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LAMAR COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2020

St. Clair CPA, PLLC
Carriere, MS

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar 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 Lamar County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Lamar 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 Lamar County School District, as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the school district adopted Governmental Accounting Standards Board ("GASB") Statement No. 84, Fiduciary Activities. As a result, net position as of July 1, 2019, has been restated. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 9-16, 51, 52, 53, 54 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar 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 8, 2021, on my consideration of the Lamar 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 Lamar 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 Lamar County School District's internal control over financial reporting and compliance.

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
January 8, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LAMAR COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

The following discussion and analysis of Lamar County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2020. 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 2020 increased \$528,832, including the reclassification of agency funds due to GASB 84 in the amount of \$148,635, which represents a 1% increase from fiscal year 2019. Total net position for 2019 increased \$151,997, including a prior period adjustment of (\$208,752) and an adjustment of (\$695,837) due to consolidation with Lumberton Public School District, which represents a .3% increase from fiscal year 2018.
- General revenues amounted to \$89,060,519 and \$84,614,767, or 84% and 82% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,425,139, or 16% of total revenues for 2020, and \$18,025,340, or 18% of total revenues for 2019.
- The District had \$105,105,461 and \$101,583,521 in expenses for fiscal years 2020 and 2019; only \$16,425,139 for 2020 and \$18,025,340 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$89,060,519 for 2020 and \$84,614,767 for 2019 were adequate to provide for these programs.
- Among major funds, the General Fund had \$85,422,457 in revenues and \$83,253,991 in expenditures for 2020, and \$81,181,950 in revenues and \$76,992,581 in expenditures in 2019. The General Fund's fund balance increased by \$2,185,996, which included the reclassification of agency funds due to GASB 84 in the amount of \$148,635 from 2019 to 2020, and increased by \$4,084,268, including an adjustment of \$2,347,659 due to consolidation with Lumberton Public School District and a prior period adjustment of \$156,096 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$629,603 for 2020 and decreased by \$2,374,880 for 2019. The decrease for 2020 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$3,875,620 for 2020 and decreased by \$5,926,936 for 2019. This decrease for 2020 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$29,553 for 2020 and decreased by \$7,763 for 2019.

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 are governmental 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.

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not reported on governmental funds financial statements. Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$46,675,241 as of June 30, 2020.

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

Table 1 presents a summary of the District's net position at June 30, 2020 and June 30, 2019.

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 22,575,372	\$ 20,225,731	11.62 %
Restricted assets	19,522,182	19,853,607	(1.67) %
Capital assets, net	94,054,914	94,684,517	(0.66) %
Total assets	136,152,468	134,763,855	1.03 %
 Deferred outflows of resources	 15,120,300	 12,210,540	 23.83 %
Current liabilities	5,819,773	5,157,586	12.84 %
Long-term debt outstanding	32,689,060	36,564,680	(10.60) %
Net OPEB liability	9,814,667	8,868,791	10.67 %
Net pension liability	145,398,536	139,563,933	4.18 %
Total liabilities	193,722,036	190,154,990	1.88 %
 Deferred inflows of resources	 4,225,973	 4,023,478	 5.03 %
 Net position:			
Net investment in capital assets	64,414,591	62,272,693	3.44 %
Restricted	26,964,558	26,530,617	1.64 %
Unrestricted	(138,054,390)	(136,007,383)	(1.51) %
Total net position	\$ (46,675,241)	\$ (47,204,073)	1.12 %

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)	\$ (138,054,390)
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	146,464,424
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 8,410,034</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 \$629,603.
- The principal retirement of \$3,825,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$105,485,658 and \$102,640,107, respectively. The total cost of all programs and services was \$105,105,461 for 2020 and \$101,583,521 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

Table 2
Changes in Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 3,561,553	\$ 4,118,401	(13.52) %
Operating grants and contributions	12,863,586	12,906,939	(0.34) %
Capital Grants and Contributions	0	1,000,000	(100.00) %
General revenues:			
Property taxes	34,012,831	32,558,858	4.47 %
Grants and contributions not restricted	52,548,285	49,479,775	6.20 %
Investment earnings	404,963	380,604	6.40 %
Sixteenth section sources	2,094,440	2,195,530	(4.60) %
Total revenues	105,485,658	102,640,107	2.77 %
Expenses:			
Instruction	55,310,800	52,489,610	5.37 %
Support services	30,252,793	30,284,387	(0.10) %
Non-instructional	3,723,926	4,012,758	(7.20) %
Sixteenth section	241,793	193,084	25.23 %
Pension expense	13,400,256	12,433,300	7.78 %
OPEB expense	630,183	479,015	31.56 %
Interest on long-term liabilities	1,545,710	1,691,367	(8.61) %
Total expenses	105,105,461	101,583,521	3.47 %
Increase (Decrease) in net position	380,197	1,056,586	(64.02) %
Net Position, July 1, as previously reported	(47,204,073)	(47,356,070)	0.32 %
Fund Reclassification (GASB 84)	148,635	0	N/A
Lumberton SD Consolidation	0	(695,837)	100.00 %
Prior Period Adjustment	0	(208,752)	100.00 %
Net Position, July 1, as restated	(47,055,438)	(48,260,659)	2.50 %
Net Position, June 30	\$ (46,675,241)	\$ (47,204,073)	1.12 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2020	2019	
Instruction	\$ 55,310,800	\$ 52,489,610	5.37 %
Support services	30,252,793	30,284,387	(0.10) %
Non-instructional	3,723,926	4,012,758	(7.20) %
Sixteenth section	241,793	193,084	25.23 %
Pension Expense	13,400,256	12,433,300	7.78 %
OPEB Expense	630,183	479,015	31.56 %
Interest on long-term liabilities	1,545,710	1,691,367	(8.61) %
Total expenses	\$ 105,105,461	\$ 101,583,521	3.47 %

