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LOWNDES COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2019**

**Charles L. Shivers, CPA, LLC
Ridgeland, MS**

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS, CPA, LLC

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lowndes 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 Lowndes 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 Lowndes 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 Lowndes 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, 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) 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes 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 22, 2020, on my consideration of the Lowndes 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 Lowndes 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 Lowndes County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
January 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LOWNDES COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The following discussion and analysis of Lowndes 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 \$8,069,144, including a prior period adjustment of (\$4,572,982), which represents a 42% decrease from fiscal year 2018. Total net position for 2018 decreased \$8,994,268, including a prior period adjustment of (\$4,580,185), which represents an 89% decrease from fiscal year 2017.
- General revenues amounted to \$48,587,059 and \$48,691,471, or 86% and 87% 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 \$8,223,693, or 14% of total revenues for 2019, and \$7,518,030, or 13% of total revenues for 2018.
- The District had \$60,306,914 and \$60,623,584 in expenses for fiscal years 2019 and 2018; only \$8,223,693 for 2019 and \$7,518,030 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$48,587,059 for 2019 and \$48,691,471 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$47,005,756 in revenues and \$46,261,542 in expenditures for 2019, and \$46,770,683 in revenues and \$46,212,935 in expenditures in 2018. The General Fund's fund balance decreased by \$1,072,651 from 2018 to 2019, including a prior period adjustment of \$404,082, and increased by \$510,457 from 2017 to 2018, including a prior period adjustment of (\$193,063).
- Capital assets, net of accumulated depreciation, decreased by \$3,391,048 for 2019 and increased by \$10,122,420 for 2018. The decrease for 2019 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, excluding compensated absences and bond premiums, increased by \$1,793,221 for 2019 and decreased by \$3,515,723 for 2018. The increase for 2019 was due primarily to an adjustment needed to reflect the prior year balance of obligations under capital leases and obligations under energy efficiency leases. The liability for compensated absences decreased by \$68,843 for 2019 and increased by \$9,963 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 \$27,280,741 as of June 30, 2019.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 6,501,496	\$ 7,680,159	(15.35) %
Restricted assets	5,608,172	5,429,108	3.30 %
Capital assets, net	101,117,212	104,508,260	(3.24) %
Total assets	113,226,880	117,617,527	(3.73) %
Deferred outflows of resources	5,951,809	6,341,076	(6.14) %
Current liabilities	830,343	1,235,825	(32.81) %
Long-term debt outstanding	66,206,811	64,590,324	2.50 %
Net OPEB liability	4,356,538	4,313,962	0.99 %
Net pension liability	73,346,246	66,912,153	9.62 %
Total liabilities	144,739,938	137,052,264	5.61 %
Deferred inflows of resources	1,719,492	6,117,936	(71.89) %
Net position:			
Net investment in capital assets	40,207,323	41,552,144	(3.24) %
Restricted	3,143,508	2,663,310	18.03 %
Unrestricted	(70,631,572)	(63,427,051)	(11.36) %
Total net position	\$ (27,280,741)	\$ (19,211,597)	(42.00) %

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)	\$ (70,631,572)
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	73,470,467
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,838,895</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 \$3,391,048.
- The principal retirement of \$3,300,761 of long-term debt.
- The adjustment needed to reflect the prior year balance of obligations under capital leases of \$344,880 and obligations under energy efficiency leases of \$4,749,102.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$56,810,752 and \$56,209,501, respectively. The total cost of all programs and services was \$60,306,914 for 2019 and \$60,623,584 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

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,715,642	\$ 1,661,299	3.27 %
Operating grants and contributions	6,508,051	5,856,731	11.12 %
General revenues:			
Property taxes	22,415,287	23,304,561	(3.82) %
Grants and contributions not restricted	25,525,002	24,662,161	3.50 %
Investment earnings	131,704	39,923	229.90 %
Sixteenth section sources	179,151	183,675	(2.46) %
Other	335,915	501,151	(32.97) %
Total revenues	<u>56,810,752</u>	<u>56,209,501</u>	1.07 %
Expenses:			
Instruction	30,681,920	30,387,164	0.97 %
Support services	18,198,804	19,441,382	(6.39) %
Non-instructional	1,993,328	1,898,427	5.00 %
Sixteenth section	63,121	65,439	(3.54) %
Pension expense	7,030,572	6,670,818	5.39 %
OPEB expense	205,293	204,031	0.62 %
Interest on long-term liabilities	2,133,876	1,956,323	9.08 %
Total expenses	<u>60,306,914</u>	<u>60,623,584</u>	(0.52) %
Increase (Decrease) in net position	<u>(3,496,162)</u>	<u>(4,414,083)</u>	20.80 %
Net Position, July 1, as previously reported	<u>(19,211,597)</u>	<u>(10,217,329)</u>	(88.03) %
Prior Period Adjustment	<u>(4,572,982)</u>	<u>(4,580,185)</u>	0.16 %
Net Position, July 1, as restated	<u>(23,784,579)</u>	<u>(14,797,514)</u>	(60.73) %
Net Position, June 30	<u><u>\$ (27,280,741)</u></u>	<u><u>\$ (19,211,597)</u></u>	(42.00) %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2019	2018	Change
Instruction	\$ 30,681,920	\$ 30,387,164	0.97 %
Support services	18,198,804	19,441,382	(6.39) %
Non-instructional	1,993,328	1,898,427	5.00 %
Sixteenth section	63,121	65,439	(3.54) %
Pension Expense	7,030,572	6,670,818	5.39 %
OPEB Expense	205,293	204,031	0.62 %
Interest on long-term liabilities	2,133,876	1,956,323	9.08 %
Total expenses	\$ 60,306,914	\$ 60,623,584	(0.52) %

	Net (Expense) Revenue		Percentage
	2019	2018	Change
Instruction	\$ (26,189,496)	\$ (26,401,897)	(0.80) %
Support services	(16,916,412)	(18,218,832)	(7.15) %
Non-instructional	448,193	411,786	8.84 %
Sixteenth section	(55,765)	(65,439)	(14.78) %
Pension Expense	(7,030,572)	(6,670,818)	5.39 %
OPEB Expense	(205,293)	(204,031)	0.62 %
Interest on long-term liabilities	(2,133,876)	(1,956,323)	9.08 %
Total net (expense) revenue	\$ (52,083,221)	\$ (53,105,554)	(1.93) %

