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**Laurel School District**

Audited Financial Statements  
For the Year Ended June 30, 2020

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Laurel School District  
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## FINANCIAL AUDIT REPORT



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Laurel School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Laurel School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Laurel 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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 District's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

1048 GLUCKSTADT ROAD, SUITE B  
MADISON, MISSISSIPPI 39110  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Opinions**

In our 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 Laurel 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.

## **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 8 -19 and 68 -78, 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Laurel 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 our 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, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021, on our consideration of the Laurel School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Laurel 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 Laurel School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 13, 2021

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Laurel School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

The following discussion and analysis of Laurel 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 \$4,941,335, including a prior period adjustment of \$7,124, which represents a 24% increase from fiscal year 2019. Total net position for 2019 decreased \$251,070, including a prior period adjustment of \$17,996, which represents a 1% decrease from fiscal year 2018.
- General revenues amounted to \$33,067,145 and \$29,139,174, or 83% and 81% 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 \$6,566,044, or 17% of total revenues for 2020, and \$6,632,297, or 19% of total revenues for 2019.
- The District had \$34,698,978 and \$36,040,537 in expenses for fiscal years 2020 and 2019; only \$6,566,044 for 2020 and only \$6,632,297 for 2019 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$33,067,145 for 2020 were adequate to provide for these programs. However, general revenues of \$29,139,174 for 2019 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$25,786,027 in revenues and \$25,418,848 in expenditures for 2020, and \$25,249,441 in revenues and \$25,276,469 in expenditures for 2019. The General Fund's fund balance decreased by \$393,655, including a prior period adjustment of (\$225,034), from 2019 to 2020, and decreased by \$1,474,312, including a prior period adjustment of (\$1,131) from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$1,133,671, including a prior period adjustment of (\$80,617), for 2020 and decreased by \$883,599 for 2019. The decrease for 2020 was due primarily to the recording of depreciation expense during the year.
- Long-term debt, excluding bond premium, decreased by \$1,710,686 for 2020 and decreased by \$1,509,794 for 2019. This decrease for 2020 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$233,338 for 2020 and increased by \$110,892 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

**Laurel School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

financial statements. This report also contains required supplementary information, supplementary information, and other information.

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

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

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

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

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

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2020

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

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

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

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

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

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

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

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

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2020

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$16,052,169 as of June 30, 2020.



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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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

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

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

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Percentage Change</b>
Current assets	\$ 12,772,530	9,891,057	29%
Restricted assets	10,744,954	10,004,218	7%
Capital assets, net	34,126,847	35,260,518	(3)%
<b>Total assets</b>	<b>57,644,331</b>	<b>55,155,793</b>	<b>5%</b>
<b>Deferred outflows of resources</b>	<b>7,059,310</b>	<b>7,208,773</b>	<b>(2)%</b>
Current liabilities	520,311	1,929,087	(73)%
Long-term debt outstanding	22,938,827	24,999,812	(8)%
Net OPEB liability	3,346,185	3,155,972	6%
Net pension liability	49,355,161	48,159,937	2%
<b>Total liabilities</b>	<b>76,160,484</b>	<b>78,244,808</b>	<b>(3)%</b>
<b>Deferred inflows of resources</b>	<b>4,595,326</b>	<b>5,113,262</b>	<b>(10)%</b>
<b>Net position:</b>			
Net investment in capital assets	12,445,989	12,026,303	3%
Restricted	21,969,749	16,552,227	33%
Unrestricted	(50,467,907)	(49,572,034)	(2)%
<b>Total net position (deficit)</b>	<b>\$ (16,052,169)</b>	<b>(20,993,504)</b>	<b>24%</b>

**Laurel School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

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)	\$ (50,467,907)
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	<u>51,240,102</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 772,195</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 \$1,133,671.
- The principal retirement of \$1,710,686 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 \$39,633,189 and \$35,771,471, respectively. The total cost of all programs and services was \$34,698,978 for 2020 and \$36,040,537 for 2019.

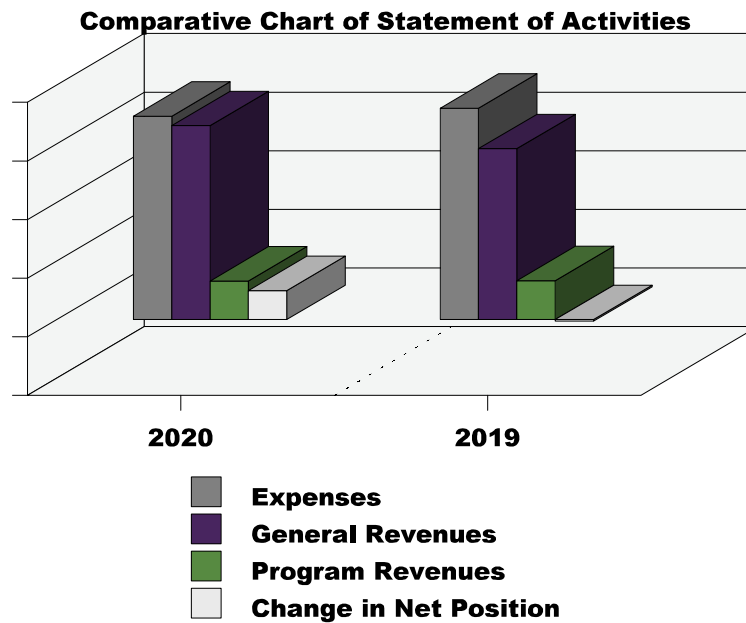
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Laurel School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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

	<b>Year Ended June 30, 2020</b>	<b>Year Ended June 30, 2019</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 259,987	319,856	(19)%
Operating grants and contributions	6,306,057	6,312,441	0%
General Revenues:			
Property taxes	12,959,253	12,770,656	1%
Grants and contributions not restricted	14,538,431	14,114,600	3%
Unrestricted investment earnings	409,289	114,862	256%
Increase in fair market value	43,466	159,326	(73)%
Sixteenth section sources	1,376,431	1,609,154	(14)%
Other	3,740,275	370,576	909%
<b>Total revenues</b>	<b>39,633,189</b>	<b>35,771,471</b>	<b>11%</b>
<b>Expenses:</b>			
Instruction	15,277,688	16,805,516	(9)%
Support services	11,993,517	11,153,246	8%
Non-instructional	2,092,121	2,331,402	(10)%
Pension expense	4,023,058	4,266,519	(6)%
OPEB expense	158,505	141,473	12%
Interest on long-term liabilities	1,154,089	1,342,381	(14)%
<b>Total expenses</b>	<b>34,698,978</b>	<b>36,040,537</b>	<b>(4)%</b>
<b>Increase (Decrease) in net position</b>	<b>4,934,211</b>	<b>(269,066)</b>	<b>1934%</b>
<b>Net position (Deficit), July 1, as previously reported</b>	<b>(20,993,504)</b>	<b>(20,742,434)</b>	<b>(1)%</b>
<b>Prior period adjustment</b>	<b>7,124</b>	<b>17,996</b>	<b>(60)%</b>
<b>Net position (Deficit), July 1, as restated</b>	<b>(20,986,380)</b>	<b>(20,724,438)</b>	<b>(1)%</b>
<b>Net Position (Deficit), June 30</b>	<b>\$ (16,052,169)</b>	<b>(20,993,504)</b>	<b>24%</b>

**Laurel School District**  
**Management's Discussion and Analysis**  
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**Governmental activities**