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (46,625,702)	\$ (44,627,824)	(4.48) %
Support services	(27,451,724)	(25,719,604)	(6.73) %
Non-instructional	1,215,046	1,586,013	(23.39) %
Sixteenth section	(241,793)	(193,084)	(25.23) %
Pension Expense	(13,400,256)	(12,433,300)	(7.78) %
OPEB Expense	(630,183)	(479,015)	(31.56) %
Interest on long-term liabilities	(1,545,710)	(1,691,367)	8.61 %
Total net (expense) revenue	\$ (88,680,322)	\$ (83,558,181)	(6.13) %

- Net cost of governmental activities (\$88,680,322 for 2020 and \$83,558,181 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$34,012,831 for 2020 and \$32,558,858 for 2019) and state and federal revenues (\$52,548,285 for 2020 and \$49,479,775 for 2019). In addition, there was \$2,094,440 and \$2,195,530 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$404,963 for 2020 and \$380,604 for 2019.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$36,476,460, an increase of \$1,340,089, which includes the reclassification of agency funds due to GASB 84 in the amount of \$148,635 and an increase in inventory of \$153,026. \$7,832,187 or 21% 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 \$28,644,273 or 79% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,185,996, which includes the reclassification of agency funds due to GASB 84 in the amount of \$148,635. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,323,787, which includes an increase in reserve for inventory of \$153,026. The fund balance of the 16th Section Principal Fund showed an increase of \$477,880.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$144,026,506, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,454,053 from 2019. Total accumulated depreciation as of June 30, 2020, was \$49,971,592, and total depreciation expense for the year was \$3,122,731, resulting in total net capital assets of \$94,054,914.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 718,100	\$ 656,329	9.41 %
Construction in Progress	1,800,542	176,356	920.97 %
Buildings	82,664,160	84,311,397	(1.95) %
Building improvements	529,518	542,435	(2.38) %
Improvements other than buildings	4,515,734	4,648,124	(2.85) %
Mobile equipment	3,489,075	4,099,309	(14.89) %
Furniture and equipment	337,785	250,567	34.81 %
Total	\$ 94,054,914	\$ 94,684,517	(0.66) %

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

Debt Administration. At June 30, 2020, the District had \$32,689,060 in outstanding long-term debt, of which \$4,113,619 is due within one year. The liability for compensated absences increased \$29,553 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	16,560,000	19,540,000	(15.25) %
Premium on refunding bonds payable	400,871	481,044	(16.67) %
Three mill notes payable	14,825,000	15,670,000	(5.39) %
Compensated absences payable	903,189	873,636	3.38 %
Total	\$ 32,689,060	\$ 36,564,680	(10.60) %

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

CURRENT ISSUES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lamar County School District, P.O. Box 609, Purvis, Mississippi 39475.

BASIC FINANCIAL STATEMENTS

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 19,783,841
Due from other governments	2,555,035
Inventories	236,496
Restricted assets (Note 4)	19,522,182
Non-depreciable capital assets (Note 5)	2,518,642
Depreciable capital assets, net (Note 5)	91,536,272
Total Assets	<u>136,152,468</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	11,003,284
Deferred outflow - OPEB (Note 9)	1,971,468
Deferred outflow - advance refunding on bonds	2,145,548
Total Deferred Outflows of Resources	<u>15,120,300</u>
Liabilities	
Accounts payable and accrued liabilities	5,621,094
Interest payable on long-term liabilities	198,679
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	3,965,000
Premium on bonds - capital related	80,173
Non-capital related liabilities	68,446
Net OPEB liability (Note 9)	363,066
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	27,420,000
Premium on bonds - capital related	320,698
Non-capital related liabilities	834,743
Net OPEB liability (Note 9)	9,451,601
Net pension liability (Note 8)	145,398,536
Total Liabilities	<u>193,722,036</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	3,072,601
Deferred inflows - OPEB (Note 9)	1,153,372
Total Deferred Inflows of Resources	<u>4,225,973</u>
Net Position	
Net investment in capital assets	64,414,591
Restricted net position	
Expendable	
School-based activities	1,168,889
Debt service	1,977,250
Forestry improvements	109,915
Unemployment benefits	132,279
Contractual commitments	429,847
Non-expendable	
Sixteenth section	23,146,378
Unrestricted	<u>(138,054,390)</u>
Total Net Position	<u>\$ (46,675,241)</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2020

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	\$ 55,310,800	2,259,391	6,425,707	(46,625,702)
Support services	30,252,793	107,082	2,693,987	(27,451,724)
Non-instructional	3,723,926	1,195,080	3,743,892	1,215,046
Sixteenth section	241,793			(241,793)
Pension expense	13,400,256			(13,400,256)
OPEB expense	630,183			(630,183)
Interest on long-term liabilities	1,545,710			(1,545,710)
Total Governmental Activities	<u>105,105,461</u>	<u>3,561,553</u>	<u>12,863,586</u>	<u>(88,680,322)</u>
General Revenues				
Taxes				
General purpose levies				29,294,167
Debt purpose levies				4,718,664
Unrestricted grants and contributions				
State				52,150,419
Federal				397,866
Unrestricted investment earnings				404,963
Sixteenth section sources				2,094,440
Total General Revenues				<u>89,060,519</u>
Changes in Net Position				<u>380,197</u>
Net Position - Beginning, as previously reported				(47,204,073)
Fund Reclassification GASB 84 (Note 13)				148,635
Net Position - Beginning - as restated				<u>(47,055,438)</u>
Net Position - Ending				<u>\$ (46,675,241)</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

