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LAUDERDALE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2019

St. Clair CPA, PLLC  
Carriere, MS

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## TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	7
BASIC FINANCIAL STATEMENTS.....	17
Government-wide Financial Statements	
Exhibit A    Statement of Net Position.....	19
Exhibit B    Statement of Activities.....	20
Governmental Funds Financial Statements	
Exhibit C    Balance Sheet .....	21
Exhibit C-1  Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	22
Exhibit D    Statement of Revenues, Expenditures and Changes in Fund Balances.....	23
Exhibit D-1  Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	24
Fiduciary Funds Financial Statements	
Exhibit E    Statement of Fiduciary Asset and Liabilities.....	25
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION.....	53
Budgetary Comparison Schedule for the General Fund.....	55
Budgetary Comparison Schedule for the Major Special Revenue Fund – Title I Fund.....	56
Budgetary Comparison Schedule for the Major Special Revenue Fund – IDEA Part B Fund.....	57
Budgetary Comparison Schedule for the Major Special Revenue Fund – RUS Distance Learning Grant Fund	58
Schedule of the District’s Proportionate Share of the Net Pension Liability.....	59
Schedule of District Contributions (PERS).....	60
Schedule of the District’s Proportionate Share of the Net OPEB Liability.....	61
Schedule of District Contributions (OPEB).....	62
Notes to the Required Supplementary Information.....	63
SUPPLEMENTARY INFORMATION.....	67
Schedule of Expenditures of Federal Awards.....	69
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	71
OTHER INFORMATION.....	73
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	75
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	76
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	77
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ...	79
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	81
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	83
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	87
AUDITEE’S CORRECTIVE ACTION PLAN .....	91

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## INDEPENDENT AUDITOR'S REPORT

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Lauderdale County School District

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Lauderdale County School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.



## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-16, 55-58, 59, 60, 61 and 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund

Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated January 15, 2021, on my consideration of the Lauderdale County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lauderdale County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County School District's internal control over financial reporting and compliance.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
January 15, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAUDERDALE COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2019

The following discussion and analysis of Lauderdale County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. 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 2019 decreased \$526,675, including a prior period adjustment of \$25,888, which represents a 1% decrease from fiscal year 2018. Total net position for 2018 decreased \$10,525,608, including a prior period adjustment of (\$5,351,635), which represents a 26% decrease from fiscal year 2017.
- General revenues amounted to \$47,382,451 and \$47,386,947, or 83% and 84% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,019,234, or 17% of total revenues for 2019, and \$9,199,251, or 16% of total revenues for 2018.
- The District had \$57,954,248 and \$61,760,171 in expenses for fiscal years 2019 and 2018; only \$10,019,234 for 2019 and \$9,199,251 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$47,382,451 for 2019 and \$47,386,947 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$47,464,413 in revenues and \$46,432,475 in expenditures for 2019, and \$47,948,634 in revenues and \$45,972,389 in expenditures in 2018. The General Fund's fund balance decreased by \$924,567 from 2018 to 2019, and decreased by \$24,760, including a prior period adjustment of \$16, from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$828,354 for 2019 and decreased by \$859,285 for 2018. The decrease for 2019 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$743,582 for 2019 and decreased by \$733,576 for 2018. This decrease for 2019 was due to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$37,080 for 2019 and increased by \$134,633 for 2018.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, 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 can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most 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.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

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

## **Notes to the financial statements**

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

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$50,809,253 as of June 30, 2019.

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

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.



**Table 1**  
**Condensed Statement of Net Position**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Percentage Change</b>
Current assets	\$ 11,856,681	\$ 14,817,974	(19.98) %
Restricted assets	5,509,227	4,487,765	22.76 %
Capital assets, net	24,843,218	25,671,572	(3.23) %
<b>Total assets</b>	<b>42,209,126</b>	<b>44,977,311</b>	<b>(6.15) %</b>
 <b>Deferred outflows of resources</b>	 <b>6,060,325</b>	 <b>8,847,102</b>	 <b>(31.50) %</b>
 Current liabilities	 1,392,082	 3,021,615	 (53.93) %
Long-term debt outstanding	6,032,353	6,775,935	(10.97) %
Net OPEB liability	5,302,403	5,319,667	(0.32) %
Net pension liability	80,146,802	85,717,867	(6.50) %
<b>Total liabilities</b>	<b>92,873,640</b>	<b>100,835,084</b>	<b>(7.90) %</b>
 <b>Deferred inflows of resources</b>	 <b>6,205,064</b>	 <b>3,271,907</b>	 <b>89.65 %</b>
 <b>Net position:</b>			
Net investment in capital assets	19,458,715	19,580,567	(0.62) %
Restricted	5,328,468	4,714,199	13.03 %
Unrestricted	(75,596,436)	(74,577,344)	(1.37) %
<b>Total net position</b>	<b>\$ (50,809,253)</b>	<b>\$ (50,282,578)</b>	<b>(1.05) %</b>

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)	\$ (75,596,436)
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	85,593,944
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,997,508</u>

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

- Decrease in net capital assets in the amount of \$828,354.
- The principal retirement of \$706,502 of long-term debt.

#### **Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$57,401,685 and \$56,586,198, respectively. The total cost of all programs and services was \$57,954,248 for 2019 and \$61,760,171 for 2018.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2019</b>	<b>Year Ended June 30, 2018</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,624,897	\$ 1,326,188	22.52 %
Operating grants and contributions	8,394,337	7,873,063	6.62 %
General revenues:			
Property taxes	14,747,897	14,466,513	1.95 %
Grants and contributions not restricted	31,422,680	31,958,400	(1.68) %
Investment earnings	152,455	155,180	(1.76) %
Sixteenth section sources	1,059,297	591,269	79.16 %
Other	122	215,585	(99.94) %
<b>Total revenues</b>	<b>57,401,685</b>	<b>56,586,198</b>	<b>1.44 %</b>
<b>Expenses:</b>			
Instruction	31,811,080	30,882,090	3.01 %
Support services	17,966,629	17,242,677	4.20 %
Non-instructional	1,978,283	2,509,127	(21.16) %
Sixteenth section	289,783	238,126	21.69 %
Pension expense	5,582,807	10,540,537	(47.03) %
OPEB expense	249,979	260,273	(3.96) %
Interest on long-term liabilities	75,687	87,341	(13.34) %
<b>Total expenses</b>	<b>57,954,248</b>	<b>61,760,171</b>	<b>(6.16) %</b>
<b>Increase (Decrease) in net position</b>	<b>(552,563)</b>	<b>(5,173,973)</b>	<b>89.32 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(50,282,578)</b>	<b>(39,756,970)</b>	<b>(26.47) %</b>
<b>Prior Period Adjustment</b>	<b>25,888</b>	<b>(5,351,635)</b>	<b>100.48 %</b>
<b>Net Position, July 1, as restated</b>	<b>(50,256,690)</b>	<b>(45,108,605)</b>	<b>(11.41) %</b>
<b>Net Position, June 30</b>	<b>\$ (50,809,253)</b>	<b>\$ (50,282,578)</b>	<b>(1.05) %</b>