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

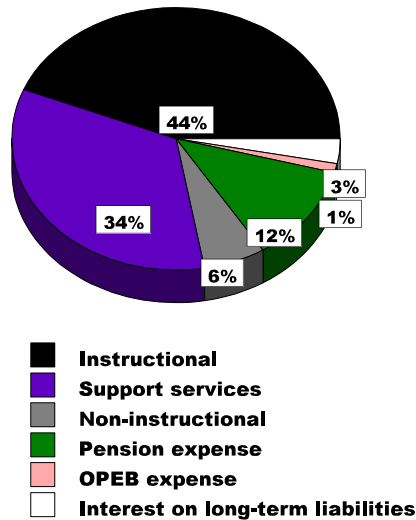
**Table 3**  
**Net Cost of Governmental Activities**

	<u><b>Total Expenses</b></u>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ 15,277,688	16,805,516	(9)%
Support services	11,993,517	11,153,246	8%
Non-instructional	2,092,121	2,331,402	(10)%
Pension expense	4,023,058	4,266,519	(6)%
OPEB expense	158,505	141,473	12%
Interest on long-term liabilities	<u>1,154,089</u>	<u>1,342,381</u>	<u>(14)%</u>
<b>Total expenses</b>	<b>\$ 34,698,978</b>	<b>36,040,537</b>	<b>(4)%</b>

**Laurel School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

	<b>Net (Expense) Revenue</b>		
	<b>2020</b>	<b>2019</b>	<b>Percentage Change</b>
Instruction	\$ (12,883,264)	(14,266,495)	10%
Support services	(10,135,158)	(9,623,163)	(5)%
Non-instructional	221,140	231,791	(5)%
Pension expense	(4,023,058)	(4,266,519)	6%
OPEB expense	(158,505)	(141,473)	(12)%
Interest on long-term liabilities	(1,154,089)	(1,342,381)	14%
<b>Total net (expense) revenue</b>	<b>\$ (28,132,934)</b>	<b>(29,408,240)</b>	<b>4%</b>

**Statement of Expenses Per Statement of Activities**



- Net cost of governmental activities (\$28,132,934 for 2020 and \$29,408,240 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$12,959,253 for 2020 and \$12,770,656 for 2019) and state and federal revenues (\$14,538,431 for 2020 and \$14,114,600 for 2019). In addition, there was \$1,376,431 and \$1,609,154 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$409,289 for 2020 and \$114,862 for 2019. Increase in fair market value amounted to \$43,466 for 2020 and \$159,326 for 2019.

**Laurel School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

**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 \$23,385,502, an increase of \$5,047,590, which includes a prior period of adjustment of \$87,741 and an increase in inventory of \$69,801. \$897,043 or 4% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$22,488,459 or 96% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$393,655, including a prior period adjustment of (\$225,034). The fund balance of Other Governmental Funds showed an increase in the amount of \$903,118, which includes a prior period adjustment of \$312,775 and an increase in inventory of \$69,801. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
IDEA Fund	\$ 7
LEC Repairs Tornado December 2019 Fund	3,370,304
Sixteenth Section Principal Fund	1,167,816

**BUDGETARY HIGHLIGHTS**

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

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

**Laurel School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$53,599,925 including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$64,789 from 2019. Total accumulated depreciation as of June 30, 2020, was \$19,473,078, and total depreciation expense for the year was \$1,142,996, resulting in total net capital assets of \$34,126,847.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 895,163	895,163	0%
Buildings	25,329,127	26,017,494	(3)%
Building improvements	5,882,298	6,223,564	(5)%
Improvements other than buildings	1,473,886	1,512,888	(3)%
Mobile equipment	456,049	525,035	(13)%
Furniture and equipment	90,324	86,374	5%
<b>Total</b>	<u>\$ 34,126,847</u>	<u>35,260,518</u>	<u>(3)%</u>

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 \$22,239,229 in outstanding long-term debt, of which \$1,771,686 is due within one year. The liability for compensated absences decreased \$233,338 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	\$ 14,975,000	16,515,000	(9)%
Three mill notes payable	1,009,000	1,081,000	(7)%
Shortfall notes payable	98,686	197,372	(50)%
Qualified school construction bonds payable	6,000,000	6,000,000	0%
Compensated absences payable	156,543	389,881	(60)%
<b>Total</b>	<u>\$ 22,239,229</u>	<u>24,183,253</u>	<u>(8)%</u>
Premiums	699,598	816,559	(14)%
<b>Total</b>	<u>\$ 22,938,827</u>	<u>24,999,812</u>	<u>(8)%</u>

**Laurel School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

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

**CURRENT ISSUES**

The Laurel School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2019 - 2020 year decreased by 7% to 2,950 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Laurel School District, P.O. Box 288, Laurel, MS 39441.



## FINANCIAL STATEMENTS

**LAUREL SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 9,911,546
Cash with fiscal agents	500
Due from other governments	2,698,504
Accrued interest receivable	17,530
Inventories	144,010
Prepaid items	440
Restricted assets	10,744,954
Capital assets, non-depreciable:	
Land	895,163
Capital assets, net of accumulated depreciation:	
Buildings	25,329,127
Building improvements	5,882,298
Improvements other than buildings	1,473,886
Mobile equipment	456,049
Furniture and equipment	90,324
Total Assets	<u>57,644,331</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - advance refunding of debt	1,002,740
Deferred outflows - pensions	5,683,559
Deferred outflows - OPEB	373,011
Total deferred outflows of resources	<u>7,059,310</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	131,920
Interest payable on long-term liabilities	388,329
Other payables	62
Long-term liabilities (due within one year):	
Capital related liabilities	1,673,000
Bond premiums, capital related	116,961
Non-capital related liabilities	98,686
Net OPEB liability	129,807
Long-term liabilities (due beyond one year):	
Capital related liabilities	20,311,000
Bond premiums, capital related	582,637
Non-capital related liabilities	156,543
Net pension liability	49,355,161
Net OPEB liability	3,216,378
Total Liabilities	<u>76,160,484</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	4,242,845
Deferred inflows - OPEB	352,481
Total Deferred Inflows of Resources	<u>4,595,326</u>
<b>Net Position</b>	
Net Investment in Capital Assets	12,445,989
Restricted For:	
Expendable:	
School-based activities	5,439,745
Debt service	4,262,962
Capital improvements	333,642
Unemployment benefits	79,281
Nonexpendable:	
Sixteenth section	11,854,119
Unrestricted	(50,467,907)
Total Net Position (Deficit)	<u>\$ (16,052,169)</u>

The accompanying notes are an integral part of this statement.

**LAUREL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental Activities:				
<i>Instruction</i>	15,277,688	236,737	2,157,687	(12,883,264)
<i>Support services</i>	11,993,517	--	1,858,359	(10,135,158)
<i>Noninstructional services</i>	2,092,121	23,250	2,290,011	221,140
<i>Pension expense</i>	4,023,058	--	--	(4,023,058)
<i>OPEB expense</i>	158,505	--	--	(158,505)
<i>Interest on long-term liabilities</i>	1,154,089	--	--	(1,154,089)
Total Governmental Activities	<u>\$ 34,698,978</u>	<u>\$ 259,987</u>	<u>\$ 6,306,057</u>	<u>(28,132,934)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				10,207,362
<i>Debt purpose levies</i>				2,751,891
Unrestricted grants and contributions:				
<i>State</i>				14,382,000
<i>Federal</i>				156,431
Unrestricted investment earnings				409,289
Increase in fair market value				43,466
Sixteenth section sources				1,376,431
Other				3,740,275
Total General Revenues				<u>33,067,145</u>
Change in Net Position				<u>4,934,211</u>
Net Position (Deficit) - Beginning, as previously reported				(20,993,504)
Prior Period Adjustments				7,124
Net Position (Deficit) - Beginning, as restated				<u>(20,986,380)</u>
Net Position (Deficit) - Ending				<u>\$ (16,052,169)</u>

The accompanying notes are an integral part of this statement.