Exhibit C

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>16th Section Principal Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents (Note 2)	\$ 19,783,841	4,403,260	3,572,764	27,759,865
Investments (Note 2)		11,546,158		11,546,158
Due from other governments	1,669,082		885,953	2,555,035
Due from other funds (Note 3)	663,561		115,484	779,045
Advances to other funds (Note 3)		7,442,000		7,442,000
Inventories			236,496	236,496
Total Assets	<u>22,116,484</u>	<u>23,391,418</u>	<u>4,810,697</u>	<u>50,318,599</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	4,815,930		805,164	5,621,094
Due to other funds (Note 3)	115,484	245,040	418,521	779,045
Advances from other funds (Note 3)	7,442,000			7,442,000
Total Liabilities	<u>12,373,414</u>	<u>245,040</u>	<u>1,223,685</u>	<u>13,842,139</u>
Fund Balances				
Nonspendable				
Inventory			236,496	236,496
Permanent fund principal		15,704,378		15,704,378
Advances		7,442,000		7,442,000
Restricted				
Debt service			2,175,929	2,175,929
Forestry improvements			109,915	109,915
Unemployment benefits			132,279	132,279
Grant activities			932,393	932,393
Contractual commitments	429,847			429,847
Assigned				
School activities	1,302,815			1,302,815
School grants	69,311			69,311
Insurance deductibles	108,910			108,910
Unassigned	7,832,187			7,832,187
Total Fund Balances	<u>9,743,070</u>	<u>23,146,378</u>	<u>3,587,012</u>	<u>36,476,460</u>
Total Liabilities and Fund Balances	<u>\$ 22,116,484</u>	<u>23,391,418</u>	<u>4,810,697</u>	<u>50,318,599</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 36,476,460
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	718,100	
Construction in progress	1,800,542	
Buildings	116,563,546	
Building Improvements	581,187	
Improvement other than buildings	8,483,394	
Mobile equipment	11,517,007	
Furniture and equipment	4,362,730	
Accumulated depreciation	<u>(49,971,592)</u>	94,054,914
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		(145,398,536)
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	11,003,284	
Deferred inflows of resources related to pensions	<u>(3,072,601)</u>	7,930,683
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		(9,814,667)
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	1,971,468	
Deferred inflows of resources related to OPEB	<u>(1,153,372)</u>	818,096
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	(16,560,000)	
Notes payable	(14,825,000)	
Compensated absences	(903,189)	
Unamortized charges	2,145,548	
Unamortized premiums	(400,871)	
Accrued interest payable	<u>(198,679)</u>	<u>(30,742,191)</u>
Total Net Position - Governmental Activities		<u>\$ (46,675,241)</u>

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

LAMAR COUNTY SCHOOL DISTRICT

Exhibit D

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

For the Year Ended June 30, 2020

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>16th Section Principal Fund</u>	<u>Other Governmental Funds</u>
			<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 31,914,772		5,987,046
State sources	52,150,419		3,538,896
Federal sources	397,866		9,324,690
Sixteenth section sources	959,400	1,120,469	14,571
Total Revenues	<u>85,422,457</u>	<u>1,120,469</u>	<u>18,865,203</u>
Expenditures			
Instruction	52,135,195		7,236,716
Support services	29,588,931		3,083,905
Noninstructional services	108		4,916,848
Sixteenth section	197,647		44,146
Facilities acquisition and construction	1,007,220		1,098,855
Debt service			
Principal (Note 6)			3,825,000
Interest	324,890		1,013,241
Other			4,081
Total Expenditures	<u>83,253,991</u>	<u>0</u>	<u>21,222,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,168,466</u>	<u>1,120,469</u>	<u>(2,357,589)</u>
Other Financing Sources (Uses)			
Insurance loss recoveries (Note 14)	107,082		
Operating transfers in (Note 3)	961,171		1,199,358
Operating transfers out (Note 3)	(1,199,358)	(642,589)	(318,582)
Total Other Financing Sources (Uses)	<u>(131,105)</u>	<u>(642,589)</u>	<u>880,776</u>
Net Change in Fund Balances	<u>2,037,361</u>	<u>477,880</u>	<u>(1,476,813)</u>
Fund Balances			
July 1, 2019, as previously reported	7,557,074	22,668,498	4,910,799
Fund Reclassification - GASB 84 (Note 13)	<u>148,635</u>		<u>148,635</u>
July 1, 2019, as restated	<u>7,705,709</u>	<u>22,668,498</u>	<u>4,910,799</u>
Increase in reserve for inventory			<u>153,026</u>
June 30, 2020	<u>\$ 9,743,070</u>	<u>23,146,378</u>	<u>\$ 36,476,460</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2020

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 1,038,428

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	2,493,523	
Depreciation expense	<u>(3,122,731)</u>	(629,208)

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. (395)

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	3,825,000	
Accrued interest payable	<u>15,940</u>	3,840,940

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

Pension expense	(13,400,256)	
Contributions made subsequent to the measurement date	<u>9,893,770</u>	(3,506,486)

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	(630,183)	
Contributions made subsequent to the measurement date	<u>363,066</u>	(267,117)

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	(29,553)	
Change in inventory reserve	153,026	
Amortization of deferred charges and bond premiums	<u>(219,438)</u>	<u>(95,965)</u>

Changes in Net Position of Governmental Activities	<u><u>\$ 380,197</u></u>
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The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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.