### Governmental activities

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

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ 31,811,080	\$ 30,882,090	3.01 %
Support services	17,966,629	17,242,677	4.20 %
Non-instructional	1,978,283	2,509,127	(21.16) %
Sixteenth section	289,783	238,126	21.69 %
Pension Expense	5,582,807	10,540,537	(47.03) %
OPEB Expense	249,979	260,273	(3.96) %
Interest on long-term liabilities	75,687	87,341	(13.34) %
<b>Total expenses</b>	<b>\$ 57,954,248</b>	<b>\$ 61,760,171</b>	<b>(6.16) %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ (26,331,362)	\$ (26,059,203)	(1.04) %
Support services	(16,317,024)	(15,671,450)	(4.12) %
Non-instructional	911,628	267,680	240.57 %
Sixteenth section	(289,783)	(209,796)	(38.13) %
Pension Expense	(5,582,807)	(10,540,537)	47.03 %
OPEB Expense	(249,979)	(260,273)	3.96 %
Interest on long-term liabilities	(75,687)	(87,341)	13.34 %
<b>Total net (expense) revenue</b>	<b>\$ (47,935,014)</b>	<b>\$ (52,560,920)</b>	<b>8.80 %</b>

- Net cost of governmental activities (\$47,935,014 for 2019 and \$52,560,920 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$14,747,897 for 2019 and \$14,466,513 for 2018) and state and federal revenues (\$31,422,680 for 2019 and \$31,958,400 for 2018). In addition, there was \$1,059,297 and \$591,269 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$152,455 for 2019 and \$155,180 for 2018.

## **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 \$15,987,363, a decrease of \$318,105, which includes a prior period adjustment of \$32,388 and a decrease in inventory of \$15,446. \$10,189,560 or 64% 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 \$5,797,803 or 36% is either nonspendable, restricted, committed or

assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$924,567, which includes a prior period adjustment of \$75,594. The fund balance of Other Governmental Funds showed an increase in the amount of \$641,393, which includes a prior period adjustment of \$650 and a decrease in reserve for inventory of \$15,446. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	\$ (97)
IDEA Part B Fund	(47,954)
RUS Distance Learning Grant	13,120

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$47,510,383, including land, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$160,432 from 2018. Total accumulated depreciation as of June 30, 2019, was \$22,667,165, and total depreciation expense for the year was \$1,132,634, resulting in total net capital assets of \$24,843,218.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	June 30, 2019	June 30, 2018	Percentage Change
Land	\$ 482,482	\$ 482,482	0.00 %
Buildings	21,013,152	21,703,801	(3.18) %
Improvements other than buildings	1,292,635	1,368,643	(5.55) %
Mobile equipment	1,584,860	1,808,064	(12.34) %
Furniture and equipment	470,089	308,582	52.34 %
<b>Total</b>	<b>\$ 24,843,218</b>	<b>\$ 25,671,572</b>	<b>(3.23) %</b>

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

**Debt Administration.** At June 30, 2019, the District had \$6,032,353 in outstanding long-term debt, of which \$750,031 is due within one year. The liability for compensated absences decreased \$37,080 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Percentage Change</b>
Certificates of participation payable	899,503	1,021,005	(11.90) %
Three mill notes payable	1,670,000	2,255,000	(25.94) %
Qualified school construction bonds payable	2,815,000	2,815,000	0.00 %
Compensated absences payable	647,850	684,930	(5.41) %
<b>Total</b>	<b>\$ 6,032,353</b>	<b>\$ 6,775,935</b>	<b>(10.97) %</b>

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

## **CURRENT ISSUES**

The Lauderdale County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lauderdale County School District, 301 46<sup>th</sup> Court, Meridian, Mississippi 39305.

## BASIC FINANCIAL STATEMENTS

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LAUDERDALE COUNTY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2019

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 8,826,475
Due from other governments	2,838,459
Other receivables, net	33,926
Inventories	110,523
Prepaid items	47,298
Restricted assets (Note 4)	5,509,227
Non-depreciable capital assets (Note 5)	482,482
Depreciable capital assets, net (Note 5)	24,360,736
Total Assets	<u>42,209,126</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	5,763,603
Deferred outflow - OPEB (Note 9)	296,722
Total Deferred Outflows of Resources	<u>6,060,325</u>
Liabilities	
Accounts payable and accrued liabilities	1,378,537
Interest payable on long-term liabilities	13,537
Other payables	8
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	698,203
Non-capital related liabilities	51,828
Net OPEB liability (Note 9)	234,016
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,686,300
Non-capital related liabilities	596,022
Net OPEB liability (Note 9)	5,068,387
Net pension liability (Note 8)	80,146,802
Total Liabilities	<u>92,873,640</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	5,809,547
Deferred inflows - OPEB (Note 9)	395,517
Total Deferred Inflows of Resources	<u>6,205,064</u>
Net Position	
Net investment in capital assets	19,458,715
Restricted net position	
Expendable	
School-based activities	1,561,606
Debt service	2,676,033
Forestry improvements	570,671
Unemployment benefits	124,500
Non-expendable	
Sixteenth section	395,658
Unrestricted	<u>(75,596,436)</u>
Total Net Position	<u>\$ (50,809,253)</u>

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



## LAUDERDALE COUNTY SCHOOL DISTRICT

Exhibit B

## Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 31,811,080	989,359	4,490,359	(26,331,362)
Support services	17,966,629	38,625	1,610,980	(16,317,024)
Non-instructional	1,978,283	596,913	2,292,998	911,628
Sixteenth section	289,783			(289,783)
Pension expense	5,582,807			(5,582,807)
OPEB expense	249,979			(249,979)
Interest on long-term liabilities	75,687			(75,687)
Total Governmental Activities	<u>57,954,248</u>	<u>1,624,897</u>	<u>8,394,337</u>	<u>(47,935,014)</u>
General Revenues				
Taxes				
General purpose levies				14,077,177
Debt purpose levies				670,720
Unrestricted grants and contributions				
State				31,306,076
Federal				116,604
Unrestricted investment earnings				152,455
Sixteenth section sources				1,059,297
Other				122
Total General Revenues				<u>47,382,451</u>
Changes in Net Position				<u>(552,563)</u>
Net Position - Beginning, as previously reported				(50,282,578)
Prior Period Adjustments (Note 11)				25,888
Net Position - Beginning - as restated				<u>(50,256,690)</u>
Net Position - Ending				<u>\$ (50,809,253)</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2019