- Net cost of governmental activities (\$52,083,221 for 2019 and \$53,105,554 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$22,415,287 for 2019 and \$23,304,561 for 2018) and state and federal revenues (\$25,525,002 for 2019 and \$24,662,161 for 2018). In addition, there was \$179,151 and \$183,675 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$131,704 for 2019 and \$39,923 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 \$11,949,171, a decrease of \$572,754, which includes a prior period adjustment of \$517,471 and a decrease in inventory of \$16,373. \$7,238,005, or 61% 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 \$4,711,166, or 39% 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 \$1,072,651, which includes a prior period adjustment of \$404,082. The fund balance of Other Governmental Funds showed an increase in the amount of \$195,113, which includes a prior period adjustment of (\$113,389) and a decrease in inventory of \$16,373. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
FY19 Title I-A Basic Fund		no increase or decrease
QSCB Bond Issue Fund	\$	304,784
2015 GO Bonds \$44M Issue Fund		no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$150,492,145, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$57,195 from 2018. Total accumulated depreciation as of June 30, 2019, was \$49,374,933, and total depreciation expense for the year was \$3,692,923, resulting in total net capital assets of \$101,117,212.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2019	June 30, 2018	Percentage Change
Land	\$ 2,349,388	\$ 2,349,388	0.00 %
Buildings	88,139,868	90,311,700	(2.40) %
Building improvements	2,438,130	2,584,760	(5.67) %
Improvements other than buildings	4,551,983	4,817,560	(5.51) %
Mobile equipment	2,208,759	2,708,012	(18.44) %
Furniture and equipment	1,429,084	1,736,840	(17.72) %
Total	\$ 101,117,212	\$ 104,508,260	(3.24) %

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 \$66,206,811 in outstanding long-term debt, including bond premiums, of which \$2,654,146 is due within one year. During the fiscal year, the District made principal payments totaling \$3,300,761 on outstanding long-term debt. The liability for compensated absences decreased \$68,843 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2019	June 30, 2018	Percentage Change
General obligation bonds payable	\$ 41,360,000	\$ 42,240,000	(2.08) %
Certificates of participation payable	5,780,000	6,355,000	(9.05) %
Limited tax notes payable	9,315,000	9,800,000	(4.95) %
Obligations under capital leases	173,478	994,892	(82.56) %
Obligations under energy efficiency leases	4,554,635	0	N/A %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	568,809	637,652	(10.80) %
Total	\$ 64,751,922	\$ 63,027,544	2.74 %
Premiums/discounts	1,454,889	1,562,780	(6.90) %
Total	\$ 66,206,811	\$ 64,590,324	2.50 %

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

CURRENT ISSUES

The Lowndes 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.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lowndes County School District, 1053 Highway 45 South, Columbus, MS 39701.

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BASIC FINANCIAL STATEMENTS

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,164,964
Cash with fiscal agent	10,329
Due from other governments	1,259,562
Inventories	66,641
Restricted assets (Note 4)	5,608,172
Non-depreciable capital assets (Note 5)	2,349,388
Depreciable capital assets, net (Note 5)	98,767,824
Total Assets	113,226,880
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	5,650,024
Deferred outflow - OPEB (Note 9)	301,785
Total Deferred Outflows of Resources	5,951,809
Liabilities	
Accounts payable and accrued liabilities	160,497
Interest payable on long-term liabilities	669,846
Other payables	0
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	2,190,000
Non-capital related liabilities	464,146
Net OPEB liability (Note 9)	186,020
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	57,265,000
Capital related bond premiums	1,454,889
Non-capital related liabilities	4,832,776
Net OPEB liability (Note 9)	4,170,518
Net pension liability (Note 8)	73,346,246
Total Liabilities	144,739,938
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	1,361,645
Deferred inflows - OPEB (Note 9)	357,847
Total Deferred Inflows of Resources	1,719,492
Net Position	
Net investment in capital assets	40,207,323
Restricted net position	
Expendable	
School-based activities	864,862
Debt service	1,633,404
Forestry improvements	36,213
Unemployment benefits	118,027
Non-expendable	
Sixteenth section	491,002
Unrestricted	(70,631,572)
Total Net Position	\$ (27,280,741)

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

LOWNDES COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2019

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 30,681,920	1,257,626	3,234,798	(26,189,496)
Support services	18,198,804	2,038	1,280,354	(16,916,412)
Non-instructional	1,993,328	448,622	1,992,899	448,193
Sixteenth section	63,121	7,356		(55,765)
Pension expense	7,030,572			(7,030,572)
OPEB expense	205,293			(205,293)
Interest on long-term liabilities	2,133,876			(2,133,876)
Total Governmental Activities	60,306,914	1,715,642	6,508,051	(52,083,221)
General Revenues				
Taxes				
General purpose levies				19,341,265
Debt purpose levies				3,074,022
Unrestricted grants and contributions				
State				24,778,738
Federal				746,264
Unrestricted investment earnings				131,704
Sixteenth section sources				179,151
Other				335,915
Total General Revenues				48,587,059
Changes in Net Position				(3,496,162)
Net Position - Beginning, as previously reported				(19,211,597)
Prior Period Adjustments (Note 11)				(4,572,982)
Net Position - Beginning - as restated				(23,784,579)
Net Position - Ending				\$ (27,280,741)

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

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

Exhibit C

	Major Funds					
	General Fund	FY 19 Title I-A Basic Fund	QSCB Bond Issue Fund	2015 GO Bonds \$44 M Issue Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 2)	\$ 5,164,964	43,527	226,518	1,836,070	1,661,011	8,932,090
Cash with fiscal agent (Note 2)	10,329		198			10,527
Investments (Note 2)			1,840,848			1,840,848
Due from other governments	366,948	317,198	3,082	29,705	542,629	1,259,562
Due from other funds (Note 3)	2,711,350					2,711,350
Inventories					66,641	66,641
Total Assets	8,253,591	360,725	2,070,646	1,865,775	2,270,281	14,821,018
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	117,774	2,579			36,323	156,676
Due to other funds (Note 3)		358,146		1,865,775	487,429	2,711,350
Other payables					3,821	3,821
Total Liabilities	117,774	360,725	0	1,865,775	527,573	2,871,847
Fund Balances						
Nonspendable						
Inventory					66,641	66,641
Permanent fund principal					491,002	491,002
Restricted						
Debt service			2,070,646		232,604	2,303,250
Forestry improvements					36,213	36,213
Unemployment benefits					118,027	118,027
Grant activities					798,221	798,221
Assigned						
School activities	897,812					897,812
Unassigned	7,238,005					7,238,005
Total Fund Balances	8,135,817	0	2,070,646	0	1,742,708	11,949,171
Total Liabilities and Fund Balances	\$ 8,253,591	360,725	2,070,646	1,865,775	2,270,281	14,821,018

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

LOWNDES 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	\$	11,949,171
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	2,349,388	
Buildings	124,084,793	
Building improvements	3,665,761	
Improvement other than buildings	7,633,932	
Mobile equipment	8,009,280	
Furniture and equipment	4,748,991	
Accumulated depreciation	<u>(49,374,933)</u>	101,117,212
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		(73,346,246)
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	5,650,024	
Deferred inflows of resources related to pensions	<u>(1,361,645)</u>	4,288,379
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		(4,356,538)
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	301,785	
Deferred inflows of resources related to OPEB	<u>(357,847)</u>	(56,062)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(41,360,000)	
Qualified school construction bonds payable	<u>(3,000,000)</u>	
Notes payable	(9,315,000)	
Certificates of participation payable	(5,780,000)	
Capital lease obligations	(173,478)	
Energy efficiency lease obligations	(4,554,635)	
Compensated absences	(568,809)	
Unamortized premiums	(1,454,889)	
Accrued interest payable	<u>(669,846)</u>	<u>(66,876,657)</u>
Total Net Position - Governmental Activities	\$	<u>(27,280,741)</u>