B. Government-wide and Fund Financial Statements

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

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

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

The school district reports the following major governmental funds:

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

16th Section Principal Fund - This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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.

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.

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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
Leased property under capital leases	*	*

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

7. Deferred outflows/inflows of resources

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

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

See Note 8, 9 and 15 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

by an external party or imposed by law through a constitutional provision or enabling legislation.

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

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

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

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

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

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

The school district early implemented GASB Statement No.84, Fiduciary Activities during the fiscal year end June 30, 2020.

Note 2 – Cash and Cash Equivalents 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

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$ 27,759,865.

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.

Investments

As of June 30, 2020, the district had the following investments.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Money Market	N/A	< 1 year	\$ 401,059
US Treasury Bonds	AA+	1 to 5	196,359
	AA+	5 to 10	1,584,962
	AA+	> 10	583,879
Government Agency Bonds	AA+	1 to 5	262,932
Corporate Bonds	AA-	1 to 5	156,473
Taxable Municipal Bonds	AA	1 to 5	1,151,010
	AA	5 to 10	1,514,609
Collateralized Mortgage Obligations	AA+	1 to 5	676,675
	AA+	5 to 10	84,840
	AA+	> 10	87,578
Mortgaged Backed Securities	AA+	1 to 5	2,802,377
	AA+	5 to 10	969,148
	AA+	> 10	1,074,257
Total			<u>\$ 11,546,158</u>

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

The district has the following recurring fair value measurements as of June 30, 2020:

- Listed investments of \$11,546,158 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2020, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - 16th Section Principal Fund	\$ 245,040
	Other Governmental Funds	418,521
Other Governmental Funds	General Fund	115,484
Total		<u>\$ 779,045</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments. The inter-fund loan from the 16th Section Principal Fund to the General Fund was for accumulated interest income.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major Fund - 16th Section Principal Fund	General Fund	<u>\$ 7,442,000</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2020 is four percent.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 680,250	297,680	977,930
2022	680,250	270,470	950,720
2023	680,250	243,260	923,510
2024	680,250	216,050	896,300
2025	680,250	188,840	869,090
2026 - 2030	3,150,750	541,060	3,691,810
2031 - 2035	890,000	53,400	943,400
Total	<u>\$ 7,442,000</u>	<u>1,810,760</u>	<u>9,252,760</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 1,199,358
Major fund - 16th Section Principal Fund	General Fund	642,589
Other governmental funds	General Fund	318,582
Total		<u>\$ 2,160,529</u>

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The transfer out of the General Fund was for the purpose of funding the vocational program, school recognition program, extended school year program and construction in the Other Governmental Funds. The transfers from the Major Fund - 16th Section Principal Fund was to transfer interest income to the General Fund. The transfer from the Other Governmental Funds to the General Fund was for indirect cost and a transfer of \$140,000 from the forestry escrow fund approved by the Mississippi Forestry Commission.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$4,403,260 and \$11,546,158, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling \$3,572,764, of the various grant funds and debt service funds which are legally restricted and may not be used to for purposes to support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 656,329	61,771		718,100
Construction-in-progress	176,356	1,624,186		1,800,542
Total non-depreciable capital assets	<u>832,685</u>	<u>1,685,957</u>	<u>0</u>	<u>2,518,642</u>
<u>Depreciable capital assets:</u>				
Buildings	116,081,658	481,888		116,563,546
Building improvements	581,187			581,187
Improvements other than buildings	8,378,394	105,000		8,483,394
Mobile equipment	11,517,007			11,517,007
Furniture and equipment	4,181,522	220,678	(39,470)	4,362,730
Total depreciable capital assets	<u>140,739,768</u>	<u>807,566</u>	<u>(39,470)</u>	<u>141,507,864</u>
Less accumulated depreciation for:				
Buildings	31,770,261	2,129,125		33,899,386
Building improvements	38,752	12,917		51,669
Improvements other than buildings	3,730,270	237,390		3,967,660
Mobile equipment	7,417,698	610,234		8,027,932
Furniture and equipment	3,930,955	133,065	(39,075)	4,024,945
Total accumulated depreciation	<u>46,887,936</u>	<u>3,122,731</u>	<u>(39,075)</u>	<u>49,971,592</u>
Total depreciable capital assets, net	<u>93,851,832</u>	<u>(2,315,165)</u>	<u>(395)</u>	<u>91,536,272</u>
Governmental activities capital assets, net	<u>\$ 94,684,517</u>	<u>(629,208)</u>	<u>(395)</u>	<u>94,054,914</u>

LAMAR COUNTY SCHOOL DISTRICT
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Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 2,135,756
Support services	914,209
Non-instructional	72,766
Total depreciation expense - Governmental activities	<u>\$ 3,122,731</u>

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

	Spent to June 30, 2020	Remaining Commitment
Governmental Activities:		
Bus Maintenance Facility	\$ 525,331	369,768
Lumberton Cafeteria/Bus Barn	1,275,211	60,079
Total governmental activities	<u>1,800,542</u>	<u>429,847</u>

Construction projects included in governmental activities are funded with a state grant of \$1,000,000 for improvements at Lumberton schools and local funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. General obligation refunding bonds payable	19,540,000		2,980,000	16,560,000	3,085,000
Premium on bonds payable	481,044		80,173	400,871	80,173
B. Three mill notes payable	15,670,000		845,000	14,825,000	880,000
C. Compensated absences payable	873,636	29,553		903,189	68,446
Total	<u>\$ 36,564,680</u>	<u>29,553</u>	<u>3,905,173</u>	<u>32,689,060</u>	<u>4,113,619</u>