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**LAUREL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	IDEA Fund
<b>Assets</b>		
<i>Cash and cash equivalents</i>	\$ 3,631,026	\$ 7
<i>Cash with fiscal agents</i>	500	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	412,619	800,127
<i>Accrued interest receivable</i>	--	--
<i>Due from other funds</i>	1,299,791	--
<i>Advances to other funds</i>	--	--
<i>Inventories</i>	--	--
<i>Prepaid items</i>	440	--
Total Assets	<u>\$ 5,344,376</u>	<u>\$ 800,134</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 92,596	\$ 18,023
<i>Due to other funds</i>	--	782,104
<i>Advances from other funds</i>	4,231,412	--
<i>Other payables</i>	62	--
Total Liabilities	<u>4,324,070</u>	<u>800,127</u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
<i>Inventory</i>	--	--
<i>Permanent fund principal</i>	--	--
<i>Advances</i>	--	--
<i>Prepaid items</i>	440	--
<b>Restricted:</b>		
<i>Unemployment benefits</i>	--	--
<i>Capital improvements</i>	--	--
<i>Debt service</i>	--	--
<i>Grant activities</i>	--	7
<i>Food service</i>	--	--
<b>Assigned:</b>		
<i>Activity funds</i>	122,823	--
<b>Unassigned</b>	897,043	--
Total Fund Balances	<u>1,020,306</u>	<u>7</u>
Total Liabilities and Fund Balances	<u>\$ 5,344,376</u>	<u>\$ 800,134</u>

The accompanying notes are an integral part of this statement.

LEC Repairs Tornado December 2019 Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,390,565	\$ 6,623,214	\$ 3,559,396	\$ 17,204,208
--	--	20,328	20,828
--	--	3,431,964	3,431,964
--	1,050,565	418,476	2,681,787
--	--	17,530	17,530
--	--	--	1,299,791
--	4,231,412	--	4,231,412
--	--	144,010	144,010
--	--	--	440
<u>\$ 3,390,565</u>	<u>\$ 11,905,191</u>	<u>\$ 7,591,704</u>	<u>\$ 29,031,970</u>
\$ 20,261	\$ --	\$ 1,040	\$ 131,920
--	51,072	449,898	1,283,074
--	--	--	4,231,412
--	--	--	62
<u>20,261</u>	<u>51,072</u>	<u>450,938</u>	<u>5,646,468</u>
--	--	144,010	144,010
--	7,622,707	--	7,622,707
--	4,231,412	--	4,231,412
--	--	--	440
--	--	79,281	79,281
--	--	333,642	333,642
--	--	4,651,291	4,651,291
3,370,304	--	1,095,637	4,465,948
--	--	836,905	836,905
--	--	--	122,823
--	--	--	897,043
<u>3,370,304</u>	<u>11,854,119</u>	<u>7,140,766</u>	<u>23,385,502</u>
<u>\$ 3,390,565</u>	<u>\$ 11,905,191</u>	<u>\$ 7,591,704</u>	<u>\$ 29,031,970</u>

**LAUREL SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020*

Total fund balances for governmental funds \$ 23,385,502

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

Capital assets used in governmental activities are not reported in the funds.	34,126,847
Liabilities due in one year are not reported in funds.	(2,018,454)
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,370,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(388,329)
Payables for notes which are not due in the current period are not reported in the funds.	(941,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(156,543)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(49,355,161)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(4,242,845)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	5,683,559
Advance refunding of debt is accounted for as a deferred outflow in SNP but not in the funds.	1,002,740
Bond premiums are presented, net of amortization, in the SNP but not in the funds.	(582,637)
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(3,216,378)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(352,481)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	373,011

Net position of governmental activities \$ (16,052,169)

The accompanying notes are an integral part of this statement.

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**LAUREL SCHOOL DISTRICT**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020*

	General Fund	IDEA Fund
<b>Revenues:</b>		
Local sources	\$ 10,667,300	\$ --
Increase in fair market value	--	--
State sources	14,965,526	--
Federal sources	121,406	860,372
Sixteenth section sources	31,795	--
Total Revenues	<u>25,786,027</u>	<u>860,372</u>
<b>Expenditures:</b>		
Instruction	14,004,669	392,065
Support services	11,274,280	457,942
Noninstructional services	821	244
Debt service:		
Principal	--	--
Interest	139,078	--
Other	--	--
Total Expenditures	<u>25,418,848</u>	<u>850,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	367,179	10,121
<b>Other Financing Sources (Uses):</b>		
Insurance recovery	4,800	--
Payment held by QSCB escrow agent	--	--
Payment to QSCB debt escrow agent	--	--
Transfers in	259,703	--
Transfers out	(800,303)	(10,114)
Total Other Financing Sources (Uses)	<u>(535,800)</u>	<u>(10,114)</u>
Net change in Fund Balances	(168,621)	7
<b>Fund Balances:</b>		
July 1, 2019, as previously reported	1,413,961	--
Prior period adjustments	(225,034)	--
July 1, 2019, as restated	<u>1,188,927</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2020	<u>\$ 1,020,306</u>	<u>\$ 7</u>

The accompanying notes are an integral part of this statement.

LEC Repairs Tornado December 2019 Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,150	\$ --	\$ 3,124,320	\$ 13,792,770
--	--	43,466	43,466
--	--	641,765	15,607,291
--	--	4,467,499	5,449,277
--	1,344,636	--	1,376,431
<u>1,150</u>	<u>1,344,636</u>	<u>8,277,050</u>	<u>36,269,235</u>
528	--	2,145,126	16,542,388
751,620	--	1,349,581	13,833,423
--	--	2,328,886	2,329,951
--	--	1,710,686	1,710,686
--	--	931,763	1,070,841
--	--	8,000	8,000
<u>752,148</u>	<u>--</u>	<u>8,474,042</u>	<u>35,495,289</u>
(750,998)	1,344,636	(196,992)	773,946
4,111,302	--	--	4,116,102
--	--	480,152	480,152
--	--	(480,152)	(480,152)
10,000	--	1,040,304	1,310,007
--	(176,820)	(322,770)	(1,310,007)
<u>4,121,302</u>	<u>(176,820)</u>	<u>717,534</u>	<u>4,116,102</u>
3,370,304	1,167,816	520,542	4,890,048
--	10,686,303	6,237,648	18,337,912
--	--	312,775	87,741
<u>--</u>	<u>10,686,303</u>	<u>6,550,423</u>	<u>18,425,653</u>
--	--	69,801	69,801
<u>\$ 3,370,304</u>	<u>\$ 11,854,119</u>	<u>\$ 7,140,766</u>	<u>\$ 23,385,502</u>

**LAUREL SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020*

Net change in fund balances - total governmental funds	\$ 4,890,048
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	92,052
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,142,996)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(2,110)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,540,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	170,686
(Increase) decrease in accrued interest from beginning of period to end of period.	(16,605)
Change in inventory affects fund balance in the funds but affects expense in SOA.	69,801
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	233,338
Bond premiums are amortized in the SOA.	116,961
Advance refunding of debt is accounted for in SNP as a Deferred Outflow of Resources net of amortization.	(175,604)
Pension contributions made after measurement date in current FY were de-expended & reduced NPL.	3,221,781
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(4,023,058)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	118,422
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(158,505)
Change in net position of governmental activities	<u>\$ 4,934,211</u>

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

**Laurel School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

## **Laurel School District**

Notes to the Financial Statements  
For the 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Laurel since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Laurel 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.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

IDEA Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the Special Education - grants to states federal award program.