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

LOWNDES COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

Exhibit D

	Major Funds					
	General Fund	FY 19 Title I-A Basic Fund	QSCB Bond Issue Fund	2015 GO Bonds \$44 M Issue Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 20,878,316		337,284	2,234,225	1,135,760	24,585,585
State sources	25,203,398				959,850	26,163,248
Federal sources	746,265	1,116,300			4,010,810	5,873,375
Sixteenth section sources	177,777				8,729	186,506
Total Revenues	47,005,756	1,116,300	337,284	2,234,225	6,115,149	56,808,714
Expenditures						
Instruction	26,538,204	784,714			3,682,383	31,005,301
Support services	17,319,697	285,768			1,326,584	18,932,049
Noninstructional services		3,818			2,359,150	2,362,968
Sixteenth section	61,259				1,862	63,121
Debt service						
Principal (Note 6)	1,935,761			880,000	485,000	3,300,761
Interest	403,006		28,800	1,445,325	328,233	2,205,364
Other	3,615		3,700	4,225	3,500	15,040
Total Expenditures	46,261,542	1,074,300	32,500	2,329,550	8,186,712	57,884,604
Excess (Deficiency) of Revenues Over (Under) Expenditures	744,214	42,000	304,784	(95,325)	(2,071,563)	(1,075,890)
Other Financing Sources (Uses)						
Payment held by escrow agent			213,899			213,899
Insurance loss recoveries (Note 19)	2,038					2,038
Operating transfers in (Note 3)	145,660			95,325	2,466,740	2,707,725
Operating transfers out (Note 3)	(2,368,645)	(42,000)			(297,080)	(2,707,725)
Payment to refunded bond escrow agent			(213,899)			(213,899)
Total Other Financing Sources (Uses)	(2,220,947)	(42,000)	0	95,325	2,169,660	2,038
Net Change in Fund Balances	(1,476,733)	0	304,784	0	98,097	(1,073,852)
Fund Balances						
July 1, 2018, as previously reported	9,208,468	0	1,765,862	0	1,547,595	12,521,925
Prior period adjustments (Note 11)	404,082				113,389	517,471
July 1, 2018, as restated	9,612,550	0	1,765,862	0	1,660,984	13,039,396
Decrease in reserve for inventory					(16,373)	(16,373)
June 30, 2019	\$ 8,135,817	0	2,070,646	0	1,742,708	11,949,171

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

LOWNDES COUNTY SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (1,073,852)

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	338,647	
Depreciation expense	<u>(3,692,923)</u>	(3,354,276)

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.

(40,301)

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	3,300,761	
Accrued interest payable	<u>(21,363)</u>	3,279,398

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	(7,030,572)	
Contributions made subsequent to the measurement date	<u>4,568,438</u>	(2,462,134)

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	(205,293)	
Contributions made subsequent to the measurement date	<u>199,935</u>	(5,358)

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	68,843	
Change in inventory reserve	(16,373)	
Amortization of deferred charges, premiums and discounts	<u>107,891</u>	160,361

Changes in Net Position of Governmental Activities	<u>\$ (3,496,162)</u>
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The notes to the financial statements are an integral part of this statement.

LOWNDES COUNTY SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2019

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$ 10,227	2,688,662
Total Assets	10,227	2,688,662
Liabilities		
Accounts payable and accrued liabilities		2,664,264
Due to student clubs		24,398
Total Liabilities	0	2,688,662
Net Position		
Reserved for endowments	10,227	
Total Net Position	\$ 10,227	

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

LOWNDES COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	<u>\$ 31</u>
Total Additions	<u> 31</u>
Deductions	
Scholarships awarded	<u> 150</u>
Total Deductions	<u> 150</u>
Changes in Net Position	<u> (119)</u>
Net Position	
July 1, 2018	<u> 10,346</u>
June 30, 2019	<u><u>\$ 10,227</u></u>

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

LOWNDES 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 Lowndes County School 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 five 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 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)

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

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.

FY19 Title I-A Basic 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.

QSCB Bond Issue Fund - This debt service fund is used to account for the debt retirement of the qualified school construction bond issue.

2015 GO Bonds \$44M Issue Fund - This debt service fund is used to account for the debt retirement of the 2015 general obligation bond issue.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

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.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Endowment Funds - These funds are used to fund scholarships for award winners.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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.

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.

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position

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

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

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

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).

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

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within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the policy of the District to achieve and maintain a minimum unassigned fund balance in the General Fund that is not less than 15% of the current year revenues of the District Maintenance Fund (General Fund).

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 \$8,932,090 and \$2,698,889, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$10,527.

Investments

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

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Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	Less than 1	\$ 1,840,848

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

The district has the following recurring fair value measurements as of June 30, 2019: All investments 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.

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

Issuer	Fair Value	% of Total Investments
Trustmark National Bank	\$ 1,840,848	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - FY19 Title I-A Basic Fund	\$ 358,146
	Major fund - 2015 GO Bond \$44M Issue Fund	1,865,775
	Other governmental funds	487,429
Total		\$ 2,711,350

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

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B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Major fund - 2015 GO Bond \$44M Issue Fund	\$ 95,325
	Other governmental funds	2,273,320
Major fund - FY19 Title I-A Basic Fund	General Fund	42,000
Other governmental funds	General Fund	103,660
	Other governmental funds	193,420
Total		<u>\$ 2,707,725</u>

The transfer out of the General Fund was for the purpose of funding the Major fund – 2015 GO Bond \$44M Issue Fund and the vocational program and similar programs in the Other Governmental Funds. The transfer from the Other Governmental Funds was for indirect cost and to close out a locally funded building project funds.