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2012	2.125	12/3/2012	6/1/2025	\$ 9,985,000	9,265,000
2. General obligation refunding bonds, 2013	2.0 - 5.0	3/21/2013	6/1/2023	20,990,000	7,295,000
Total				<u>\$ 30,975,000</u>	<u>16,560,000</u>

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

1. General obligation refunding bond issue of 2012:

Year Ending June 30	Principal	Interest	Total
2021	\$ 110,000	194,081	304,081
2022	115,000	191,881	306,881
2023	2,015,000	189,580	2,204,580
2024	3,475,000	149,281	3,624,281
2025	3,550,000	75,438	3,625,438
Total	<u>\$ 9,265,000</u>	<u>800,261</u>	<u>10,065,261</u>

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

2. General obligation refunding bond issue of 2013:

Year Ending June 30	Principal	Interest	Total
2021	\$ 2,975,000	249,700	3,224,700
2022	3,030,000	190,200	3,220,200
2023	1,290,000	38,700	1,328,700
Total	<u>\$ 7,295,000</u>	<u>478,600</u>	<u>7,773,600</u>

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 3,085,000	443,781	3,528,781
2022	3,145,000	382,081	3,527,081
2023	3,305,000	228,280	3,533,280
2024	3,475,000	149,281	3,624,281
2025	3,550,000	75,438	3,625,438
Total	<u>\$ 16,560,000</u>	<u>1,278,861</u>	<u>17,838,861</u>

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, 2020, the amount of outstanding bonded indebtedness was equal to 2.8% of property assessments as of October 1, 2019.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

B. 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, 2013	3.0 - 5.0	9/5/2013	9/1/2026	\$ 17,900,000	5,880,000
2. Limited Tax Refunding Notes, 2017	2.5 - 4.0	12/20/2017	9/1/2033	9,280,000	8,945,000
Total				<u>\$ 27,180,000</u>	<u>14,825,000</u>

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

1. Three mill notes payable issue of 2013:

Year Ending June 30	Principal	Interest	Total
2021	\$ 745,000	615,204	1,360,204
2022	775,000	584,804	1,359,804
2023	805,000	553,204	1,358,204
2024	840,000	520,304	1,360,304
2025	870,000	486,104	1,356,104
2026 – 2027	<u>1,845,000</u>	<u>863,603</u>	<u>2,708,603</u>
Total	<u>\$ 5,880,000</u>	<u>3,623,223</u>	<u>9,503,223</u>

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

2. Three mill refunding notes payable issue of 2017:

Year Ending June 30	Principal	Interest	Total
2021	\$ 135,000	253,987	388,987
2022	140,000	249,524	389,524
2023	145,000	245,249	390,249
2024	150,000	240,824	390,824
2025	150,000	236,324	386,324
2026 – 2030	3,855,000	975,445	4,830,445
2031 – 2034	<u>4,370,000</u>	<u>202,136</u>	<u>4,572,136</u>
Total	<u>\$ 8,945,000</u>	<u>2,403,489</u>	<u>11,348,489</u>

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$323,843 of those funds are applied toward this debt.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 880,000	869,191	1,749,191
2022	915,000	834,328	1,749,328
2023	950,000	798,453	1,748,453
2024	990,000	761,128	1,751,128
2025	1,020,000	722,428	1,742,428
2026 – 2030	5,700,000	1,839,048	7,539,048
2031 – 2034	4,370,000	202,136	4,572,136
Total	<u>\$ 14,825,000</u>	<u>6,026,712</u>	<u>20,851,712</u>

C. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

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

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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, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$9,893,770, \$8,477,921 and \$7,820,745, 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, 2020, the school district reported a liability of \$145,398,536 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020 net pension liability was .826505 percent, which was based on a measurement date of June 30, 2019. This was a decrease of .012575 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$13,400,256. At June 30, 2020 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	\$ 63,138	\$ 114,883
Net difference between projected and actual earnings on pension plan investments	0	1,272,586
Changes of assumptions	1,046,376	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,685,132
District contributions subsequent to the measurement date	9,893,770	0
Total	\$ <u>11,003,284</u>	\$ <u>3,072,601</u>

\$9,893,770 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, 2021. 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:	
2021	\$ (637,262)
2022	(637,262)
2023	(370,417)
2024	(318,146)

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Actuarial assumptions. The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
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 current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 191,131,414	\$ 145,398,536	\$ 107,650,152

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

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

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$363,066 for the year ended June 30, 2020.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

At June 30, 2020, the District reported a liability of \$9,814,667 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the District's proportion was 1.15665205 percent. This was an increase of .01014695 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$630,183. At June 30, 2020, 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	\$ 14,840	\$ 140,487
Changes of assumptions	731,710	508,938
Net difference between projected and actual earnings on OPEB plan investments	185	0
Changes in proportion and differences between District contributions and proportionate share of contributions	861,667	503,947
District contributions subsequent to the measurement date	363,066	0
Total	<u>\$ 1,971,468</u>	<u>\$ 1,153,372</u>

\$363,066 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, 2021. 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:

2021	\$ 70,340
2022	70,340
2023	70,340
2024	80,181
2025	114,792
Thereafter	49,037

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate
Pre-Medicare	rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 10,902,382	\$ 9,814,667	\$ 8,884,025

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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	\$ 9,094,801	\$ 9,814,667	\$ 10,630,153

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

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 1,128,116
2022	1,117,613
2023	1,107,952
2024	1,104,370
2025	1,092,551
2026 – 2030	5,311,593
2031 – 2035	4,565,742
2036 – 2040	2,739,331
2041 – 2045	2,803,163
Total	<u>\$ 20,970,431</u>

Note 11 – Contingencies

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 12 – Risk Management

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

Note 13 - Fund Reclassification

The Lamar County School District early implemented the provisions of Statement No. 84 of the Governmental Accounting Standards Board - Fiduciary Activities. This Statement should be applied retroactively by restating financial statements for the current period. The Lamar County School District reclassified all Agency Funds to the General Fund.