LEC Repairs Tornado December 2019 Fund - This is a special revenue fund that accounts for the insurance recovery proceeds and expenditures associated with tornado and fire damages that occurred during the 2020 fiscal year end.

Sixteenth Section Principal Fund - This is a permanent fund that accounts for the non-expendable revenues associated with earnings on sixteenth section lands and the investment earnings of these non-expendable resources.

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

## **Laurel School District**

### Notes to the Financial Statements For the Year Ended June 30, 2020

The school district also reports fiduciary funds which focus on assets and liabilities only.

The District's fiduciary funds include the following:

**Student Club Funds** - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

**Accounts Payable Clearing Fund** - This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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

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

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

#### **FIDUCIARY FUNDS**

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



## **Laurel School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

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

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

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

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

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

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

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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2014, issued by the U.S. Department of Education.

#### **D. Encumbrances**

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

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

##### **1. Cash, Cash equivalents and Investments**

###### **Cash and cash equivalents**

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

###### **Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

		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 school district has three deferred outflow items which are presented as advance refunding of debt, deferred outflow for pensions, and deferred outflow for OPEB.

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 school district has two deferred inflow items which are presented as deferred inflow for pensions and deferred inflow for OPEB.

See Note 12 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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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

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

#### 9. Long-term Liabilities 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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

due. Investments are reported at fair value as determined by the state.

#### 12. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by 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 and Business Manager pursuant to authorization established by the policy adopted by the school district.

*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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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 goal of the District is to maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 7% of actual District Maintenance Fund revenues.

#### 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.

## Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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



## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$17,204,208 and \$1,511,413, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2020, none of the district's bank balance of \$20,130,123 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$20,828.

#### Investments

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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Bonds Common Trust Funds	N/A	less than 1 year	\$ 1,631,062
U.S. Treasury SLGS Deposit	N/A	5 to 10 years	1,800,902
Total			\$ <u>3,431,964</u>

The district categorizes its fair value measurement 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:

QSCB Bonds Common Trust Funds of \$1,631,062 are valued using quoted market prices (Level 1 inputs)

U.S. Treasury SLGS Deposit of \$1,800,902 are valued using quoted market prices (Level 1 inputs)

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

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

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

*Concentration of Credit Risk.* Disclosures 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.

## Laurel School District

Notes to the Financial Statements  
For the Year Ended June 30, 2020

### Note 3 - Inter-fund Receivables, Payables and Transfers

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	IDEA Fund	\$ 782,104
	Sixteenth Section Principal Fund	51,072
	Fiduciary Funds	16,717
	Other Governmental Funds	449,898
Total		\$ <u>1,299,791</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All balances are expected to be repaid within one year.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth Section Principal Fund	General Fund	\$ <u>4,231,412</u>

#### Sixteenth section principal loans payable

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 Fund) 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:

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

Year Ending June 30	Principal	Interest	Total
2021	\$ 306,835	175,270	482,105
2022	319,290	162,815	482,105
2023	332,115	149,990	482,105
2024	345,456	136,649	482,105
2025	359,221	122,884	482,105
2026 - 2030	1,529,651	395,235	1,924,886
2031 - 2035	545,072	191,469	736,541
2036 - 2039	493,772	70,885	564,657
Total	\$ 4,231,412	1,405,197	5,636,609

#### C. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Sixteenth Section Principal Fund	\$ 176,820
	IDEA Fund	10,114
	Other Governmental Funds	72,769
LEC Repairs Tornado December 2019 Fund	General Fund	10,000
Other Governmental Funds	General Fund	790,303
	Other Governmental Funds	250,001
Total		\$ 1,310,007

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds. Also represented are operational transfers between other governmental funds.

#### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$6,623,214, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the cash and investment balances of \$32,759 and \$702,454, respectively, of the \$1.4 QSCB Debt Service Fund.

The restricted assets represent the cash, cash with fiscal agent, and investment balances of \$427,678, \$20,328, and \$1,800,902, respectively, of the 3 QSCB Construction Debt Service Fund.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

The restricted assets represent the cash and investment balances of \$209,011 and \$928,608, respectively, of the (QSCB) Tax Anticipation Fund.

#### Note 5 - Capital Assets

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

	Balance 7-1-2019	Additions	Deletions	Adjustments	Balance 6-30-2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 895,163				895,163
Total non-depreciable capital assets	895,163	0	0	0	895,163
<u>Depreciable capital assets:</u>					
Buildings	36,212,851				36,212,851
Building improvements	10,238,264			1	10,238,265
Improvements other than buildings	2,508,520	60,000		1	2,568,521
Mobile equipment	2,245,013		20,343	1	2,224,671
Furniture and equipment	1,435,325	32,052	7,495	572	1,460,454
Total depreciable capital assets	52,639,973	92,052	27,838	575	52,704,762
<u>Less accumulated depreciation for:</u>					
Buildings	10,195,357	629,163		59,204	10,883,724
Building improvements	4,014,700	311,195		30,072	4,355,967
Improvements other than buildings	995,632	99,003			1,094,635
Mobile equipment	1,719,978	71,252	18,308	(4,300)	1,768,622
Furniture and equipment	1,348,951	32,383	7,420	(3,784)	1,370,130
Total accumulated depreciation	18,274,618	1,142,996	25,728	81,192	19,473,078
Total depreciable capital assets, net	34,365,355	(1,050,944)	2,110	(80,617)	33,231,684
Governmental activities capital assets, net	\$ 35,260,518	(1,050,944)	2,110	(80,617)	34,126,847

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Instructional	\$ 980,288
Support services	129,886
Non-instructional	32,822
Total depreciation expense	\$ 1,142,996

On December 16, 2019, a tornado hit the Nora Davis Elementary School Building significantly damaging some of the Buildings, Building Improvements and Improvements Other Than Buildings as well as some of the furniture and equipment at this location.

The total amount of the impacted assets at this location was as follows as of June 30, 2020:

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

	Acquisition Amount	Accumulated Depreciation	Net Value June 30, 2020
Buildings	\$ 564,736	409,308	155,428
Building improvements	1,532,980	726,941	806,039
Improvements other than buildings	27,801	22,241	5,560
Furniture and equipment	7,495	7,420	75
<b>Total</b>	<b>\$ 2,133,012</b>	<b>1,165,910</b>	<b>967,102</b>

As of June 30, 2020, the district received an estimated amount of \$0 in insurance recovery proceeds as a result of these damages. Final negotiations are still ongoing with the insurance carrier to finalize this issue.

### 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	Reductions	Balance 6-30-2020	Amounts due within one year
A. General obligation refunding bonds payable	\$ 16,515,000	1,540,000	14,975,000	1,605,000
B. Three mill notes payable	1,081,000	72,000	1,009,000	68,000
C. Shortfall notes payable	197,372	98,686	98,686	98,686
D. Qualified school construction bonds payable	6,000,000		6,000,000	
E. Compensated absences payable	389,881	233,338	156,543	
<b>Total</b>	<b>\$ 24,183,253</b>	<b>1,944,024</b>	<b>22,239,229</b>	<b>1,771,686</b>

	Balance 7-1-2019	Change	Balance 6-30-2020	Amounts due within one year
Premiums on bonds	\$ 816,559	116,961	699,598	116,961

### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2014	3.50-4.00%	11-19-14	04-01-28	\$ 8,100,000	8,100,000
General obligation refunding bonds, Series 2015	2.00-4.00%	05-07-15	04-01-24	8,825,000	6,875,000
				<b>\$ 16,925,000</b>	<b>14,975,000</b>

## Laurel School District

### Notes to the Financial Statements For the 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 2014:

Year Ending June 30	Principal	Interest	Total
2021	\$	304,475	304,475
2022		304,475	304,475
2023		304,475	304,475
2024		304,475	304,475
2025		304,475	304,475
2026 - 2028	8,100,000	490,675	8,590,675
Total	\$ 8,100,000	2,013,050	10,113,050

This debt will be retired from the \$26.5M Debt Service Fund.