Note 4 – Restricted Assets

The restricted assets of \$5,608,172 represent the investment balance of the Debt Service Funds of \$1,840,848 which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash and cash with fiscal agent totaling \$3,767,324 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,349,388				2,349,388
Total non-depreciable capital assets	<u>2,349,388</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,349,388</u>
<u>Depreciable capital assets:</u>					
Buildings	124,081,192			3,601	124,084,793
Building improvements	3,665,761				3,665,761
Improvements other than buildings	7,599,338	34,594			7,633,932
Mobile equipment	8,346,076	8,500	(345,296)		8,009,280
Furniture and equipment	4,507,585	295,553	(54,147)		4,748,991
Total depreciable capital assets	<u>148,199,952</u>	<u>338,647</u>	<u>(399,443)</u>	<u>3,601</u>	<u>148,142,757</u>
<u>Less accumulated depreciation for:</u>					
Buildings	33,769,492	2,175,361		72	35,944,925
Building improvements	1,081,001	146,630			1,227,631
Improvements other than buildings	2,781,778	300,171			3,081,949
Mobile equipment	5,638,064	473,224	(310,767)		5,800,521
Furniture and equipment	2,770,745	597,537	(48,375)		3,319,907
Total accumulated depreciation	<u>46,041,080</u>	<u>3,692,923</u>	<u>(359,142)</u>	<u>72</u>	<u>49,374,933</u>
Total depreciable capital assets, net	<u>102,158,872</u>	<u>(3,354,276)</u>	<u>(40,301)</u>	<u>3,529</u>	<u>98,767,824</u>
Governmental activities capital assets, net	<u>\$ 104,508,260</u>	<u>(3,354,276)</u>	<u>(40,301)</u>	<u>3,529</u>	<u>101,117,212</u>

Depreciation expense was charged to the following governmental functions:

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Governmental activities:

	Amount
Instruction	\$ 2,714,463
Support services	880,590
Non-instructional	97,870
Total depreciation expense - Governmental activities	<u>\$ 3,692,923</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	Adjustments	Balance 6/30/2019	Amounts due within one year
A. General obligation bonds payable	\$ 42,240,000		880,000		41,360,000	1,100,000
B. Certificates of participation payable	6,355,000		575,000		5,780,000	595,000
C. Limited tax notes payable	9,800,000		485,000		9,315,000	495,000
D. Obligations under capital leases	994,892		1,166,294	344,880	173,478	173,478
E. Obligations under energy efficiency leases	0		194,467	4,749,102	4,554,635	262,228
F. Qualified school construction bonds payable	3,000,000				3,000,000	0
G. Compensated absences payable	637,652		68,843		568,809	28,440
Total	<u>\$ 63,027,544</u>	<u>0</u>	<u>3,369,604</u>	<u>5,093,982</u>	<u>64,751,922</u>	<u>2,654,146</u>

	Balance 7/1/2018	Additions	Reductions	Adjustments	Balance 6/30/2019
Premiums	<u>\$ 1,562,780</u>	<u>0</u>	<u>107,891</u>	<u>0</u>	<u>1,454,889</u>

The adjustments to long term debt represents debt that was incurred in a prior year that was not recorded in the accounting records by school district management.

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bond - Series 2015	3.0- 4.0%	9/1/2015	9/1/2032	\$ 44,000,000	<u>41,360,000</u>

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

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Year Ending June 30	Principal	Interest	Total
2020	\$ 1,100,000	1,415,625	2,515,625
2021	1,400,000	1,371,125	2,771,125
2022	2,600,000	1,304,125	3,904,125
2023	2,700,000	1,224,625	3,924,625
2024	2,850,000	1,127,125	3,977,125
2025- 2029	16,000,000	3,815,875	19,815,875
2030 - 2033	14,710,000	957,689	15,667,689
Total	<u>\$ 41,360,000</u>	<u>11,216,189</u>	<u>52,576,189</u>

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2019, the amount of outstanding bonded indebtedness was equal to 10.2% of property assessments as of October 1, 2018.

B. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates	2.65-4.0%	10/24/2014	10/1/2027	<u>\$ 7,995,000</u>	<u>5,780,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 595,000	156,342	751,342
2021	620,000	131,542	751,542
2022	645,000	112,192	757,192
2023	665,000	92,242	757,242
2024	685,000	71,692	756,692
2025- 2028	2,570,000	97,115	2,667,115
Total	<u>\$ 5,780,000</u>	<u>661,125</u>	<u>6,441,125</u>

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

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C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes, Series 2013	2.0-4.0%	12/30/2013	10/1/2031	\$ 9,870,000	8,060,000
2. Limited tax notes, Series 2014	2-3.63%	4/15/2014	10/1/2031	1,630,000	1,255,000
Total				<u>\$ 11,500,000</u>	<u>9,315,000</u>

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

1. Three mill notes payable issue of Series 2013:

Year Ending June 30	Principal	Interest	Total
2020	\$ 395,000	281,520	676,520
2021	400,000	271,570	671,570
2022	415,000	259,345	674,345
2023	425,000	246,745	671,745
2024	440,000	233,770	673,770
2025- 2029	3,430,000	863,840	4,293,840
2030 - 2032	<u>2,555,000</u>	<u>155,900</u>	<u>2,710,900</u>
Total	<u>\$ 8,060,000</u>	<u>2,312,690</u>	<u>10,372,690</u>

This debt will be retired from the Series Notes (3-Mill) Fund (Debt Service Fund).

2. Three mill notes payable issue of 2014:

Year Ending June 30	Principal	Interest	Total
2020	\$ 100,000	36,912	136,912
2021	100,000	34,912	134,912
2022	100,000	32,412	132,412
2023	105,000	29,337	134,337
2024	105,000	26,187	131,187
2025 - 2029	455,000	87,586	542,586
2030 - 2032	<u>290,000</u>	<u>16,140</u>	<u>306,140</u>
Total	<u>\$ 1,255,000</u>	<u>263,486</u>	<u>1,518,486</u>

This debt will be retired from the Series Notes (3-Mill) Fund (Debt Service Fund).

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Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 495,000	318,432	813,432
2021	500,000	306,482	806,482
2022	515,000	291,757	806,757
2023	530,000	276,082	806,082
2024	545,000	259,957	804,957
2025 - 2029	3,885,000	951,426	4,836,426
2030 - 2032	<u>2,845,000</u>	<u>172,040</u>	<u>3,017,040</u>
Total	<u>\$ 9,315,000</u>	<u>2,576,176</u>	<u>11,891,176</u>

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of various Apple Macbook Air, Apple Care & Third Party Equipment at a cost of \$4,749,102 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The option available to the lessee for this lease is to purchase the equipment or replace the product at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Lease	1.21%	5/26/2017	7/17/2019	<u>\$ 520,080</u>	<u>173,478</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2020	<u>\$ 173,478</u>	<u>2,101</u>	<u>175,579</u>

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

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

E. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	2.605	8/17/2017	8/17/2033	<u>\$ 4,749,102</u>	<u>4,554,635</u>

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

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Year Ending June 30	Principal	Interest	Total
2020	\$ 262,228	116,951	379,179
2021	269,104	110,075	379,179
2022	276,159	103,019	379,178
2023	283,401	95,780	379,181
2024	290,832	88,348	379,180
2025 – 2029	1,572,620	323,279	1,895,899
2030 – 2034	1,600,291	106,011	1,706,302
Total	<u>\$ 4,554,635</u>	<u>943,463</u>	<u>5,498,098</u>

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

An energy efficiency lease agreement dated August 17, 2017, was executed by and between the district, the lessee, and Bank of America, the lessor.