Exhibit C

	Major Funds					
	General Fund	Title I Fund	IDEA Part B Fund	RUS Distance Learning Grant Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 2)	\$ 8,826,474	6,001	5,035	508,314	4,109,387	13,455,211
Cash with fiscal agent (Note 2)					12,914	12,914
Investments (Note 2)					867,577	867,577
Due from other governments	568,358	482,656	593,975	495,572	697,898	2,838,459
Other receivables, net	19,546					19,546
Due from other funds (Note 3)	2,048,219					2,048,219
Advances to other funds (Note 3)					177,639	177,639
Inventories					110,523	110,523
Prepaid items	47,298					47,298
Total Assets	<u>11,509,895</u>	<u>488,657</u>	<u>599,010</u>	<u>1,003,886</u>	<u>5,975,938</u>	<u>19,577,386</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	686,890	6,001	5,035	495,194	185,417	1,378,537
Due to other funds (Note 3)	8	482,656	593,975	495,572	461,636	2,033,847
Advances from other funds (Note 3)	177,639					177,639
Total Liabilities	<u>864,537</u>	<u>488,657</u>	<u>599,010</u>	<u>990,766</u>	<u>647,053</u>	<u>3,590,023</u>
Fund Balances						
Nonspendable						
Inventory					110,523	110,523
Permanent fund principal					218,019	218,019
Advances					177,639	177,639
Prepaid items	47,298					47,298
Restricted						
Debt service					2,689,570	2,689,570
Forestry improvements					570,671	570,671
Unemployment benefits					124,500	124,500
Grant activities				13,120	1,437,963	1,451,083
Assigned						
School activities	408,500					408,500
Unassigned	10,189,560					10,189,560
Total Fund Balances	<u>10,645,358</u>	<u>0</u>	<u>0</u>	<u>13,120</u>	<u>5,328,885</u>	<u>15,987,363</u>
Total Liabilities and Fund Balances	<u>\$ 11,509,895</u>	<u>488,657</u>	<u>599,010</u>	<u>1,003,886</u>	<u>5,975,938</u>	<u>19,577,386</u>

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

Lauderdale County School District  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 15,987,363
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	482,482	
Buildings	34,471,726	
Improvement other than buildings	3,109,620	
Mobile equipment	7,779,901	
Furniture and equipment	1,666,654	
Accumulated depreciation	<u>(22,667,165)</u>	24,843,218
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		(80,146,802)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	5,763,603	
Deferred inflows of resources related to pensions	<u>(5,809,547)</u>	(45,944)
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		(5,302,403)
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	296,722	
Deferred inflows of resources related to OPEB	<u>(395,517)</u>	(98,795)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school construction bonds payable	(2,815,000)	
Three mill notes payable	(1,670,000)	
Certificates of participation payable	(899,503)	
Compensated absences	(647,850)	
Accrued interest payable	<u>(13,537)</u>	(6,045,890)
Total Net Position - Governmental Activities		<u>\$ (50,809,253)</u>

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

## LAUDERDALE COUNTY SCHOOL DISTRICT

Exhibit D

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2019

	Major Funds				Other	Total
	General	Title I	IDEA	RUS Distance	Governmental	Governmental
	Fund	Fund	Part B	Learning Grant	Funds	Funds
			Fund	Fund		
Revenues						
Local sources	\$ 15,099,475		102	68,758	1,373,483	16,541,818
State sources	31,306,076				1,673,232	32,979,308
Federal sources	116,604	1,399,605	1,704,994	442,012	3,105,751	6,768,966
Sixteenth section sources	942,258				117,039	1,059,297
Total Revenues	47,464,413	1,399,605	1,705,096	510,770	6,269,505	57,349,389
Expenditures						
Instruction	28,359,736	1,090,264	893,076	495,194	3,945,996	34,784,266
Support services	17,653,469	267,439	772,191	2,456	627,380	19,322,935
Noninstructional services	1,042	7,087			2,541,623	2,549,752
Sixteenth section	274,296				15,487	289,783
Debt service						
Principal (Note 6)	121,502				585,000	706,502
Interest	14,294				58,188	72,482
Other	8,136				2,876	11,012
Total Expenditures	46,432,475	1,364,790	1,665,267	497,650	7,776,550	57,736,732
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	1,031,938	34,815	39,829	13,120	(1,507,045)	(387,343)
Other Financing Sources (Uses)						
Insurance loss recoveries (Note 16)	52,174					52,174
Payment held by QSCB escrow agent					175,000	175,000
Sale of other property	122					122
Operating transfers in (Note 3)	107,610				2,192,005	2,299,615
Operating transfers out (Note 3)	(2,192,005)	(39,010)	(39,829)		(28,771)	(2,299,615)
Payment to QSCB escrow agent					(175,000)	(175,000)
Total Other Financing Sources (Uses)	(2,032,099)	(39,010)	(39,829)	0	2,163,234	52,296
Net Change in Fund Balances	(1,000,161)	(4,195)	0	13,120	656,189	(335,047)
Fund Balances						
July 1, 2018, as previously reported	11,569,925	97	47,954		4,687,492	16,305,468
Prior period adjustments (Note 11)	75,594	4,098	(47,954)		650	32,388
July 1, 2018, as restated	11,645,519	4,195	0	0	4,688,142	16,337,856
Decrease in reserve for inventory					(15,446)	(15,446)
June 30, 2019	\$ 10,645,358	0	0	13,120	5,328,885	15,987,363

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2019

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (335,047)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:

Capital outlay	330,806	
Depreciation expense	<u>(1,132,634)</u>	(801,828)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (20,026)

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:

Payments of debt principal	706,502	
Accrued interest payable	<u>7,807</u>	714,309

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

Pension expense	(5,582,807)	
Contributions made subsequent to the measurement date	<u>5,467,165</u>	(115,642)

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

OPEB expense	(249,979)	
Contributions made subsequent to the measurement date	<u>234,016</u>	(15,963)

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

Change in compensated absences	37,080	
Change in inventory reserve	<u>(15,446)</u>	<u>21,634</u>

Changes in Net Position of Governmental Activities	<u><u>\$ (552,563)</u></u>
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The notes to the financial statements are an integral part of this statement.

Lauderdale County School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2019

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 2,917,746
Due from other funds (Note 3)	<u>8</u>
Total Assets	<u><u>2,917,754</u></u>
Liabilities	
Accounts payable and accrued liabilities	2,576,521
Due to other funds (Note 3)	14,380
Due to student clubs	<u>326,853</u>
Total Liabilities	<u><u>\$ 2,917,754</u></u>

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

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LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

For financial reporting purposes, the 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.

Blended component unit

The Lauderdale County Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14 ).

**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



LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

Title I Fund - This special revenue fund is used to account for the Federal funds whose use is restricted for services associated with providing supplemental educational service to students.

IDEA Part B Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

RUS Distance Learning Grant Fund - This special revenue fund is used to account for the local and federal funds whose use is restricted for services associated with providing distance learning to students in rural communities.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Cafeteria Plan Fund – This is the District's fund to record assets and liabilities of the District's cafeteria plan.