2. General obligation refunding bond issue of 2015:

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,605,000	216,575	1,821,575
2022	1,670,000	174,450	1,844,450
2023	1,765,000	126,350	1,891,350
2024	1,835,000	73,400	1,908,400
Total	\$ 6,875,000	590,775	7,465,775

This debt will be retired from the \$26.5M Debt Service Fund.

Total general obligation bond payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,605,000	521,050	2,126,050
2022	1,670,000	478,925	2,148,925
2023	1,765,000	430,825	2,195,825
2024	1,835,000	377,875	2,212,875
2025	0	304,475	304,475
2026 - 2028	8,100,000	490,675	8,590,675
Total	\$ 14,975,000	2,603,825	17,578,825

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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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 8% of property assessments as of October 1, 2019.

#### **B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2017	2.13%	03-01-17	04-04-27	\$ <u>1,225,000</u>	<u>1,009,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 68,000	21,492	89,492
2022	68,000	20,043	88,043
2023	65,000	18,595	83,595
2024	72,000	17,210	89,210
2025	80,000	15,677	95,677
2026 - 2027	<u>656,000</u>	<u>22,067</u>	<u>678,067</u>
Total	\$ <u>1,009,000</u>	<u>115,084</u>	<u>1,124,084</u>

This debt will be retired from the \$1.225 Note Debt Service Fund.

#### **C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2017	2.80%	07-07-17	07-07-20	\$ <u>296,058</u>	<u>98,686</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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



## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

Year Ending June 30	Principal	Interest	Total
2021	\$ <u>98,686</u>	<u>2,763</u>	<u>101,449</u>

This debt will be retired from the Shortfall Note Debt Service Fund.

#### **D. Qualified school construction bonds payable**

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2010-A	5.50%	08-01-10	08-01-25	\$ 1,500,000	1,500,000
Limited tax note, Series 2010-B	5.50%	08-01-10	08-01-25	1,500,000	1,500,000
Limited tax note, Series 2011	4.55%	08-01-11	08-01-26	1,600,000	1,600,000
Limited tax note, Series 2012	0.00%	09-15-12	09-15-27	1,400,000	1,400,000
Total				\$ <u>6,000,000</u>	<u>6,000,000</u>

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

#### 1. Limited tax note, Series 2010-A:

Year Ending June 30	Principal	Interest	Total
2021	\$	82,500	82,500
2022		82,500	82,500
2023		82,500	82,500
2024		82,500	82,500
2025		82,500	82,500
2026	1,500,000	165,000	1,665,000
Total	\$ <u>1,500,000</u>	<u>577,500</u>	<u>2,077,500</u>

This debt was paid off and retired from the \$3M QSCB Debt Service Fund.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

#### 2. Limited tax note, Series 2010-B:

Year Ending June 30	Principal	Interest	Total
2021	\$	82,500	82,500
2022		82,500	82,500
2023		82,500	82,500
2024		82,500	82,500
2025		82,500	82,500
2026	1,500,000	165,000	1,665,000
Total	\$ 1,500,000	577,500	2,077,500

This debt was paid off and retired from the \$3M QSCB Debt Service Fund.

#### 3. Limited tax note, Series 2011:

Year Ending June 30	Principal	Interest	Total
2021	\$	72,800	72,800
2022		72,800	72,800
2023		72,800	72,800
2024		72,800	72,800
2025		72,800	72,800
2026 - 2027	1,600,000	218,400	1,818,400
Total	\$ 1,600,000	582,400	2,182,400

This debt will be retired from the \$1.6M QSCB Debt Service Fund.

#### 4. Limited tax note, Series 2012:

Year Ending June 30	Principal
2021	\$
2022	
2023	
2024	
2025	
2026 - 2028	1,400,000
Total	\$ 1,400,000

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

This debt will be retired from the \$1.4M QSCB Debt Service Fund.

Total obligation under leases payable payments for all issues:

Year Ending			
June 30	Principal	Interest	Total
2021	\$	237,800	237,800
2022		237,800	237,800
2023		237,800	237,800
2024		237,800	237,800
2025		237,800	237,800
2026 - 2028	6,000,000	548,400	6,548,400
Total	\$ 6,000,000	1,737,400	7,737,400

#### **D. Compensated absences payable**

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

### **Note 7 - Defined Benefit Pension Plan**

#### **General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 \$3,221,781, \$2,877,815, and \$2,912,214, 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 \$49,355,161 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 0.280555 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.008990 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 \$4,023,058. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,132	\$
Changes of assumptions	506,581	
Net difference between projected and actual earnings on pension plan investments		2,547,541
Changes in proportion and differences between District contributions and proportionate share of contributions	1,925,065	1,695,304
District contributions subsequent to the measurement date	3,221,781	
Total	<u>\$ 5,683,559</u>	<u>\$ 4,242,845</u>

\$3,221,781 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	\$ (442,980)
2022	(1,394,105)
2023	(169,315)
2024	225,333
Total	<u>\$ (1,781,067)</u>

*Actuarial assumptions.* The total pension liability in the 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%

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 percent, 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>64,879,068</u>	\$ <u>49,355,161</u>	\$ <u>36,541,568</u>

*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 8 - 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

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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 \$118,422 for the 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 \$3,346,185 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 0.39434566 percent. This was a decrease of 0.01363984 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 \$158,505. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 5,059	\$ 47,897
Changes in assumptions	249,467	173,516
Net differences between projected and actual earnings in OPEB investments	63	
Changes in proportion and differences between District contributions and proportionate share of contributions		131,068
District contributions subsequent to the measurement date	118,422	
Total	\$ <u>373,011</u>	\$ <u>352,481</u>

\$118,422 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	\$ (32,367)
2022	(32,367)
2023	(32,367)
2024	(21,726)
2025	13,059
Thereafter	7,876
Total	\$ <u>(97,892)</u>

*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

## Laurel School District

### Notes to the Financial Statements For the 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
Pre-Medicare	ultimate rate of 4.75 percent 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.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

*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%)		Discount Rate (3.50%)		1% Increase (4.50%)
Net OPEB liability	\$	3,717,027	\$	3,346,185	\$	3,028,894

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

		1% Decrease		Healthcare Cost Trend Rates Current		1% Increase
Net OPEB liability	\$	3,100,756	\$	3,346,185	\$	3,624,214

*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 9 - 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 10 - 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.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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

#### Note 11 - Other Commitments

The school district has several operating copier leases. Lease expenditures for the year ended June 30, 2020, amounted to \$61,646.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2021	\$ 61,345
2022	58,345
2023	55,000
2024	21,535
2025	1,515
Total	\$ <u>197,740</u>

#### Note 12 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$12,445,989 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$1,002,740 balance of the deferred outflow of resources at June 30, 2020 will be recognized as an expense and decrease the net investment in capital assets net position over the next 8 years.