The agreement authorized the borrowing of \$4,749,102 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

F. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	0.96%	12/17/2009	9/15/2024	\$ <u>3,000,000</u>	<u>3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$	28,200	28,200
2021		28,200	28,200
2022		28,200	28,200
2023		28,200	28,200
2024		28,200	28,200
2025	3,000,000	28,200	3,028,200
Total	<u>\$ 3,000,000</u>	<u>169,200</u>	<u>3,169,200</u>

This debt will be retired from the QSCB Debt Retirement Fund (Debt Service Fund).

The district will make annual payments to a sinking fund maintained by the paying agent (see Note 15). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt.

LOWNDES COUNTY SCHOOL DISTRICT
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G. 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 an operating leases for copying and reproduction equipment for 48 months at a base annual price of \$119,340 with additional charge for a cost per image.

The base annual price with the cost per image price for the year ended June 30, 2019, amounted to \$161,297. Future lease payments based on the base annual price are as follows:

Year Ending June 30	Amount
2020	\$ 119,340
2021	119,340
2022	119,340
Total	<u>\$ 358,020</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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

LOWNDES COUNTY SCHOOL DISTRICT

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for the fiscal years ending June 30, 2019, 2018 and 2017 were \$4,568,438, \$4,435,211 and \$4,066,929, 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 \$73,346,246 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 .440969 percent, which was based on a measurement date of June 30, 2018. This was an increase of .038451 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 \$7,030,572. 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	\$ 239,098	\$ 1,084,172
Net difference between projected and actual earnings on pension plan investments	0	247,352
Changes of assumptions	32,187	30,121
Changes in proportion and differences between District contributions and proportionate share of contributions	810,301	0
District contributions subsequent to the measurement date	4,568,438	0
Total	<u>\$ 5,650,024</u>	<u>\$ 1,361,645</u>

\$4,568,438 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	\$ (25,796)
2021	(25,796)
2022	(166,628)
2023	(61,839)

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:

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.

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

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	\$ 96,575,959	\$ 73,346,246	\$ 54,039,287

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/>.

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

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 \$199,935 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 \$4,356,538 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 employee. At the measurement date of June 30, 2018, the District's proportion was .56318761 percent. This was an increase of .01336449 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 \$205,293. 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	\$ 8,870	\$ 0
Changes of assumptions	0	310,412
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	92,980	47,435
District contributions subsequent to the measurement date	199,935	0
Total	\$ 301,785	\$ 357,847

LOWNDES COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

\$199,935 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	\$	(53,832)
2021		(53,832)
2022		(53,832)
2023		(53,832)
2024		(38,964)
Thereafter		(1,705)

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
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 ultimate
Pre-Medicare	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%.

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

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	\$ 4,829,114	\$ 4,356,538	\$ 3,950,108

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 4,035,594	\$ 4,356,538	\$ 4,721,038

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.

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

Year Ending June 30	Amount
2020	\$ 264,480
2021	257,370
2022	158,334
2023	157,518
2024	114,171
2025 – 2029	562,618
2030 – 2034	543,772
2035 – 2039	478,650
2040 – 2044	315,824
Thereafter	389,970
Total	<u>\$ 3,242,707</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. Error correction - restatement of prior period asset and liability	\$ 517,471
2. Error correction - correction of capital assets	3,529
3. Error correction - correction of long term debt	<u>(5,093,982)</u>
Total	<u>\$ (4,572,982)</u>

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

Fund	Explanation	Amount
General Fund	Error correction - restatement of prior period asset	\$ 404,082
Other Governmental Funds	Error correction - restatement of prior period liability	113,389
		<u>\$ 517,471</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.

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 October 24, 2014, was executed by and between the Lowndes County School District and The Peoples

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

Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$7,995,000. Approximately \$7,832,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$163,000 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.

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. For the year ended June 30, 2019, the subsidy payments amounted to \$0.

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 \$1,840,848. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2020	\$ 214,000
2021	214,000
2022	214,000
2023	214,000
2024	214,000
2025	214,000
Total	<u>\$ 1,284,000</u>

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

Note 16 – Tax Abatement

On August 27, 2008, the Lowndes County Board of Supervisors, Mississippi Development Authority, the Lowndes County Tax Assessor and ServeCorr, Inc. entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The amount received by the Lowndes County School District is approximately \$1,100,000 each school year depending upon the assessed valuation of the exempt property. The payment period is expected to terminate on or about the year 2020 unless an Expansion Agreement is granted in accordance with applicable state laws. The Lowndes County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the Lowndes County School District.

On November 26, 2007, the Lowndes County Board of Supervisors, Mississippi Development Authority, the Mississippi Major Economic Impact Authority and PACCAR Engine Company entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The amount received by the Lowndes County School District is approximately \$640,000 each school year depending upon the assessed valuation of the exempt property. The payment period is expected to terminate on or about the year 2020 unless an Expansion Agreement is granted in accordance with applicable state laws. The Lowndes County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the Lowndes County School District.

On 2005, the Lowndes County Board of Supervisors, Mississippi Development Authority, the Lowndes County Tax Assessor and Steely Dynamics Columbus, LLC entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The amount received by the Lowndes County School District is approximately \$100,000 each school year depending upon the assessed valuation of the exempt property. The payment period is expected to terminate on or about the year 2020 unless an Expansion Agreement is granted in accordance with applicable state laws. The Lowndes County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the Lowndes County School District.

On August 1, 2011, the Lowndes County Board of Supervisors, Mississippi Development Authority, the Lowndes County Tax Assessor and Weyerhaeuser NR Company entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The amount received by the Lowndes County School District is approximately \$175,000 each school year depending upon the assessed valuation of the exempt property. The payment period is expected to terminate on or about the year 2022 unless an Expansion Agreement is granted in accordance with applicable state laws. The Lowndes County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the Lowndes County School District.

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$70,631,572) 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 \$4,568,438 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 \$1,081,586 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 4 years.

The unrestricted net position amount of (\$70,631,572) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,361,645 balance of deferred inflow of resources related to 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 (\$70,631,572) 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 \$199,935 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 \$101,850 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 (\$70,631,572) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$357,847 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.

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

Note 19 – Insurance Loss Recoveries

The School District received \$2,038 in insurance loss recoveries related to vehicle damage during the 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
\$ 0	0%	Instruction
2,038	100%	Support services
0	0%	Non-instructional
<u>\$ 2,038</u>	<u>100%</u>	