Club Fund – This is the district's activity fund to record assets and liabilities of the district's various student clubs.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

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.

#### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

### **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, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

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.

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."

# LAUDERDALE COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

### 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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 6. Capital Assets

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

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

Depreciation is calculated on the straight-line basis for all assets, except land.  
The following schedule details the capitalization thresholds:

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 8, 9 and 17 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. See Note 6 for details.

## LAUDERDALE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2019

#### 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

#### 12. Fund Balances

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

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

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

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

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.

Lauderdale County School District's goal is to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 7% of district revenues.

**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 and fiduciary funds was \$13,455,211 and \$2,917,746, respectively.

*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.

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$12,914.

Investments

As of June 30, 2019, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury securities	AAA	1 to 5	<u>\$ 867,577</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's recurring fair value measurements as of June 30, 2019 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, 2019, the district did not have any investments to which this would apply.

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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



LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - Title I Fund	\$ 482,656
	Major Fund - IDEA Part B Fund	593,975
	Major Fund - RUS Distance Learning Grant Fund	495,572
	Other governmental funds	461,636
	Fiduciary Funds	14,380
Fiduciary funds	General Fund	8
Total		<u>\$ 2,048,227</u>

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

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Other governmental funds	General Fund	<u>\$ 177,639</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2019 is four percent.

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 26,781	7,106	33,887
2021	27,582	6,034	33,616
2022	28,967	4,920	33,887
2023	30,125	3,762	33,887
2024	31,330	2,557	33,887
2025	32,584	1,303	33,887
Total	<u>\$ 177,369</u>	<u>25,682</u>	<u>203,051</u>

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 2,192,005
Major Fund - Title I Fund	General Fund	39,010
Major Fund - IDEA Part B Fund	General Fund	39,829
Other Governmental Funds	General Fund	28,771
Total		<u>\$ 2,299,615</u>

The transfer out of the General Fund was for the purpose of funding the school recognition program, vocational program, unemployment compensation and other programs in the Other Governmental Funds. The transfers from the Major Funds to the General Fund were for indirect costs. The transfer from Other Governmental Funds to the General Fund was for indirect cost and transfer of interest from the 16<sup>th</sup> Section Principal Fund to the 16<sup>th</sup> Section Interest Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance of \$4,628,736 of which \$218,019 represents the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs and the remaining \$4,410,717 cash balance represents various state and federal grants and debt service funds which are legally restricted.

In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$12,914 and \$867,577, respectively, of the QSCB Bond Retirement Funds.

**Note 5 – Capital Assets**

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

**LAUDERDALE COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2019

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 482,482				482,482
Total non-depreciable capital assets	<u>482,482</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>482,482</u>
<u>Depreciable capital assets:</u>					
Buildings	34,471,726				34,471,726
Improvements other than buildings	3,109,620				3,109,620
Mobile equipment	7,907,079	38,034	(163,874)	(1,338)	7,779,901
Furniture and equipment	1,379,044	292,772		(5,162)	1,666,654
Total depreciable capital assets	<u>46,867,469</u>	<u>330,806</u>	<u>(163,874)</u>	<u>(6,500)</u>	<u>47,027,901</u>
<u>Less accumulated depreciation for:</u>					
Buildings	12,767,925	690,649			13,458,574
Improvements other than buildings	1,740,977	76,008			1,816,985
Mobile equipment	6,099,015	239,874	(143,848)		6,195,041
Furniture and equipment	1,070,462	126,103			1,196,565
Total accumulated depreciation	<u>21,678,379</u>	<u>1,132,634</u>	<u>(143,848)</u>	<u>0</u>	<u>22,667,165</u>
Total depreciable capital assets, net	<u>25,189,090</u>	<u>(801,828)</u>	<u>(20,026)</u>	<u>(6,500)</u>	<u>24,360,736</u>
Governmental activities capital assets, net	<u>\$ 25,671,572</u>	<u>(801,828)</u>	<u>(20,026)</u>	<u>(6,500)</u>	<u>24,843,218</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 644,726
Support services	435,178
Non-instructional	52,730
Total depreciation expense - Governmental activities	<u>\$ 1,132,634</u>

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. Certificates of participation payable	1,021,005		121,502	899,503	123,203
B. Three mill notes payable	2,255,000		585,000	1,670,000	575,000
C. Qualified school construction bonds payable	2,815,000			2,815,000	0
D. Compensated absences payable	684,930		37,080	647,850	51,828
Total	<u>\$ 6,775,935</u>	<u>0</u>	<u>743,582</u>	<u>6,032,353</u>	<u>750,031</u>

**A. Certificates of participation payable**

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates, Series 2016	1.40%	6/24/2016	6/1/2026	<u>\$ 1,259,000</u>	<u>899,503</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 123,203	12,593	135,796
2021	124,928	10,868	135,796
2022	126,677	9,119	135,796
2023	128,451	7,346	135,797
2024	130,249	5,547	135,796
2025 – 2026	<u>265,995</u>	<u>5,599</u>	<u>271,594</u>
Total	<u>\$ 899,503</u>	<u>51,072</u>	<u>950,575</u>

This debt will be retired from the District Maintenance Fund (General Fund).

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity	Amount	Amount
Three mill ten year note payable	2-2.25%	4/1/2013	4/1/2022	<u>\$ 4,855,000</u>	<u>1,670,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 575,000	36,138	611,138
2021	565,000	24,638	589,638
2022	<u>530,000</u>	<u>11,925</u>	<u>541,925</u>
Total	<u>\$ 1,670,000</u>	<u>72,701</u>	<u>1,742,701</u>

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

**C. Qualified school construction bonds payable**

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bond, 2009	0.69%	12/21/2009	9/15/2024	\$ 1,500,000	1,500,000
2. Qualified school construction bond, 2014	0.00%	8/20/2014	9/15/2028	1,315,000	1,315,000
Total				<u>\$ 2,815,000</u>	<u>2,815,000</u>

The following is a schedule by years of the total payments due on the Qualified School Construction Bond, 2009:

Year Ending June 30	Principal	Interest	Total
2020	\$	10,350	10,350
2021		10,350	10,350
2022		10,350	10,350
2023		10,350	10,350
2024		10,350	10,350
2025	1,500,000	10,350	1,510,350
Total	<u>\$ 1,500,000</u>	<u>62,100</u>	<u>1,562,100</u>

This debt is partially secured by an irrevocable pledge of building and bus fund revenues in the amount of \$224,580 which the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). This debt will be retired from the QSCB Debt Retirement Fund (Debt Service Fund).

There are no annual interest payments on the Qualified School Construction Bond 2014. It will retire with a balloon payment in the amount of \$1,315,000 during the 2028-2029 fiscal year.