The unrestricted net position amount of (\$50,467,907) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$3,221,781 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$2,461,778 balance of deferred outflow of resources, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

## **Laurel School District**

### **Notes to the Financial Statements For the Year Ended June 30, 2020**

The unrestricted net position amount of (\$50,467,907) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,242,845 balance of deferred inflow of resources, at June 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$50,467,907) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$118,422 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$254,589 balance of deferred outflow of resources, 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 (\$50,467,907) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$352,481 balance of deferred inflow of resources at June 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 13 - Other Matters**

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

#### **Note 14 - Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2020, the subsidy payments amounted to \$208,705.

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2020 was \$4,121,740, which includes accrued interest of \$17,530. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2021	\$ 400,000
2022	400,000
2023	400,000
2024	400,000
2025	400,000
2026 - 2028	698,000
Total	\$ 2,698,000

#### Note 15 - 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 Laurel School District does not have control or jurisdiction over any school trust lands but rather receives pro rata distributions of funds from sixteenth section lands administered by the Jones County School District.

#### Note 16 - Prior Period Adjustments

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

##### Exhibit B - Statement of Activities

Explanation(s)	Amount
See explanation below.	\$ 87,741
Adjustments were made to properly present capital assets.	(80,617)
Total	\$ 7,124

## Laurel School District

### Notes to the Financial Statements For the Year Ended June 30, 2020

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

Fund	Explanation	Amount
General Fund	Entries were made due to software conversion issues.	\$ (225,034)
Other Governmental Funds	Entries were made due to software conversion issues.	312,775
Total		<u>\$ 87,741</u>

#### **Note 17 - Insurance Recovery**

The Laurel School District received \$4,116,102 in insurance recoveries related to hail and tornado damages during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported \$3,363,954 as general revenues and \$752,148 as support services. Final negotiations are still ongoing with the insurance carrier to finalize this issue.

#### **Note 18 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Laurel School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined the following subsequent event has occurred requiring disclosure in the notes to the financial statement:

On July 4, 2020, a fire destroyed the Wisner Gymnasium and Auditorium. The building acquisition cost and the accumulated depreciation was \$82,996 and \$66,397, respectively at June 30, 2020, resulting in a net value of \$16,599. Insurance proceeds of \$1,956,216 were received on April 8, 2021.

On April 13, 2021, the Board discussed entering a possible agreement with The Fusco Group Partners d/b/a WorldClaim Global Claims Management to assist in the documentation and adjustment of their loss at Nora Davis School caused by a tornado on December 16, 2019. The school agreed to pay World Claim a service fee of 10% of the amount in excess of \$7,663,158 recovered on account of such loss.

## REQUIRED SUPPLEMENTARY INFORMATION



**LAUREL SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2020

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 11,124,150	10,775,064	10,667,300	(349,086)	(107,764)
State sources	14,168,262	14,959,590	14,965,526	791,328	5,936
Federal sources	283,958	121,406	121,406	(162,552)	-
Sixteenth section sources	139,100	11,185	31,795	(127,915)	20,610
Total Revenues	<u>25,715,470</u>	<u>25,867,245</u>	<u>25,786,027</u>	<u>151,775</u>	<u>(81,218)</u>
<b>Expenditures:</b>					
Instruction	13,863,393	14,004,673	14,004,669	(141,280)	4
Support services	11,069,530	11,274,277	11,274,280	(204,747)	(3)
Noninstructional services		821	821	(821)	-
Debt service:					
Principal	260,000	139,078		120,922	139,078
Interest	139,100		139,078	139,100	(139,078)
Total Expenditures	<u>25,332,023</u>	<u>25,418,849</u>	<u>25,418,848</u>	<u>(86,826)</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>383,447</u>	<u>448,396</u>	<u>367,179</u>	<u>64,949</u>	<u>(81,217)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans	81,345		-	(81,345)	-
Insurance recovery		4,800	4,800	4,800	-
Operating transfers in	3,248,774	2,666,398	259,703	(582,376)	(2,406,695)
Operating transfers out	(4,403,609)	(3,202,061)	(800,303)	1,201,548	2,401,758
Total Other Financing Sources (Uses)	<u>(1,073,490)</u>	<u>(530,863)</u>	<u>(535,800)</u>	<u>542,627</u>	<u>(4,937)</u>
Net Change in Fund Balances	<u>(690,043)</u>	<u>(82,467)</u>	<u>(168,621)</u>	<u>607,576</u>	<u>(86,154)</u>
<b>Fund Balances:</b>					
July 1, 2019, as previously reported	3,761,798	1,706,330	1,413,961	(2,055,468)	(292,369)
Prior period adjustments		(714,775)	(225,034)	(714,775)	489,741
July 1, 2019, as restated	<u>3,761,798</u>	<u>991,555</u>	<u>1,188,927</u>	<u>(2,770,243)</u>	<u>197,372</u>
June 30, 2020	<u>\$ 3,071,755</u>	<u>909,088</u>	<u>1,020,306</u>	<u>(2,162,667)</u>	<u>111,218</u>

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

**LAUREL SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 IDEA Fund  
 For the Year Ended June 30, 2020

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,662,730	698,420	860,372	(964,310)	161,952
Total Revenues	<u>1,662,730</u>	<u>698,420</u>	<u>860,372</u>	<u>(964,310)</u>	<u>161,952</u>
<b>Expenditures:</b>					
Instruction	498,443	268,381	392,065	230,062	(123,684)
Support services	613,983	326,749	457,942	287,234	(131,193)
Noninstructional services	4,245	5,245	244	(1,000)	5,001
Total Expenditures	<u>1,116,671</u>	<u>600,375</u>	<u>850,251</u>	<u>516,296</u>	<u>(249,876)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>546,059</u>	<u>98,045</u>	<u>10,121</u>	<u>(448,014)</u>	<u>(87,924)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(23,974)	(37,974)	(10,114)	(14,000)	27,860
Total Other Financing Sources (Uses)	<u>(23,974)</u>	<u>(37,974)</u>	<u>(10,114)</u>	<u>(14,000)</u>	<u>27,860</u>
Net Change in Fund Balances	<u>522,085</u>	<u>60,071</u>	<u>7</u>	<u>(462,014)</u>	<u>(60,064)</u>
Fund Balances:					
July 1, 2019	-	-	-	-	-
June 30, 2020	<u>\$ 522,085</u>	<u>60,071</u>	<u>7</u>	<u>(462,014)</u>	<u>(60,064)</u>

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

**LAUREL SCHOOL DISTRICT**  
Budgetary Comparison Schedule  
LEC Repairs Tornado December 2019 Fund  
For the Year Ended June 30, 2020

**Exhibit 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	1,150	1,150	1,150	-
Total Revenues	-	1,150	1,150	1,150	-
<b>Expenditures:</b>					
Instruction	-	529	528	(529)	1
Support services	-	751,619	751,620	(751,619)	(1)
Total Expenditures	-	752,148	752,148	(752,148)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(750,998)	(750,998)	(750,998)	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	4,111,302	4,111,302	4,111,302	-
Operating transfers in	-	10,000	10,000	10,000	-
Total Other Financing Sources (Uses)	-	4,121,302	4,121,302	4,121,302	-
Net Change in Fund Balances	-	3,370,304	3,370,304	3,370,304	-
<b>Fund Balances:</b>					
July 1, 2019	-	-	-	-	-
June 30, 2020	\$ -	3,370,304	3,370,304	3,370,304	-

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

**Laurel 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 proportionate share of the net pension liability	\$ 49,355,161	48,159,936	49,111,324	52,949,978	46,209,301	36,044,050
District's proportion of the net pension liability	0.280555%	0.289545%	0.295435%	0.296431%	0.298934%	0.296948%
District's covered payroll	18,271,841	18,490,248	18,952,311	18,963,429	18,675,695	18,153,321
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.43%	198.55%
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 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.