Note 14 - Insurance loss recoveries

The Lamar County School District received \$107,082 in insurance loss recoveries related to tornado damage during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to support services expense.

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$138,054,390) 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 \$9,893,770 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, 2021. The \$1,109,514 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$138,054,390) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,072,601 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$138,054,390) 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 \$363,066 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, 2021. The \$1,608,402 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$138,054,390) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,153,372 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The net investment in capital assets net position of \$64,414,591 includes the effects of deferring the recognition of expenses resulting from the advance refunding of general obligations bonds in a prior year. The balance at June 30, 2020 of \$2,145,548 will be amortized by \$299,611 over the next 5 years and \$80,935 over the remaining 8 years.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 16 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. At the time of my audit, the OSA report has not been released.

Note 17 - School District Consolidation

The Mississippi Legislature passed Senate Bill No. 2500, effective July 1, 2016, which required the local school boards of the Lumberton Public School District, Lamar County School District and Poplarville Municipal Separate School District to enter into an agreement no later than July 1, 2019, to abolish and dissolve the Lumberton Public School District and its central administrative office to be effective for the start of the 2019-2020 school year. The school districts were required to establish a commission on the administrative consolidation of Lumberton Public School District and to submit its plan of abolition and dissolution to the legislature no later than December 31, 2018. In accordance with this agreement, effective July 1, 2018 the territory of the Lumberton Public School District was transferred to Lamar County School District and the students enrolled in the schools of the former Lumberton Public School District were granted automatic transfer to Lamar County School District. Pearl River County and Poplarville Special Municipal Separate School District filed legal action to oppose that agreement.

On February 6, 2020, the Supreme Court of Mississippi upheld the consolidation between Lamar County School District and the Lumberton Public School District and the dissolution of the Lumberton Public School District on July 1, 2018.

Note 18 – Tax Abatement

On April 20, 2016, the Lamar County Board of Supervisors, the Lamar County Tax Assessor and Collector, the Lamar County Chancery Clerk and Origis Energy USA, 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 from the Origis Energy USA, Inc. property. The payment period will not exceed ten years pursuant to applicable state laws. The amount received by the Lamar County School District was \$554,826 for the 2019-2020 fiscal year and is anticipated to be approximately that each school year during the payment period. The payment period is expected to terminate on or about the year 2029. The Lamar County Board of Supervisors is responsible for making the annual in lieu of ad valorem payment to the Lamar County School District.

Note 19 - Other Matters

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

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 8, 2021 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 30,271,000	31,914,707	31,914,772	1,643,707	65
State sources	52,171,321	52,150,419	52,150,419	(20,902)	0
Federal sources	75,000	397,866	397,866	322,866	0
Sixteenth section sources	1,007,000	959,400	959,400	(47,600)	0
Total Revenues	<u>83,524,321</u>	<u>85,422,392</u>	<u>85,422,457</u>	<u>1,898,071</u>	<u>65</u>
Expenditures					
Instruction	53,387,015	52,111,775	52,135,195	1,275,240	(23,420)
Support services	31,221,664	29,270,979	29,588,931	1,950,685	(317,952)
Noninstructional services	0	108	108	(108)	0
Sixteenth section	107,000	197,547	197,647	(90,547)	(100)
Facilities acquisition and construction	0	1,163,363	1,007,220	(1,163,363)	156,143
Debt service					
Principal	680,250	0	0	680,250	0
Interest	324,890	324,890	324,890	0	0
Total Expenditures	<u>85,720,819</u>	<u>83,068,662</u>	<u>83,253,991</u>	<u>2,652,157</u>	<u>(185,329)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,196,498)</u>	<u>2,353,730</u>	<u>2,168,466</u>	<u>4,550,228</u>	<u>(185,264)</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	107,082	107,082	107,082	0
Operating transfers in	14,796,579	16,292,585	961,171	1,496,006	(15,331,414)
Operating transfers out	(14,639,061)	(16,530,772)	(1,199,358)	(1,891,711)	15,331,414
Total Other Financing Sources (Uses)	<u>157,518</u>	<u>(131,105)</u>	<u>(131,105)</u>	<u>(288,623)</u>	<u>0</u>
Net Change in Fund Balances			<u>2,037,361</u>		
Fund Balances					
July 1, 2019, as previously reported			7,557,074		
Fund Reclassification (GASB 84)			148,635		
July 1, 2019, as restated			<u>7,705,709</u>		
June 30, 2020			<u>\$ 9,743,070</u>		

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

LAMAR COUNTY SCHOOL DISTRICT

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

PERS

Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.826505%	0.839080%	0.773836%	0.748187%	0.743341%	0.719420%
District's proportionate share of the net pension liability	\$ 145,398,536	139,563,933	128,637,807	133,644,880	114,905,860	87,394,817
District's covered payroll	\$ 53,828,070	49,655,524	49,642,006	47,863,346	46,439,676	43,940,267
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	281.06%	259.13%	279.22%	247.43%	198.89%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

For the purpose of this schedule, amounts included from 2015 -2018 are Lamar County School District only and have not been restatated to include the Lumberton Public School District.