**D. Compensated absences payable**

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

**Note 7 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Kyocera 5501i Digital Copier
2. Ricoh 6002 Digital Copier
3. (2) Toshiba E-453 CPM Digital Copiers
4. Toshiba Digital Copier e-Studio 857
5. (8) Dishwashing Machines
6. Kyocera 6501i Copier System
7. Kyocera Digital Color Copier System Model CS-4551

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

8. Savin 9060 Digital Copier
9. Kyocera Desktop Color Copier System Model M6035
10. Kyocera/Copystar Digital Copier System Model CS-3501i
11. (2) Kyocera CPST/CS-DP770 Copiers
12. Kyocera CPST/CS-3500I Copier
13. Ricoh Pro 8200S Copier

Lease expenditures for the year ended June 30, 2019, amounted to \$48,929.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	33,115
2021	25,492
2022	16,146
Total	\$ 74,753

## Note 8 – Defined Benefit Pension Plan

### General Information about the Pension Plan

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

*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, 2019 was 15.75% 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, 2019, 2018 and 2017 were \$5,467,165, \$5,155,181 and \$5,210,929, 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, 2019, the school district reported a liability of \$80,146,802 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019 net pension liability was .481855 percent, which was based on a measurement date of June 30, 2018. This was a decrease of .033791 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$5,582,807. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 261,267	\$ 1,184,695
Net difference between projected and actual earnings on pension plan investments	0	270,286
Changes of assumptions	35,171	32,914
Changes in proportion and differences between District contributions and proportionate share of contributions	0	4,321,652
District contributions subsequent to the measurement date	5,467,165	0
Total	\$ <u>5,763,603</u>	\$ <u>5,809,547</u>

\$5,467,165 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, 2020. 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:	
2020	\$ (2,127,817)
2021	(2,127,817)
2022	(1,189,902)
2023	(67,573)

*Actuarial assumptions.* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The 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>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 105,530,341	\$ 80,146,802	\$ 59,049,730



LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

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

**Note 9 – Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan.**

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

*Benefits provided.* The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit 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 \$234,016 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$5,302,403 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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

**LAUDERDALE COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2019

employee. At the measurement date of June 30, 2018, the District's proportion was .68546353 percent. This was an increase of .00746124 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$249,979. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,796	\$ 0
Changes of assumptions	0	377,807
Net difference between projected and actual earnings on OPEB plan investments	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	51,910	17,710
District contributions subsequent to the measurement date	234,016	0
Total	<u>\$ 296,722</u>	<u>\$ 395,517</u>

\$234,016 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, 2020. 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:	
2020	\$ (68,350)
2021	(68,350)
2022	(68,350)
2023	(68,350)
2024	(52,804)
Thereafter	(6,607)

*Actuarial assumptions.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

Prior Measurement Date 2017

Single Equivalent Interest Rate, net  
of OPEB plan investment expense,  
including inflation

Measurement Date 3.89%

Prior Measurement Date 3.56%

Health Care Cost Trends

Medicare Supplement Claims 7.25 percent for 2018 decreasing to an  
Pre-Medicare ultimate rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. 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 June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

*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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 5,877,582	\$ 5,302,403	\$ 4,807,732

*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:

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 4,911,778	\$ 5,302,403	\$ 5,746,042

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

**Note 10 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2020	\$ 385,993
2021	376,724
2022	379,142
2023	375,501
2024	377,518
2025 – 2029	1,868,461
2030 – 2034	1,714,887
2035 – 2039	1,269,795
2040 – 2044	1,045,425
Thereafter	1,991,277
Total	<u>\$ 9,784,723</u>

**Note 11 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period error	\$ 32,388
2. Correction to capital assets	(6,500)
Total	<u>\$ 25,888</u>

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

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

Fund	Explanation	Amount
General Fund	Correction of a prior period error	\$ 75,594
Major Fund - Title I Fund	Correction of a prior period error	4,098
Major Fund - IDEA Part B Fund	Correction of a prior period error	(47,954)
Other Governmental Funds	Correction of a prior period error	650
Total		<u>\$ 32,388</u>

**Note 12 – Contingencies**

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

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

**Note 13 – Risk Management**

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

**Note 14 – Trust Certificates**

A trust agreement dated June 24, 2016, was executed by and between the school district and U. S. Bank National Association, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,259,000. Approximately \$1,235,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$24,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

# LAUDERDALE COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2019

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

### Note 15 – 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.

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. There were no subsidy payments associated with these debts.

The school district makes equal annual payments into a sinking fund which is used to payoff 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, 2019 was \$678,497 for the Qualified School Construction Bond 2009 and \$201,994 for the Qualified School Construction Bond 2014. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

#### 1. Qualified School Construction Bond 2009:

Year Ending June 30	Amount
2020	\$ 140,000
2021	140,000
2022	140,000
2023	140,000
2024	140,000
2025	140,000
Total	<u>\$ 840,000</u>

#### 2. Qualified School Construction Bond 2014:

**LAUDERDALE COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2019

Year Ending June 30	Amount
2020	\$ 20,000
2021	35,000
2022	35,000
2023	85,000
2024	170,000
2025-2029	850,000
Total	<u>\$ 1,195,000</u>

Total Qualified School Construction Bonds:

Year Ending June 30	Amount
2020	\$ 160,000
2021	175,000
2022	175,000
2023	225,000
2024	310,000
2025 – 2029	990,000
Total	<u>\$ 2,035,000</u>

**Note 16 - Insurance loss recoveries**

The Lauderdale County School District received \$52,174 in insurance loss recoveries related to burglary, vandalism and bus and vehicle damage during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 13,549	26%	Instruction
38,625	74%	Support services
<u>\$ 52,174</u>	<u>100%</u>	

**Note 17 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$75,596,436) 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 \$5,467,165 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, 2020. The \$296,438 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$75,596,436) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,809,547 balance of deferred inflow of resources related to

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2019

pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$75,596,436) 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 \$234,016 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, 2020. The \$62,706 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$75,596,436) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$395,517 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

#### **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 School District evaluated the activity of the district through January 15, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

1. In September 2019, the school board approved an \$8,455,000 Equipment Lease-Purchase Agreement with Banc of America Public Capital Corp. over a sixteen (16) year period, maturing October 1, 2035, with an interest rate of 2.3740%.
2. In December 2019, the school board approved the issuance of \$1,590,000 in Limited Tax Notes to be repaid to Community Bank of Mississippi, maturing January 31, 2039, with an interest rate of 2.27%.
3. In November 2020, the school board approved the issuance of \$4,900,000 in Tax Anticipation Notes to be repaid to Community Bank of Mississippi, maturing May 1, 2021, with an interest rate of 0.25%.