**Laurel School District**  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,221,781	2,877,815	2,912,214	2,984,989	2,986,740	2,941,422
Contributions in relation to the contractually required contribution	3,221,781	2,877,815	2,912,214	2,984,989	2,986,740	2,941,422
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	18,515,983	18,271,841	18,490,248	18,952,311	18,963,429	18,675,695
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 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Laurel School District**

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

## OPEB

## Last 10 Fiscal Years\*

	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 3,346,185	3,155,972	3,210,632
District's proportion of the net OPEB liability	0.39434566%	0.40798550%	0.40920151%
District's covered-employee payroll	18,058,768	18,452,907	18,384,299 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

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

\*\* The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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.

**Laurel School District**  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years\*

	2020	2019	2018	
Actuarially determined contribution	\$ 118,422	134,125	136,874	**
Contributions in relation to the actuarially determined contribution	118,422	134,125	136,874	**
Contribution deficiency (excess)	\$ -	-	-	
District's covered-employee payroll	15,888,897	16,883,881	18,490,248	
Contributions as a percentage of covered-employee payroll	0.75%	0.79%	0.74%	

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

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

\*\* The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

## Laurel School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2020

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and major Special Revenue Funds 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.



## Laurel School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2020

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

#### 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

## Laurel School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2020

#### OPEB Schedules

(1) Changes of assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

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

2019:

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

(2) Changes in benefit provisions

2017:

None

2018:

None

2019:

None

(3) *Methods and assumptions used in calculation 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%

## Laurel School District

Notes to the Required Supplementary Information (Continued)  
For the Year Ended June 30, 2020

Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.25%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2028
Long-term investment rate of return, net of	
OPEB plan investment expense,	
including price inflation	3.89%

## SUPPLEMENTARY INFORMATION

**LAUREL SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	205MS326N1099	10.553	\$ 550,856
National School Lunch Program	205MS326N1099	10.555	1,578,262
Summer Food Service Program for Children	205MS326N1099	10.559	12,349
COVID-19 - Summer Food Service Program for Children	205MS326N1099	10.559	83,707
Total Child Nutrition Cluster			2,225,174
State Administrative Expenses for Child Nutrition	205MS907N2533	10.560	3,375
Total passed-through the Mississippi Department of Education			2,228,549
<b>Total U.S. Department of Agriculture</b>			<b>2,228,549</b>
<b><u>U. S. Department of Defense</u></b>			
Direct program:			
Reserve Officers' Training Corps	N/A	12.xxx	47,374
<b>Total U.S. Department of Defense</b>			<b>47,374</b>
<b><u>U. S. Department of Education</u></b>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A180024	84.010	1,489,382
Career and Technical Education - Basic Grants to States	V048A180024	84.048	51,591
Rural Education	ES358B180024	84.358	28,507
English Language Acquisition State Grants	ES365A180024	84.365	24,601
Supporting Effective Instruction State Grants	ES367A180023	84.367	237,659
School Improvement Grants	ES377A170025	84.377	4,978
Student Support and Academic Enrichment Program	ES424A180025	84.424	119,513
COVID-19 - Education Stabilization Fund (ESSER)	S425D200031	84.425D	16,878
Subtotal			1,973,109
Special Education Cluster:			
Special Education - Grants to States	H027A180108	84.027	860,365
Positive Behavior Specialists	H027A180108	84.027A	6,533
Special Education - Preschool Grants	H173A180113	84.173	19,340
Total Special Education Cluster			886,238
Total passed-through the Mississippi Department of Education			2,859,347
<b>Total U.S. Department of Education</b>			<b>2,859,347</b>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	10,317
Total passed-through the Mississippi Department of Education			10,317
<b>Total U.S. Department of Health and Human Services</b>			<b>10,317</b>
Total for All Federal Awards			\$ 5,145,587

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

## Laurel School District

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

#### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the 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 presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$185,396 included in the National School Lunch Program.

**LAUREL SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2020

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	25,397,165	18,118,440	1,165,367	2,162,388	3,950,970
Other	10,098,124	1,867,316	407,017	54,549	7,769,242
Total	\$ 35,495,289	19,985,756	1,572,384	2,216,937	11,720,212
Total number of students *	2,950				
Cost per student	\$ 12,032	6,775	533	751	3,973

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 functions: Support Services - School Administration.

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

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

## OTHER INFORMATION



**LAUREL SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 General Fund  
 Last Four Years

"UNAUDITED"

	2020	2019*	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 10,667,300	10,871,421	10,554,613	10,567,804
State sources	14,965,526	14,023,586	13,903,575	14,090,338
Federal sources	121,406	123,656	146,570	162,011
Sixteenth section sources	31,795	230,778	144,917	348,192
Total Revenues	<u>25,786,027</u>	<u>25,249,441</u>	<u>24,749,675</u>	<u>25,168,345</u>
<b>Expenditures:</b>				
Instruction	14,004,669	14,798,059	14,629,837	15,164,352
Support services	11,274,280	10,138,486	9,125,659	9,686,524
Noninstructional services	821			
Facilities acquisition and construction			70,240	129,886
Debt service:				
Interest	139,078	339,924	121,827	130,020
Total Expenditures	<u>25,418,848</u>	<u>25,276,469</u>	<u>23,947,563</u>	<u>25,110,782</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>367,179</u>	<u>(27,028)</u>	<u>802,112</u>	<u>57,563</u>
<b>Other Financing Sources (Uses):</b>				
Notes issued			81,345	
Insurance recovery	4,800			775
Sale of transportation equipment		10,935		
Operating transfers in	259,703	408,317	303,641	324,837
Operating transfers out	(800,303)	(1,865,405)	(1,300,253)	(715,480)
Total Other Financing Sources (Uses)	<u>(535,800)</u>	<u>(1,446,153)</u>	<u>(915,267)</u>	<u>(389,868)</u>
Net Change in Fund Balances	(168,621)	(1,473,181)	(113,155)	(332,305)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,413,961	2,888,273	2,612,370	2,945,666
Prior period adjustments	(225,034)	(1,131)	389,058	(991)
Beginning of period, as restated	<u>1,188,927</u>	<u>2,887,142</u>	<u>3,001,428</u>	<u>2,944,675</u>
Ending of period	<u>\$ 1,020,306</u>	<u>1,413,961</u>	<u>2,888,273</u>	<u>2,612,370</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**LAUREL SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

**"UNAUDITED"**

	2020	2019	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 13,792,770	13,560,935	13,047,986	12,996,240
Increase in fair market value	43,466	159,326		
State sources	15,607,291	14,670,227	14,632,297	14,636,924
Federal sources	5,449,277	5,756,814	5,691,417	5,984,170
Sixteenth section sources	1,376,431	1,609,154	599,298	814,605
Total Revenues	<u>36,269,235</u>	<u>35,756,456</u>	<u>33,970,998</u>	<u>34,431,939</u>
<b>Expenditures:</b>				
Instruction	16,542,388	17,636,720	17,496,444	18,128,260
Support services	13,833,423	11,882,152	10,663,105	11,154,713
Noninstructional services	2,329,951	2,396,608	2,273,148	2,253,865
Facilities acquisition and construction		406,325	1,125,590	751,661
Debt service:				
Principal	1,710,686	1,620,686	1,447,000	1,275,000
Interest	1,070,841	1,290,213	1,080,520	1,086,920
Other	8,000	10,000	14,937	13,024
Total Expenditures	<u>35,495,289</u>	<u>35,242,704</u>	<u>34,100,744</u>	<u>34,663,443</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>773,946</u>	<u>513,752</u>	<u>(129,746)</u>	<u>(231,504)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued			296,058	1,225,000
Insurance recovery	4,116,102			775
Payment held by QZAB and QSCB escrow agent	480,152	367,036	400,000	374,300
Payment to QZAB and QSCB debt escrow agent	(480,152)	(367,036)	(400,000)	(374,300)
Sale of transportation equipment		10,935		
Operating transfers in	1,310,007	2,273,722	1,603,894	1,040,317
Operating transfers out	(1,310,007)	(2,273,722)	(1,603,894)	(1,040,317)
Total Other Financing Sources (Uses)	<u>4,116,102</u>	<u>10,935</u>	<u>296,058</u>	<u>1,225,775</u>
Net Change in Fund Balances	4,890,048	524,687	166,312	994,271
<b>Fund Balances:</b>				
Beginning of period, as previously reported	18,337,912	17,780,630	17,283,490	16,270,193
Prior period adjustment	87,741	17,996	389,058	(991)
Beginning of period, as restated	<u>18,425,653</u>	<u>17,798,626</u>	<u>17,672,548</u>	<u>16,269,202</u>
Increase (decrease) in inventory	69,801	14,599	(58,230)	20,017
Ending of period	<u>\$ 23,385,502</u>	<u>18,337,912</u>	<u>17,780,630</u>	<u>17,283,490</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Laurel School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laurel School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Laurel School District's basic financial statements, and have issued our report thereon dated September 13, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2020-001 and 2020-002 to be material weaknesses.

