the contract.”

Article 4, Section 96, Mississippi Constitution, states, “The legislature shall never grant extra compensation, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law...”

Condition:

During the review of the School District’s activity/athletic fund revenue, the auditor noted the District paid for Mississippi High School Activities Association (MHSAA) statewide passes for the following employees without being reimbursed, totaling **\$150**:

- Three Board members;
- One Alternative Center Director, and
- One elementary school Principal

Cause:

District is not in compliance with state law by granting extra compensation to board members and other ineligible employees through free admission to sporting events.

Effect:

Failure to ensure to be reimbursed for the purchase of MHSAA statewide passes for District employees other than Coaches, Superintendent, Athletic Director, High School Principals, and Middle School Principals could result in an illegal donation.

Recommendation:

We recommend the District ensure compliance by implementing policies and procedures in regards to the payment of MHSAA statewide passes of its personnel to avoid making an illegal donation to public servants.

District's Response:

The Cleveland School District has implemented procedures to prevent the error of ordering statewide passes on behalf of faculty and staff prior to receiving payment.

Repeat Finding:

Yes – State Legal Finding 9

State Legal Finding 05:

Applicable State Law:

Section 25-4-25, Mississippi Code Annotated (1972), provides that “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a)Persons elected by popular vote...” *Section 25-4-29(1), Mississippi Code Annotated (1972)*, provides that “Required statements hereunder shall be filed as follows: a) Every incumbent public official required....to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence...”

Condition:

During the review of the School District’s Statements of Economic Interest, the auditor noted four board members filed their Statement of Economic Interest late, after May 1st, and one board member did not file.

Cause:

District did not have controls in place to ensure that all board members file the Statement of Economic Interest by the deadline of May 1st.

Effect:

Failure to file a Statement of Economic Interest could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*, and resulted in noncompliance with state law.

Recommendation:

We recommend the District ensure compliance by assuring all Board members file a Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, as required by law.

District's Response:

The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 25-4-25*.

Repeat Finding:

Yes – State Legal Finding 10.

State Legal Finding 06:

Applicable State Law:

Section 27-35-71, Mississippi Code Annotated (1972), states, "Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxed as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale." In addition, the standard lease agreement used by the district between the lessee and lessor states, "Lessee shall pay all taxes levied, if any, on said property on time to prevent default." *Section 29-3-57, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease." *Section 29-3-65, Mississippi Code Annotated (1972)*, states, "One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount."

Condition:

During the review of the School District's sixteenth section land leases, the auditor noted the following exceptions:

- One lessee in the sample pulled did not pay and the district could not provide documentation showing the school board terminated the lease or approved additional time to pay based on extenuating circumstances.

Cause:

The district did not have the controls in place to ensure all 16th section leases are being paid timely or being presented to the board for termination if over sixty days late.

Effect:

Failure to have adequate internal controls over sixteenth section land lease agreements resulted in noncompliance with state law.

Recommendation:

We recommend the Cleveland School District ensure compliance by assuring all lease payments are made within 60 days,

District's Response:

The district concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 29-3-57; 29-3-65*.

Repeat Finding:

Yes – State Legal Finding 11

State Legal Finding 07:

Applicable State Law:

Section 25-1-12(1), Mississippi Code Annotated (1972), states, "Notwithstanding any other provision of law to the contrary, any public officer or employee handling or having the custody of public funds, by virtue of his or her office or employment, shall give an individual bond or be covered by a blanket bond. The amount of such bonds shall not be less than Twenty-five Thousand Dollars (\$25,000.00) for each public officer or employee, unless a specific amount is otherwise required by law. The provisions of this section shall not apply to any public officer or employee whose activity of handling or having custody of public funds is incidental to his or her employment or job duties, as defined by the regulations of the State Auditor's office."

Section 25-1-15(2), Mississippi Code Annotated (1972), states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a

new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

Section 25-1-19, Mississippi Code Annotated (1972), states, “The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the chancery court of the county...”

Section 37-6-15, Mississippi Code Annotated (1972), states, “Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

Condition:

During the review of the School District’s surety bonds, the auditor noted the following exceptions:

- There were seven bonds that did not cover the entire fiscal year of 2023.
- One board member and one principal were covered by a continuation certificate instead of official bonds

Cause:

District did not ensure all employees are properly bonded according to state law.

Effect:

A “continuation certificate” is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. In the event of fraud or misappropriation of funds, having continuation certificates instead of new bonds could limit the amount available for recovery if the loss occurred over multiple terms. Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms and result in the loss of public funds.

Recommendation: We recommend the district ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law. Additionally, the Board should ensure all bonds for employees’ and officials’ are filed with the Chancery Clerk’s office.

District’s Response: The Cleveland School District acknowledges the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 25-1-12(1); 25-1-15(2); 25-1-19; 37-6-15*.

Repeat Finding:

Yes – State Legal Finding 14

The Office of the State Auditor or a public accounting firm will review, on the subsequent year’s audit engagement, the findings in this report to ensure that corrective action has been taken. The Cleveland School District’s responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Brown CPA, PLLC
Madison, Mississippi
October 25, 2024



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Cleveland 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 report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.027X; 84.173; 84.173X	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
	<u>COVID-19 Education Stabilization Funds (ESSER)</u>
84.425D	Education Stabilization Fund I (ESSER)
84.425D	Education Stabilization Fund II (ESSER)
84.425U	Education Stabilization Fund ARP III (ESSER)
84.425D	Education Stabilization Fund Early Childhood Pre-K (ESSER)
84.425D	Education Stabilization Fund CTE (ESSER)
84.425D	Education Stabilization Fund School Nurse (ESSER)
84.425U	Education Stabilization Fund Education & Reading – HQIM (ESSER)

Cleveland School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS



Cleveland School District

Dr. Lisa Bramuchi, Superintendent of Schools

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Office of the Superintendent

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Uniform Guidance, the Cleveland School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2023:

<u>Findings</u>	<u>Status</u>
2022-001	Corrected