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## REQUIRED SUPPLEMENTARY INFORMATION

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LAUDERDALE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original	Final
				to Final	to Actual
Revenues					
Local sources	\$ 15,713,441	15,119,265	15,099,475	(594,176)	(19,790)
State sources	32,137,596	31,307,111	31,306,076	(830,485)	(1,035)
Federal sources	193,400	13,457	116,604	(179,943)	103,147
Sixteenth section sources	360,575	969,936	942,258	609,361	(27,678)
Total Revenues	48,405,012	47,409,769	47,464,413	(995,243)	54,644
Expenditures					
Instruction	29,808,582	28,356,368	28,359,736	1,452,214	(3,368)
Support services	18,085,482	17,571,148	17,653,469	514,334	(82,321)
Noninstructional services	0	1,042	1,042	(1,042)	0
Sixteenth section	124,355	274,296	274,296	(149,941)	0
Debt service					
Principal	123,203	121,502	121,502	1,701	0
Interest	12,593	22,430	14,294	(9,837)	8,136
Other	0	0	8,136	0	(8,136)
Total Expenditures	48,154,215	46,346,786	46,432,475	1,807,429	(85,689)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	250,797	1,062,983	1,031,938	812,186	(31,045)
Other Financing Sources (Uses)					
Insurance loss recoveries	0	52,174	52,174	52,174	0
Sale of other property	0	122	122	122	0
Operating transfers in	2,876,256	6,668,870	107,610	3,792,614	(6,561,260)
Operating transfers out	(4,425,180)	(8,753,265)	(2,192,005)	(4,328,085)	6,561,260
Total Other Financing Sources (Uses)	(1,548,924)	(2,032,099)	(2,032,099)	(483,175)	0
Net Change in Fund Balances			(1,000,161)		
Fund Balances					
July 1, 2018, as previously reported			11,569,925		
Prior period adjustments			75,594		
July 1, 2018, as restated			11,645,519		
June 30, 2019			\$ 10,645,358		

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,713,622	1,694,082	1,399,605	(19,540)	(294,477)
Total Revenues	<u>1,713,622</u>	<u>1,694,082</u>	<u>1,399,605</u>	<u>(19,540)</u>	<u>(294,477)</u>
Expenditures					
Instruction	1,385,813	1,238,448	1,090,264	147,365	148,184
Support services	291,300	363,773	267,439	(72,473)	96,334
Noninstructional services	14,016	19,772	7,087	(5,756)	12,685
Total Expenditures	<u>1,691,129</u>	<u>1,621,993</u>	<u>1,364,790</u>	<u>69,136</u>	<u>257,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,493</u>	<u>72,089</u>	<u>34,815</u>	<u>49,596</u>	<u>(37,274)</u>
Other Financing Sources (Uses)					
Operating transfers out	(22,493)	(39,010)	(39,010)	(16,517)	0
Total Other Financing Sources (Uses)	<u>(22,493)</u>	<u>(39,010)</u>	<u>(39,010)</u>	<u>(16,517)</u>	<u>0</u>
Net Change in Fund Balances			<u>(4,195)</u>		
Fund Balances					
July 1, 2018, as previously reported			97		
Prior period adjustments			4,098		
July 1, 2018, as restated			<u>4,195</u>		
June 30, 2019			<u>\$ 0</u>		

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 0	0	102	0	102
Federal sources	1,593,652	1,714,821	1,704,994	121,169	(9,827)
Total Revenues	<u>1,593,652</u>	<u>1,714,821</u>	<u>1,705,096</u>	<u>121,169</u>	<u>(9,725)</u>
Expenditures					
Instruction	954,657	1,004,158	893,076	(49,501)	111,082
Support services	610,319	771,907	772,191	(161,588)	(284)
Total Expenditures	<u>1,564,976</u>	<u>1,776,065</u>	<u>1,665,267</u>	<u>(211,089)</u>	<u>110,798</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,676</u>	<u>(61,244)</u>	<u>39,829</u>	<u>(89,920)</u>	<u>101,073</u>
Other Financing Sources (Uses)					
Operating transfers out	(28,676)	(39,829)	(39,829)	(11,153)	0
Total Other Financing Sources (Uses)	<u>(28,676)</u>	<u>(39,829)</u>	<u>(39,829)</u>	<u>(11,153)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2018, as previously reported			47,954		
Prior period adjustments			(47,954)		
July 1, 2018, as restated			<u>0</u>		
June 30, 2019			<u>\$ 0</u>		

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - RUS Distance Learning Grant Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 0	15,198	68,758	15,198	53,560
Federal sources	0	495,572	442,012	495,572	(53,560)
Total Revenues	<u>0</u>	<u>510,770</u>	<u>510,770</u>	<u>510,770</u>	<u>0</u>
Expenditures					
Instruction	0	495,194	495,194	(495,194)	0
Support services	0	2,456	2,456	(2,456)	0
Total Expenditures	<u>0</u>	<u>497,650</u>	<u>497,650</u>	<u>(497,650)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>13,120</u>	<u>13,120</u>	<u>13,120</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>13,120</u>		
Fund Balances					
July 1, 2018			<u>0</u>		
June 30, 2019			<u>\$ 13,120</u>		

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

LAUDERDALE COUNTY SCHOOL DISTRICT

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

PERS

Last 10 Fiscal Years

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.481855%	0.515646%	0.522036%	0.527310%	0.515232%
District's proportionate share of the net pension liability	\$ 80,146,802	85,717,867	93,248,665	81,511,727	62,539,731
District's covered payroll	\$ 32,731,308	33,085,263	33,399,111	32,943,949	31,469,010
District's proportionate share of the net pension liability as a percentage of its covered payroll	244.86%	259.08%	279.20%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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



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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,467,165	5,155,181	5,210,929	5,260,360	5,188,672
Contributions in relation to the contractually required contribution	5,467,165	5,155,181	5,210,929	5,260,360	5,188,672
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 34,712,159	32,731,308	33,085,263	33,399,111	32,943,949
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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

	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.68546353%	0.67800229%
District's proportionate share of the net OPEB liability	\$ 5,302,403	5,319,667
Covered employee payroll	\$ 32,731,308	33,085,263
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.20%	16.08%
Plan fiduciary net position as a percentage of the total OPEB liability	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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 234,016	226,785
Contributions in relation to the actuarially determined contribution	234,016	226,785
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 34,712,159	32,731,308
Contributions as a percentage of covered employee payroll	0.67%	0.69%

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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

(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, 2016 valuation for the June 30, 2018 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	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 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.