Note 20 - 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 22, 2020, the date the financial statements were available to be issued, and determined that no subsequent event have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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LOWNDES 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 to Final	Final to Actual
Revenues					
Local sources	\$ 22,206,525	20,878,316	20,878,316	(1,328,209)	0
State sources	25,893,851	25,203,398	25,203,398	(690,453)	0
Federal sources	734,124	746,265	746,265	12,141	0
Sixteenth section sources	198,560	177,777	177,777	(20,783)	0
Total Revenues	<u>49,033,060</u>	<u>47,005,756</u>	<u>47,005,756</u>	<u>(2,027,304)</u>	<u>0</u>
Expenditures					
Instruction	26,893,646	26,145,224	26,538,204	748,422	(392,980)
Support services	18,360,952	17,319,697	17,319,697	1,041,255	0
Sixteenth section	78,237	61,259	61,259	16,978	0
Debt service					
Principal	1,987,441	1,951,995	1,935,761	35,446	16,234
Interest	197,210	387,884	403,006	(190,674)	(15,122)
Other	1,500	2,503	3,615	(1,003)	(1,112)
Total Expenditures	<u>47,518,986</u>	<u>45,868,562</u>	<u>46,261,542</u>	<u>1,650,424</u>	<u>(392,980)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,514,074</u>	<u>1,137,194</u>	<u>744,214</u>	<u>(376,880)</u>	<u>(392,980)</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	2,038	2,038	2,038	0
Operating transfers in	4,533,787	8,345,803	145,660	3,812,016	(8,200,143)
Operating transfers out	(7,073,014)	(9,691,294)	(2,368,645)	(2,618,280)	7,322,649
Total Other Financing Sources (Uses)	<u>(2,539,227)</u>	<u>(1,343,453)</u>	<u>(2,220,947)</u>	<u>1,195,774</u>	<u>(877,494)</u>
Net Change in Fund Balances			<u>(1,476,733)</u>		
Fund Balances					
July 1, 2018, as previously reported			9,208,468		
Prior period adjustments			404,082		
July 1, 2018, as restated			<u>9,612,550</u>		
June 30, 2019			<u>\$ 8,135,817</u>		

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

LOWNDES COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - FY19 Title I-A Basic 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	\$ 1,273,924	1,116,300	1,116,300	(157,624)	0
Total Revenues	1,273,924	1,116,300	1,116,300	(157,624)	0
Expenditures					
Instruction	856,927	784,714	784,714	72,213	0
Support services	375,258	285,768	285,768	89,490	0
Noninstructional services	11,739	3,818	3,818	7,921	0
Total Expenditures	1,243,924	1,074,300	1,074,300	169,624	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,000	42,000	42,000	12,000	0
Other Financing Sources (Uses)					
Operating transfers out	(30,000)	(42,000)	(42,000)	(12,000)	0
Total Other Financing Sources (Uses)	(30,000)	(42,000)	(42,000)	(12,000)	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2018			0		
June 30, 2019			\$ 0		

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

LOWNDES COUNTY SCHOOL DISTRICT

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

PERS

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.440969%	0.402518%	0.437754%	0.428420%	0.46702%
District's proportionate share of the net pension liability	<u>\$ 73,346,246</u>	<u>66,912,153</u>	<u>78,193,795</u>	<u>66,225,284</u>	<u>49,366,176</u>
District's covered payroll	<u>\$ 28,160,070</u>	<u>25,821,771</u>	<u>28,004,190</u>	<u>26,765,206</u>	<u>24,862,933</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>260.46%</u>	<u>259.13%</u>	<u>279.22%</u>	<u>247.43%</u>	<u>198.55%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>62.54%</u>	<u>61.49%</u>	<u>57.47%</u>	<u>61.70%</u>	<u>67.21%</u>

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.

LOWNDES 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	\$ 4,568,438	4,435,211	4,066,929	4,410,660	4,215,520
Contributions in relation to the contractually required contribution	4,568,438	4,435,211	4,066,929	4,410,660	4,215,520
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 29,005,956	28,160,070	25,821,771	28,004,190	26,765,206
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.

LOWNDES COUNTY SCHOOL DISTRICT

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

OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.5318761%	0.54982312%
District's proportionate share of the net OPEB liability	<u>\$ 4,356,538</u>	<u>4,313,962</u>
Covered employee payroll	<u>\$ 28,160,070</u>	<u>25,821,771</u>
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	<u>15.47%</u>	<u>16.71%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.13%</u>	<u>0.00%</u>

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.

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

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	199,935	\$ 183,911
Contributions in relation to the actuarially determined contribution	199,935	183,911
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 29,005,956	28,160,070
Contributions as a percentage of covered employee payroll	0.69%	0.65%

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.

LOWNDES 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.

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

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

(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:

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%

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

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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LOWNDES 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
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 628,646
National school lunch program	10.555	195MS326N1099	1,718,285
Total child nutrition cluster			2,346,931
Fresh fruits and vegetable program	10.582	195MS326L1603	815
Total passed-through Mississippi Department of Education			2,347,746
Total U.S. Department of Agriculture			2,347,746
<u>U.S. Department of Commerce</u>			
Passed-through Appalachian Regional Commission:			
Economic development support for planning organizations	11.302	N/A	25,000
Total passed-through Appalachian Regional Commission			25,000
Total U.S. Department of Commerce			25,000
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	53,755
Total U.S. Department of Defense			53,755
<u>U.S. Department of Education</u>			
Direct programs:			
Impact aid - facilities maintenance	84.040	N/A	47,050
Total			47,050
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	ES010A180024	1,509,464
Career and technical education - basic grants to states	84.048	V048A180024	121,604
Education for homeless children and youth	84.196	ES196A180025	26,189
Rural education	84.358	ES358B180024	43,107
Supporting effective instruction - state grants	84.367	ES367A180023	212,608
Student support and academic enrichment program	84.424	ES424A180025	31,473
Total			1,944,445
Special education cluster:			
Special education - grants to states	84.027	H027A180108	1,109,239
Special education - preschool grants	84.173	H173A180113	29,038
Total special education cluster			1,138,277
Total passed-through Mississippi Department of Education			3,082,722
Total U.S. Department of Education			3,129,772
Total for All Federal Awards			\$ 5,556,273

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

LOWNDES 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 \$163,108 are included in the National School Lunch Program.

(5) Other Items

As allowed by federal regulations, the school district elected to transfer program funds. The district expended \$194,023 from its Supporting Effective Instruction - State Grants CFDA # 84.367 on allowable activities of the Title I - Grants to Local Educational Agencies CFDA # 84.010. These amounts are reflected in the expenditures of Title I - Grants to Local Educational Agencies.

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

LOWNDES 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	\$ 40,057,854	31,496,503	1,090,363	3,033,460	4,437,528
Other	17,826,750	3,200,802	667,936	49,025	13,908,987
Total	<u>57,884,604</u>	<u>34,697,305</u>	<u>1,758,299</u>	<u>3,082,485</u>	<u>18,346,515</u>
Total number of students	<u>5,421</u>				
Cost per student	<u>\$ 10,678</u>	<u>6,401</u>	<u>324</u>	<u>569</u>	<u>3,384</u>

Notes to the schedule.