LAMAR COUNT SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,893,770	8,477,921	7,820,745	7,818,616	7,538,477	7,314,249
Contributions in relation to the contractually required contribution	9,893,770	8,477,921	7,820,745	7,818,616	7,538,477	7,314,249
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	56,860,747	53,828,070	49,655,524	49,642,006	47,863,346	46,439,676
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

For the purpose of this schedule, amounts included from 2015 -2018 are Lamar County School District only and have not been restatated to include the Lumberton Public School District.

LAMAR COUNTY SCHOOL DISTRICT

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

OPEB

Last 10 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	1.15665205%	1.14650510%	1.05561916%
District's proportionate share of the net OPEB liability	<u>\$ 9,814,667</u>	<u>8,868,791</u>	<u>8,282,483</u>
Covered employee payroll	<u>\$ 53,828,070</u>	<u>49,655,524</u>	<u>49,642,006</u>
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	<u>18.23%</u>	<u>17.86%</u>	<u>16.68%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.12%</u>	<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.

For the purpose of this schedule, amounts included for 2018 are Lamar County School District only and have not been restated to include the Lumberton Public School District.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 363,066	393,402	353,095
Contributions in relation to the actuarially determined contribution	363,066	393,402	353,095
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 56,860,747	53,828,070	49,655,524
Contributions as a percentage of covered employee payroll	0.64%	0.73%	0.71%

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

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

For the purpose of this schedule, amounts included for 2018 are Lamar County School District only and have not been restated to include the Lumberton Public School District.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

2019:

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

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

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

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

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

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

(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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: 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, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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	205MS326N1099	\$ 1,213,481
National school lunch program	10.555	205MS326N1099	4,239,671
COVID-19 - Summer food service program for children	10.559	205MS326N1099	84,045
Total child nutrition cluster			<u>5,537,197</u>
Total passed-through Mississippi Department of Education			<u>5,537,197</u>
Total U.S. Department of Agriculture			<u>5,537,197</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	ES010A190024	2,497,698
Career and technical education - basic grants to states	84.048	VO48A190024	127,185
Twenty first century community learning centers	84.287	ES287C190024	228,603
Rural education	84.358	ES358B190024	4,367
English language acquisition grants	84.365	ES365A190024	40,036
Supporting effective instruction - state grants	84.367	ES367A190023	484,578
Student support and academic enrichment program	84.424	ES424A190025	117,166
Covid-19 -Education Stabilization Fund (ESSER)	84.425	ES425D200031	7,506
Total			<u>3,507,139</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108	2,123,990
Special education - preschool grants	84.173	H173A190113	54,798
Total special education cluster			<u>2,178,788</u>
Total passed-through Mississippi Department of Education			<u>5,685,927</u>
Total U.S. Department of Education			<u>5,685,927</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	33,066
Total passed-through Mississippi Department of Education			<u>33,066</u>
Total U.S. Department of Health and Human Services			<u>33,066</u>
Total for All Federal Awards			<u>\$ 11,256,190</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2020

(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, 2020. 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 \$318,025 are included in the National School Lunch Program.

(5) Other Items

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

LAMAR COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2020

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 78,931,162	64,845,894	2,296,283	5,812,056	5,976,929
Other	25,545,621	6,396,117	775,156	144,806	18,229,542
Total	<u>104,476,783</u>	<u>71,242,011</u>	<u>3,071,439</u>	<u>5,956,862</u>	<u>24,206,471</u>
Total number of students	<u>10,677</u>				
Cost per student	<u>\$ 9,785</u>	<u>6,672</u>	<u>288</u>	<u>558</u>	<u>2,267</u>

Notes to the schedule.