(2) *Changes in benefit provisions*

2017: None

2018: None

(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, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

LAUDERDALE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

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## SUPPLEMENTARY INFORMATION



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LAUDERDALE COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Direct Program:			
Distance learning and telemedicine loans and grants	10.855	N/A	\$ 442,012
Total			442,012
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	735,161
National school lunch program	10.555	195MS326N1099	1,996,218
Summer food service program for children	10.559	195MS326N1099	10,978
Total child nutrition cluster			2,742,357
Total passed-through Mississippi Department of Education			2,742,357
<b>Total U.S. Department of Agriculture</b>			<b>3,184,369</b>
<b><u>U.S. Department of Defense</u></b>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	66,735
<b>Total U.S. Department of Defense</b>			<b>66,735</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	ES010A180024	1,517,336
Career and technical education - basic grants to states	84.048	V048A180024	67,109
Rural education	84.358	ES358B180024	132,099
Supporting effective instruction - state grants	84.367	ES367A180023	298,261
Student support and academic enrichment program	84.424	ES424A180025	71,799
Total			2,086,604
Special education cluster:			
Special education - grants to states	84.027	H027A180108	1,705,096
Special education - preschool grants	84.173	H173A180113	45,576
Total special education cluster			1,750,672
Total passed-through Mississippi Department of Education			3,837,276
<b>Total U.S. Department of Education</b>			<b>3,837,276</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	52,200
Total passed-through Mississippi Department of Education			52,200
<b>Total U.S. Department of Health and Human Services</b>			<b>52,200</b>
<b><u>Social Security Administration</u></b>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	96.001	0419-04MSD100	1,036
Total passed-through Mississippi Department of Rehabilitation Services			1,036
<b>Total Social Security Administration</b>			<b>1,036</b>
Total for All Federal Awards			\$ 7,141,616

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information

For the Year Ended June 30, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$179,408 are included in the National School Lunch Program.

(5) Other Items

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

LAUDERDALE COUNTY SCHOOL DISTRICT  
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2019

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 44,730,717	34,354,898	1,726,282	3,180,427	5,469,110
Other	<u>13,006,015</u>	<u>4,895,246</u>	<u>598,962</u>	<u>147,099</u>	<u>7,364,708</u>
Total	<u>57,736,732</u>	<u>39,250,144</u>	<u>2,325,244</u>	<u>3,327,526</u>	<u>12,833,818</u>
Total number of students	<u>6,232</u>				
Cost per student	<u>\$ 9,265</u>	<u>6,298</u>	<u>373</u>	<u>534</u>	<u>2,060</u>

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

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

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

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

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

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

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## OTHER INFORMATION

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

	UNAUDITED			
	2019	2018*	2017*	2016*
Revenues				
Local sources	\$ 15,099,475	14,755,431	14,461,923	13,388,029
State sources	31,306,076	32,545,638	33,512,164	33,716,427
Federal sources	116,604	46,007	64,178	69,646
Sixteenth section sources	942,258	601,558	453,291	523,838
Total Revenues	<u>47,464,413</u>	<u>47,948,634</u>	<u>48,491,556</u>	<u>47,697,940</u>
Expenditures				
Instruction	28,359,736	28,396,461	28,605,069	28,739,010
Support services	17,653,469	17,066,860	16,505,542	17,393,713
Noninstructional services	1,042	2,147	0	5,580
Sixteenth section	274,296	231,606	333,009	227,649
Facilities acquisition and construction	0	0	0	0
Debt service				
Principal	121,502	248,209	324,874	191,801
Interest	14,294	17,980	37,848	31,539
Other	8,136	9,126	0	0
Total Expenditures	<u>46,432,475</u>	<u>45,972,389</u>	<u>45,806,342</u>	<u>46,589,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,031,938</u>	<u>1,976,245</u>	<u>2,685,214</u>	<u>1,108,648</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	52,174	30,292	45,314	118,455
Sale of transportation equipment	0	0	50	3,487
Sale of other property	122	1,906	292	0
Operating transfers in	107,610	146,125	162,078	121,808
Operating transfers out	(2,192,005)	(2,179,344)	(1,898,662)	(2,143,314)
Total Other Financing Sources (Uses)	<u>(2,032,099)</u>	<u>(2,001,021)</u>	<u>(1,690,928)</u>	<u>(1,899,564)</u>
Net Change in Fund Balances	<u>(1,000,161)</u>	<u>(24,776)</u>	<u>994,286</u>	<u>(790,916)</u>
Fund Balances:				
Beginning of period, as previously reported	11,569,925	11,594,685	10,600,399	11,391,315
Prior period adjustments	<u>75,594</u>	<u>16</u>	<u>0</u>	<u>0</u>
Beginning of period, as restated	<u>11,645,519</u>	<u>11,594,701</u>	<u>10,600,399</u>	<u>11,391,315</u>
End of period	<u>\$ 10,645,358</u>	<u>11,569,925</u>	<u>11,594,685</u>	<u>10,600,399</u>

\* Source - Prior year audit reports.



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

	UNAUDITED			
	2019	2018*	2017*	2016*
Revenues				
Local sources	\$ 16,541,818	16,120,128	15,811,235	14,944,171
State sources	32,979,308	34,046,267	34,725,777	34,881,617
Federal sources	6,768,966	5,785,195	5,748,922	5,905,906
Sixteenth section sources	1,059,297	643,733	466,064	577,669
Total Revenues	<u>57,349,389</u>	<u>56,595,323</u>	<u>56,751,998</u>	<u>56,309,363</u>
Expenditures				
Instruction	34,784,266	33,768,312	33,319,541	33,745,260
Support services	19,322,935	18,691,371	18,564,247	19,019,036
Noninstructional services	2,549,752	2,606,532	2,858,114	3,053,092
Sixteenth section	289,783	241,777	351,919	252,694
Facilities acquisition and construction	0	0	1,405	1,213,762
Debt service				
Principal	706,502	868,209	929,874	856,801
Interest	72,482	88,567	120,536	127,527
Other	11,012	11,138	1,871	1,557
Total Expenditures	<u>57,736,732</u>	<u>56,275,906</u>	<u>56,147,507</u>	<u>58,269,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(387,343)</u>	<u>319,417</u>	<u>604,491</u>	<u>(1,960,366)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	1,259,000
Insurance loss recoveries	52,174	30,292	45,314	118,455
Sale of transportation equipment	0	0	50	3,487
Sale of other property	122	1,906	292	0
Payment held by QSCB escrow agent	175,000	275,000	80,000	105,000
Operating transfers in	2,299,615	2,325,469	2,060,740	2,489,622
Operating transfers out	(2,299,615)	(2,325,469)	(2,060,740)	(2,489,622)
Payment to QSCB escrow agent	(175,000)	(275,000)	(80,000)	(105,000)
Total Other Financing Sources (Uses)	<u>52,296</u>	<u>32,198</u>	<u>45,656</u>	<u>1,380,942</u>
Net Change in Fund Balances	<u>(335,047)</u>	<u>351,615</u>	<u>650,147</u>	<u>(579,424)</u>
Fund Balances:				
Beginning of period, as previously reported	16,305,468	15,938,016	15,250,461	15,820,352
Prior period adjustments	32,388	111	0	0
Beginning of period, as restated	<u>16,337,856</u>	<u>15,938,127</u>	<u>15,250,461</u>	<u>15,820,352</u>
Increase (Decrease) in reserve for inventory	<u>(15,446)</u>	<u>15,726</u>	<u>37,408</u>	<u>9,533</u>
End of period	<u>\$ 15,987,363</u>	<u>16,305,468</u>	<u>15,938,016</u>	<u>15,250,461</u>