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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LOWNDES 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	\$ 20,878,316	21,529,465	22,036,848	22,036,717
State sources	25,203,398	24,460,090	24,191,265	23,749,066
Federal sources	746,265	615,177	724,350	505,665
Sixteenth section sources	177,777	165,951	176,684	362,736
Total Revenues	<u>47,005,756</u>	<u>46,770,683</u>	<u>47,129,147</u>	<u>46,654,184</u>
Expenditures				
Instruction	26,538,204	25,796,843	25,695,474	25,848,375
Support services	17,319,697	17,950,812	16,305,159	21,516,229
Sixteenth section	61,259	63,114	61,503	66,641
Facilities acquisition and construction	0	0	0	32,026
Debt service				
Principal	1,935,761	2,160,723	2,125,146	2,161,632
Interest	403,006	238,943	292,384	250,030
Other	3,615	2,500	2,535	1,353
Total Expenditures	<u>46,261,542</u>	<u>46,212,935</u>	<u>44,482,201</u>	<u>49,876,286</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>744,214</u>	<u>557,748</u>	<u>2,646,946</u>	<u>(3,222,102)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	5,069,725
Insurance loss recoveries	2,038	24,672	0	66,874
Sale of transportation equipment	0	4,500	0	0
Sale of other property	0	181,121	10,875	0
Operating transfers in	145,660	5,066,764	436,083	207,803
Operating transfers out	(2,368,645)	(5,131,285)	(10,925,128)	(1,333,334)
Total Other Financing Sources (Uses)	<u>(2,220,947)</u>	<u>145,772</u>	<u>(10,478,170)</u>	<u>4,011,068</u>
Net Change in Fund Balances	<u>(1,476,733)</u>	<u>703,520</u>	<u>(7,831,224)</u>	<u>788,966</u>
Fund Balances				
Beginning of period, as previously reported	9,208,468	8,698,011	16,533,716	15,744,750
Prior period adjustments	404,082	(193,063)	(4,481)	0
Beginning of period, as restated	<u>9,612,550</u>	<u>8,504,948</u>	<u>16,529,235</u>	<u>15,744,750</u>
End of period	<u>\$ 8,135,817</u>	<u>9,208,468</u>	<u>8,698,011</u>	<u>16,533,716</u>

* Source - Prior year audit reports.

LOWNDES 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	\$ 24,585,585	25,291,141	23,583,909	23,986,055
State sources	26,163,248	25,438,504	24,902,635	24,413,031
Federal sources	5,873,375	5,080,387	5,217,270	4,905,802
Sixteenth section sources	186,506	183,676	179,773	386,965
Total Revenues	56,808,714	55,993,708	53,883,587	53,691,853
Expenditures				
Instruction	31,005,301	31,206,204	30,829,105	28,817,818
Support services	18,932,049	21,094,095	20,223,070	24,007,639
Noninstructional services	2,362,968	2,654,770	2,861,802	2,022,404
Sixteenth section	63,121	65,439	83,964	85,347
Facilities acquisition and construction	0	11,561,535	29,807,798	19,655,708
Debt service				
Principal	3,300,761	3,515,723	3,475,146	2,601,632
Interest	2,205,364	2,077,301	2,842,524	635,213
Other	15,040	13,763	14,376	624,335
Total Expenditures	57,884,604	72,188,830	90,137,785	78,450,096
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,075,890)	(16,195,122)	(36,254,198)	(24,758,243)
Other Financing Sources (Uses)				
Proceeds of notes issued	0	0	0	44,000,000
Inception of capital leases	0	0	0	5,069,725
Bond Premiums	0	0	0	1,775,268
Insurance loss recoveries	2,038	24,672	0	66,874
Sale of transportation equipment	0	4,500	0	0
Sale of other property	0	181,121	10,875	0
Operating transfers in	2,707,725	10,432,767	51,035,349	21,476,410
Other financing sources	0	10,000	32,000	0
Operating transfers out	(2,707,725)	(10,432,767)	(51,035,349)	(21,476,410)
Payment held by QSCB escrow agent	213,899	214,000	214,000	214,000
Payment to QSCB escrow agent	(213,899)	(214,000)	(214,000)	(214,000)
Total Other Financing Sources (Uses)	2,038	220,293	42,875	50,911,867
Net Change in Fund Balances	(1,073,852)	(15,974,829)	(36,211,323)	26,153,624
Fund Balances				
Beginning of period	12,521,925	28,636,265	64,897,383	38,740,604
Prior period adjustments	517,471	(193,063)	(4,481)	194
Beginning of period, as restated	13,039,396	28,443,202	64,892,902	38,740,798
Increase (Decrease) in reserve for inventory	(16,373)	53,552	(45,314)	2,961
End of period	\$ 11,949,171	12,521,925	28,636,265	64,897,383

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Independent Auditor's Report

Superintendent and School Board
Lowndes 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 Lowndes County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lowndes County School District's basic financial statements, and have issued my report thereon dated January 22, 2020.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses [2019-001 and 2019-002].

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies [2019-003, 2019-004 and 2019-005].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lowndes 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*.

Lowndes County School District's Response to Findings

Lowndes County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Lowndes 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 them.

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
January 22, 2020

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Lowndes County School District

Report on Compliance for Each Major Federal Program

I have audited Lowndes 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 Lowndes County School District's major federal programs for the year ended June 30, 2019. Lowndes 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 Lowndes 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 Lowndes 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 Lowndes County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Lowndes 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 Lowndes 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 Lowndes 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 Lowndes 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
January 22, 2020

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

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Lowndes County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2019, which collectively comprise Lowndes County School District's basic financial statements and have issued my report thereon dated January 22, 2020. 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 Lowndes County School District's responses are as follows:

Finding No. 1.

CONDITION: One Public Employees Retirement System (PERS) retiree out of sample of seven had a PERS Form 4B for reemployment which was dated by management beyond the five days of the employment date.

CRITERIA: PERS requires that the Form 4B be dated by management within 5 days of reemployment of the PERS retiree.

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

POTENTIAL EFFECT OF CONDITION: The effect of this condition results in the appearance of non-compliance with state laws.

RECOMMENDATION: It is recommended that the PERS Form 4B be dated by management within five days of employment as required by PERS.

VIEWS OF MANAGEMENT: Personnel Coordinator will sign and date all Form 4B within five days of the employment

Finding No. 2.

CONDITION: The school district depository bid expired effective June 30, 2018. The school board failed to advertise for depositories beginning July 1, 2018 and continued to use the depository with the expired bid.

CRITERIA: Section 37-7-333, Mississippi Code 1972, requires the school board to advertise for and accept bids for depositories (banks) for the deposit of school district funds.

CAUSE OF CONDITION: The cause of the condition was an error / oversight on the part of the school board.

POTENTIAL EFFECT OF CONDITION: The effect of this condition results in the appearance of non-compliance with state laws.

RECOMMENDATION: It is recommended that the district only use depositories (banks) that have been selected and approved by the school board after having been properly advertised.

VIEWS OF MANAGEMENT: The district will advertise for depositories for fiscal year 2020-2021.

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 Lowndes 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

January 22, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LOWNDES 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. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

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. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| 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

Deficiencies identified that are considered to be material weaknesses.

Finding 2019-001

CONDITION: Material financial adjustments were made to financial statement of the school district for:

- 1) Donated commodities that were not recorded in the financial records.
- 2) The account balance for other payables was an archaic account that was adjusted off the financial accounting records.