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

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

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

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

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

Total number of students - 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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LAMAR COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	31,914,772	30,764,059	27,651,981	26,886,718
State sources	52,150,419	49,390,649	44,374,697	46,232,171
Federal sources	397,866	89,124	250,484	363,515
Sixteenth section sources	959,400	938,118	1,002,977	1,031,467
Total Revenues	<u>85,422,457</u>	<u>81,181,950</u>	<u>73,280,139</u>	<u>74,513,871</u>
Expenditures				
Instruction	52,135,195	49,187,091	45,020,578	45,700,864
Support services	29,588,931	27,128,481	25,112,564	24,053,081
Noninstructional services	108	0	27,985	340,261
Sixteenth section	197,647	147,819	114,680	42,340
Facilities acquisition and construction	1,007,220	177,090	0	0
Debt service				
Interest	324,890	352,100	371,819	403,601
Total Expenditures	<u>83,253,991</u>	<u>76,992,581</u>	<u>70,647,626</u>	<u>70,540,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,168,466</u>	<u>4,189,369</u>	<u>2,632,513</u>	<u>3,973,724</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	107,082	0	7,238	294,191
Operating transfers in	961,171	1,445,570	854,742	974,789
Operating transfers out	(1,199,358)	(4,054,426)	(3,598,216)	(2,638,800)
Total Other Financing Sources (Uses)	<u>(131,105)</u>	<u>(2,608,856)</u>	<u>(2,736,236)</u>	<u>(1,369,820)</u>
Net Change in Fund Balances	<u>2,037,361</u>	<u>1,580,513</u>	<u>(103,723)</u>	<u>2,603,904</u>
Fund Balances:				
Beginning of period, as previously reported	7,557,074	3,472,806	3,576,529	972,625
Lumberton Public School Consolidation	0	2,347,659	0	0
Fund Reclassification (GASB 84)	148,635		0	0
Prior period adjustments	0	156,096	0	0
Beginning of period, as restated	<u>7,705,709</u>	<u>5,976,561</u>	<u>3,576,529</u>	<u>972,625</u>
End of period	<u>\$ 9,743,070</u>	<u>7,557,074</u>	<u>3,472,806</u>	<u>3,576,529</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	37,901,818	37,059,438	33,757,544	32,947,850
State sources	55,689,315	53,797,661	48,408,896	49,622,370
Federal sources	9,722,556	9,589,051	8,843,351	7,984,218
Sixteenth section sources	2,094,440	2,195,530	1,671,602	1,732,172
Total Revenues	105,408,129	102,641,680	92,681,393	92,286,610
Expenditures				
Instruction	59,371,911	55,806,087	50,724,348	50,704,938
Support services	32,672,836	32,362,222	30,497,003	29,598,416
Noninstructional services	4,916,956	4,794,793	4,459,437	4,412,982
Sixteenth section	241,793	193,084	151,743	87,625
Facilities acquisition and construction	2,106,075	518,250	779,925	2,704,236
Debt service				
Principal	3,825,000	5,839,000	4,500,000	4,340,000
Interest	1,338,131	1,509,897	1,651,136	1,953,241
Other	4,081	3,660	198,927	6,075
Total Expenditures	104,476,783	101,026,993	92,962,519	93,807,513
Excess (Deficiency) of Revenues Over (Under) Expenditures	931,346	1,614,687	(281,126)	(1,520,903)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	0	0	9,280,000	0
Insurance loss recoveries	107,082	0	7,238	294,191
Operating transfers in	2,160,529	5,499,996	4,452,958	3,613,589
Other financing sources	0	0	264,739	0
Operating transfers out	(2,160,529)	(5,499,996)	(4,452,958)	(3,613,589)
Payment to refunded bond escrow agent	0	0	(9,279,967)	0
Other financing uses	0	(1,573)	(71,067)	0
Total Other Financing Sources (Uses)	107,082	(1,573)	200,943	294,191
Net Change in Fund Balances	1,038,428	1,613,114	(80,183)	(1,226,712)
Fund Balances:				
Beginning of period, as previously reported	35,136,371	29,498,689	29,594,946	30,810,060
Lumberton Public School Consolidation	0	4,042,929	0	0
Fund Reclassification (GASB 84)	148,635	0	0	0
Prior period adjustments	0	13,282	0	0
Beginning of period, as restated	35,285,006	33,554,900	29,594,946	30,810,060
Increase (Decrease) in reserve for inventory	153,026	(31,643)	(16,074)	11,598
End of period	\$ 36,476,460	35,136,371	29,498,689	29,594,946

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Lamar 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 Lamar County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Lamar County School District's basic financial statements, and have issued my report thereon dated January 8, 2021.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a material weakness [2020-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar 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*.

Lamar County School District's Response to Findings

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

Purpose of this Report

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

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
January 8, 2021



ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

Report on Compliance for Each Major Federal Program

I have audited Lamar 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 Lamar County School District's major federal programs for the year ended June 30, 2020. Lamar 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 Lamar 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 Lamar 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 Lamar County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Lamar 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, 2020.

Report on Internal Control Over Compliance

Management of Lamar 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 Lamar 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 Lamar County School District's internal control over compliance.

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

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

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

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
January 8, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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? | None Reported |

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: | |

CFDA Numbers

84.010

Name of Federal Program or Cluster

Title I – grants to local educational agencies

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

Section II: Financial Statement Findings

Deficiency identified that is considered a material weakness

Finding 2020-001

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

CONDITION: Testing of the school district's accounts revealed the following:

1. During the search for unrecorded payables at year end, I noted unrecorded liabilities totaling \$300,917. Audit adjustments were made to accurately reflect these payables across opinion units.

LAMAR COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

2. During the testing of food service inventory, I noted that the amount booked in the general ledger was understated by \$97,419 compared to the actual detailed inventories for the schools. An audit adjustment was made to accurately reflect the ending inventory.
3. The annual observation and physical inventory of fixed assets did not occur.

CAUSE: The cause of the condition was the result of oversight by management as it relates to unrecorded liabilities and the child nutrition inventory. The cause of the condition associated with the annual fixed asset inventory was due to the inability of management to perform the inventory because of closed schools due to the COVID-19 pandemic.

EFFECT: Accounts payables and ending food service inventory were misstated and did not reflect the correct balances at year end. Proposed adjustments were made during the audit process and accepted by management to properly reflect these account balances. The effect of not conducting an annual inventory of fixed assets could result in loss of school district assets.

RECOMMENDATION: The district should strengthen controls over reconciliations of liability accounts and inventory within the financial statements to ensure that the financial statements are properly stated. Additionally, it is recommended that the physical inventories of fixed assets be conducted to support the existence of school district assets.

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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**LAMAR COUNTY
SCHOOL DISTRICT**
empowering learners

P.O. Box 609
424 Martin Luther King Drive
Purvis, MS 39475
Phone: 601-794-1030 Fax: 601-794-1012
www.lamarcountyschools.org

CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Lamar County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2020:

Finding

Corrective Action Plan Details

2020-001

a. Name of contact person responsible for corrective action:

Jennifer Hession
Business Manager

b. Corrective action planned:

The District will strengthen controls to ensure that payables and inventory are properly stated at year end. Due to COVID-19 and school closures, the district was unable to conduct physical fixed asset inventories. In the future, the district will conduct annual observation and physical inventory of fixed assets.

c. Anticipated completion date:

These corrective plans will begin immediately.

Sincerely,

Superintendent of Education

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