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board  
Lauderdale County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lauderdale County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lauderdale County School District's basic financial statements, and have issued my report thereon dated January 15, 2021.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a material weakness [2019-001].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lauderdale County School District's financial statements

are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Lauderdale County School District's Response to Findings**

Lauderdale County School District's response to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Lauderdale County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

#### **Purpose of this Report**

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

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
January 15, 2021





**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board  
Lauderdale County School District

**Report on Compliance for Each Major Federal Program**

I have audited Lauderdale County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lauderdale County School District's major federal programs for the year ended June 30, 2019. Lauderdale County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Lauderdale County School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Lauderdale County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

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

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

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

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC

Carriere, MS

January 15, 2021

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



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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board  
Lauderdale County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2019, which collectively comprise Lauderdale County School District's basic financial statements and have issued my report thereon dated January 15, 2021. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. My findings and recommendations and Lauderdale County School District's responses are as follows:

### **State Finding No. 1**

CRITERIA: State law requires a performance bond payable to the school district and a payment bond payable to the school district in the amount of the contract for any bids that exceed \$25,000 that are accepted for construction, alterations, or repairs.

CONDITION: During the testing of purchasing, I noted one (1) instance where a performance bond and payment bond was not obtained by the contractors for a contract in excess of \$25,000 as required by *Section 31-5-51, Miss. Code of 1972*.

CAUSE: The cause of the condition was a failure to obtain performance bonds and payment bonds from the contractors as required by state law.

EFFECT: The district is not in compliance with *Section 31-5-51, Miss. Code of 1972*.

RECOMMENDATION: Management should implement procedures to ensure that performance bonds and payment bonds are obtained for all construction contracts as required by state law.

RESPONSE: The district will implement controls to prevent this from happening in the future. The Finance Director has addressed the need for a payment bond and performance bond for contracts that exceed \$25,000 for construction, alterations, or repairs with the Director of Operations and the purchasing agent.

### **State Finding No. 2**

CRITERIA: *Section 25-11-127(4), Miss. Code of 1972*, requires the school district hiring service retirees to notify PERS in writing by completing and filing Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with the PERS office within five (5) days of employment and the amount of compensation is limited based on their election on the PERS Form 4B.

CONDITION: During the testing of employment of retired personnel, there was no documentation available to show when the sample of nine (9) re-hired employee's (PERS) Form 4Bs was submitted to PERS.

CAUSE: The cause of the condition was a failure to follow the state law and PERS rules and regulations.

EFFECT: The district is not in compliance with *Section 25-11-127(4), Miss. Code of 1972* and the rules and regulations of PERS.

RECOMMENDATION: It is recommended that the district strengthen controls to ensure compliance with *Section 25-11-127(4), Miss. Code of 1972*, by properly completing and filing the Form 4Bs within five (5) days of employment and having adequate documentation to show when the forms were actually submitted to PERS.

RESPONSE: In the past the payroll supervisor would mail the PERS form 4Bs without documentation of when they were submitted to PERS. However, now that this has been brought to our attention our payroll supervisor will fax the forms to PERS and staple the fax conformation to the forms in the future.

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

The Lauderdale County School District's responses to the findings included in this report were not audited and, accordingly, I 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, 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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC

Carriere, MS

January 15, 2021

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAUDERDALE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

**Financial Statements:**

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                      | Unmodified    |
| 2. | Internal control over financial reporting:  |               |
|    | a. Material weaknesses identified?  | Yes           |
|    | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the basic financial statements noted?                         | No            |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:                            | Unmodified    |
| 5. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses?              | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 7. | Identification of major programs:  |               |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.027 & 84.173	Special education cluster
10.855	Distance learning and telemedicine loans and grants

- |     |   |           |
|-----|---|-----------|
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$750,000 |
| 9.  | Auditee qualified as a low-risk auditee?  | No        |
| 10. | Prior fiscal year audit findings(s) and questioned costs 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). | No        |

Section II: Financial Statement Findings

**Deficiency identified that is considered a material weakness.**

**Finding 2019-001**

CRITERIA: An effective system of internal controls is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

CONDITION: During the course of my audit, I found several discrepancies with the information provided on the accounting records and other internal control issues:

LAUDERDALE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

1. During the testing of receivables, I noted that receivables in Fund 2311, Fund 2511, Fund 2610 and Fund 2620 were not properly stated. Audit adjustments were made to accurately reflect these receivables.
2. During the testing of Title I and EHA Part B, I noted that the expenditure details in MCAPS and the general ledger did not agree.
3. During the search for unrecorded payables at year end, I noted that several checks totaling \$991,295 were held until July 25<sup>th</sup> and were not recorded as payables. Audit adjustments were made to accurately reflect these payables across opinion units.
4. During the testing of food service inventory, I noted that amount booked in the general ledger was overstated by \$70,876 compared to the actual detailed inventories for the schools. An audit adjustment was made to accurately reflect the ending inventory.

CAUSE: The district did not implement the proper controls to reconcile accounts receivables, accounts payable and food service inventory.

EFFECT: Receivables, accounts payables and ending food service inventory were misstated and did not reflect the correct balances at year end. Proposed adjustments were made during the audit process and accepted by management to properly reflect these account balances.

RECOMMENDATION: The district should strengthen controls over reconciliations of accruals, liability accounts and inventory within the financial statements to ensure that the financial statements are properly stated.

VIEWS OF RESPONSIBLE OFFICIALS: See Auditee's Corrective Action Plan.

Section III: Federal Award Findings and Questioned Costs

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

## AUDITEE'S CORRECTIVE ACTION PLAN



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## CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Lauderdale County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2019:

### Finding

### Corrective Action Plan Details

2019-001

a. Name of contact person responsible for corrective action:

George Hedgepeth


b. Corrective action planned:

- Hire a 3<sup>rd</sup> party contractor to instruct federal programs director, special education director, and business administrator on the proper internal controls to reconcile accounts receivables.
- Enter 6-30<sup>th</sup> invoices with the 6-30<sup>th</sup> claim docket date to set up the payable. We will cut the checks for the 6-30<sup>th</sup> claim docket in July.
- Food Service Director will give the proper fiscal year-end inventory reports that ensures the business administrator entry to inventory properly reflects actual inventory on hand at year end.

c. Anticipated completion date:

- December 2020

Sincerely,

  
Superintendent of Education

**George Hedgepeth, Director of Finance**

301 46<sup>th</sup> CT, Meridian, Mississippi 39305 - (601) 693-1683 – [www.lauderdale.k12.ms.us](http://www.lauderdale.k12.ms.us)

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