This condition was corrected with auditor adjustments that were approved by school district management.

CRITERIA: The school district's financial accounting records should contain factual and accurate account balances such that the year-end financial statements are free of material misstatement.

CAUSE OF CONDITION: This condition was caused by oversight by school district management.

POTENTIAL EFFECT OF CONDITION: The effect of this condition resulted in material misstatements to the financial statements. However, it was corrected after auditor adjustments.

RECOMMENDATION: It is recommended that due diligence be exercised in identifying and recording all financial transactions of the school district.

VIEWS OF MANGEMENT: In agreement. See management's Corrective Action Plan.

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

Finding 2019-002

CONDITION: During the prior year (2017-18 FY), the school district entered into an Energy Efficiency Lease for \$4,749,102 for upgrades to facilities. The loan proceeds and the payments to the vendor were electronic wire transfers and were never recorded in the accounting records of the school district. Once this matter was detected in the current year (2018-19 FY), the balance on hand with the bank at July 1, 2018 (\$392,980) was adjusted on the books of the school district at the request of the auditor and was approved by school district management.

CRITERIA: All financial transactions of the school district should be accounted for in the school district financial accounting system.

CAUSE OF CONDITION: The cause of this condition was an error on the part of school district management.

POTENTIAL EFFECT OF CONDITION: The effect of the condition resulted in a material misstatement of the financial statements of the school district. However, it was corrected after auditor adjustment.

RECOMMENDATION: It is recommended that due diligence be exercised in identifying and recording all financial transactions of the school district.

VIEWS OF MANGEMENT: In agreement. See management's Corrective Action Plan.

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2019-003

CONDITION: The school district paid \$52,245 for "contract buy out" on a contract for copy machines and reproduction services. There was no formal documentation from the vendor that was agreed to by the school district for the termination and buy out of the contract. Furthermore, there was no documentation in the board minutes indicating the school board approved the termination and buy out of the contract.

CRITERIA: Significant contract terminations should be formally documented and approved by the school board and documented in the board minutes.

CAUSE OF CONDITION: The cause of the condition is an absence of controls and documentation to support the termination and buy out of a contract.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could result in a misunderstanding of the terms agreed upon regarding the termination and an inappropriate amount being paid for the termination.

RECOMMENDATION: It is recommended that the termination of contracts be formally documented and approved by the school board and noted in the school board minutes.

VIEWS OF MANGEMENT: In agreement. See management's Corrective Action Plan.

Finding 2019-004

CONDITION: The school board approved the advertising for bids for career technical equipment. The advertisement was published, bids were received and duly tallied. The recommended approved vendor was presented to the school board. The school board approved the acceptance of the bid, but failed to name the approved vendor in the minutes.

CRITERIA: The awarding of bids by the school board should include the name of the approved vendor and be noted in the board minutes.

CAUSE OF CONDITION: The cause of the condition is an absence of controls with documenting the approved vendor for equipment bids.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could result in confusion on the awarding of bids based on the intentions of the school board.

RECOMMENDATION: It is recommended that the school board document the name of the vendor in the board minutes when a bid is awarded and approved by the school board.

VIEWS OF MANGEMENT: In agreement. See management's Corrective Action Plan.

Finding 2019-005

CONDITION: Upon the inspection of Fuel Man invoices for a period of six months, it was noted that each monthly invoice contained numerous exceptions as denoted by the vendor. There was no indication on the invoice that management had addressed the exception or corrected the matter such that it would not be a recurring exception in the subsequent month.

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

CRITERIA: Exceptions noted by the vendor on monthly invoice should be appropriately and adequately addressed by management charged with the duty of reviewing of the invoice. Remarks, comments and/or explanations should be present for each exception and noted as such on the invoice.

CAUSE OF CONDITION: The cause of the condition is an absence of controls in reviewing and resolving exceptions on vendor invoices.

POTENTIAL EFFECT OF CONDITION: The effect of this of this condition could result in misappropriation of school district assets.

RECOMMENDATION: It is recommended that the Fuel Man invoices be reviewed in detail and all exceptions resolved to the satisfaction of management and documented accordingly.

VIEWS OF MANGEMENT: In agreement. See management'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.

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AUDITEE'S CORRECTIVE ACTION PLAN

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Dr. Robin Ballard
Deputy Superintendent



Dr. Susan Johnson
Assistant Superintendent

Susan Lingle
Vocational and Tech Prep Director

Kenneth Hughes
Business Officer/Administrator

LOWNDES COUNTY
School District
CALDONIA • NEW HOPE • WEST LOWNDES • CAREER TECH
1053 Hwy 45 South – Columbus, MS 39701
(662) 244-5000 – Fax (662) 244-5043

Samuel Allison
Superintendent

Susan Byars
Child Nutrition Director

Dr. Christy Adams
Curriculum Coordinator

“Challenge all students to attain their greatest potential.”

Corrective Action Plan

January 22, 2020

As required by 2 CFR 200.511 (a), the Lowndes County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

Finding 2019-001

Corrective Action Plan

- a. Contact person responsible for corrective action: Kenneth Hughes, Business Manager
- b. Description of correction action to be taken: The condition was corrected with auditor adjustments. In the future, all transactions will be recorded in the fiscal year in which they occur.
- c. Anticipated completion date of corrective action: Immediately.

Finding 2019-002

Corrective Action Plan

- a. Contact person responsible for corrective action: Kenneth Hughes, Business Manager

- b. Description of correction action to be taken: : The condition was corrected with auditor adjustments. In the future, all transactions will be recorded in the fiscal year in which they occur.
- c. Anticipated completion date of corrective action: Immediately.

Finding 2019-003

Corrective Action Plan

- a. Contact person responsible for corrective action: Samuel Allison, Superintendent
- b. Description of correction action to be taken: All contracts and termination of contracts will be board approved and properly recorded in the minutes.
- c. Anticipated completion date of corrective action: Immediately.

Finding 2019-004

Corrective Action Plan

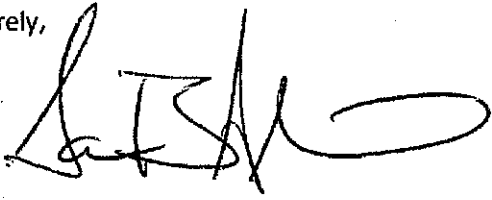
- a. Contact person responsible for corrective action: Samuel Allison, Superintendent
- b. Description of correction action to be taken: All bids awarded will be properly recorded in the minutes.
- c. Anticipated completion date of corrective action: Immediately.

Finding 2019-005

Corrective Action Plan

- a. Contact person responsible for corrective action: Dennis Aldridge, Transportation Director
- b. Description of correction action to be taken: All exceptions on the Fuelman invoices will be addressed, corrected, and documented.
- c. Anticipated completion date of corrective action: Immediately.

Sincerely,

A handwritten signature in black ink, appearing to be "L. J. Smith", written in a cursive style.

Superintendent of Education

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