## **Compliance and Other Matters**

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

## **Laurel School District's Response to Findings**

Laurel School District's responses to the findings identified in our audit are described in the accompanying corrective action plan. Laurel School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
September 13, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Laurel School District

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

We have audited Laurel 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 Laurel School District's major federal programs for the year ended June 30, 2020. The Laurel School District's major federal programs are identified in the summary of the 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**

Our responsibility is to express an opinion on compliance for each of Laurel School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Laurel 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 the Laurel School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Laurel 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, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
September 13, 2021

Certified Public Accountants

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



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Laurel School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Laurel School District as of and for the year ended June 30, 2020, which collectively comprise Laurel School District's basic financial statements and have issued our report thereon dated September 13, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

1048 GLUCKSTADT ROAD, SUITE B  
MADISON, MISSISSIPPI 39110  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Finding 1**

### Criteria:

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B “Certification/Acknowledgment of Re-employment of Retiree” with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

### Condition:

During our testing of retired personnel, we noted thirteen instances in which re-hired employees’ form 4B were not filed timely with PERS.

### Cause:

The school district did not have a system in place to ensure forms were filed in a timely manner.

### Effect:

The retirees’ retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment and within five days of termination of the service retiree.

### Recommendation:

PERS Form 4B must be properly completed and submitted to the PERS office within five (5) days from the date of re-employment and employees must not be paid in excess of the maximum amount allowed.

### Response:

The district is aware of this requirement and will work to ensure future compliance.

## **Finding 2**

### Criteria:

Section 37-39-21, Miss. Code Ann. (1972) requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk’s office.

### Condition:

During the course of our audit, we noted one purchasing agent was bonded for \$25,000.

### Cause:

The cause of the above condition is primarily due to management noncompliance with Section 37-39-21, Miss. Code Ann. (1972).

### Effect:

The District was not indemnified from certain potential losses.

Recommendation:

We recommend the school district comply with Section 37-39-21, Miss. Code Ann. (1972) and bond applicable personnel for the appropriate amounts with those bonds being recorded and filed in the chancery clerk's office.

Response:

The district has increased all purchasing agent bonds to meet statutory requirements.

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

The Laurel School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 13, 2021

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Laurel 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: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? Yes.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.027A & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit 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 2 CFR 200.511(b). Yes.

## Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

### **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:

During the course of our audit we found several discrepancies with the information provided on the accounting records and other internal control issues:

- (1) During our test of cash, we noted that the bank reconciliations during the year were not done in a timely manner. Failure to prepare timely bank reconciliations could lead to misappropriation of assets and material misstatements that could be undetected by management.
- (2) During our test of receivables, we noted that receivables in Fund 1840 and Fund 7211 were understated in the amount of \$20,610 and \$586,127, respectively. Audit adjustments were made to accurately reflect these receivables.
- (3) During our test of invoices, we noted two (2) invoices with no receipt of goods, seven (7) invoices with no approval from program director, two (2) purchase orders without approval by purchase clerk, and two (2) invoices were paid past 45 days.
- (4) During our fieldwork we noted that various beginning balances had not been entered correctly into the new software system during conversion.
- (5) During our test work of general long-term debt, audit adjustments were made in the amount of \$149,201 to accurately reflect payments made and held by the escrow agent.
- (6) During our test work of cafeteria deposit receipts, we noted four (4) instances in which deposits were not made timely.
- (7) During our test work of beginning net position, we noted safeguards were not in place to ensure accurate reporting during conversion of financial software.

##### Cause:

This is the result of the school district not properly implementing an effective internal control system and maintaining the system.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, the district increases the risk that the financial statements will contain materially misstated accounts.

Recommendation:

The District should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Response:

The district is continuing to implement strong internal controls to ensure financial accountability, proper safeguarding of assets, and accurate accounting records. Proper segregation of duties have been implemented in areas where needed and cost effective.

**Finding 2020-002**

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records. An important aspect of effective internal controls over capital assets owned by the district is the control activity of the timely update of capital assets records to the subsidiary ledger. The district should have a monthly reconciliation of additions and deletions to maintain accurate accounts of all assets. The district should do an annual inventory audit on assets district wide to make sure all assets are accounted for, in the proper location, properly tagged, and agree to the accounting records.

Condition:

During our observation of capital assets, we noted that several items were located in other locations than that of the capital asset software listing.

Cause:

These noted areas were caused by a lack of controls over assets within the district. The district failed to ensure that assets were being identified and tagged properly and did not maintain an accurate record of each item's location.

Effect:

The lack of controls over assets could lead to assets being misplaced or even lost.

Recommendation:

The district should tag and identify capital assets and should maintain accurate records of each item's location.

Response:

The district will strengthen internal controls over capital assets to ensure that all capital assets are tagged and location of asset is properly recorded. The district will do this by having quarterly audits of capital assets completed by building level administration and an annual 100%

district-wide audit completed by business office staff.

### Section III: Federal Awards Findings and Questioned Costs

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



AUDITEE'S CORRECTIVE ACTION PLAN AND  
SUMMARY OF PRIOR AUDIT FINDINGS



## AUDITEE'S 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, the Laurel School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020:

### Finding

### Corrective Action Plan Details

2020-001

a. Name of Contact Person Responsible for Corrective Action

Name: Emily Beach  
Title: Chief Financial Officer  
Phone Number: 601-649-6391 ext 115

- b. Correction Action Planned: The district is continuing to implement strong internal controls to ensure financial accountability, proper safeguarding of assets, and accurate accounting records. Proper segregation of duties have been implemented in areas where needed and cost effective.

- c. Anticipated Completion Date: August 3, 2021

2020-002

a. Name of Contact Person Responsible for Corrective Action

Name: Emily Beach  
Title: Chief Financial Officer  
Phone Number: 601-649-6391 Ext 115

- b. Correction Action Planned: The district will strengthen internal controls over capital assets to ensure that all capital assets are tagged and location of asset is properly recorded. The district will do this by having quarterly audits of capital assets completed by building level administration and an annual 100% district-wide audit completed by business office staff.

- c. Anticipated Completion Date: August 3, 2021



## PRIOR YEAR AUDIT FINDINGS FOLLOW UP

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 Laurel School District has prepared and hereby submits the following prior year audit findings follow-up as of June 30, 2020:

<u>Finding</u>	<u>Status</u>
2019-001	Not Corrected (see Finding 2020-001)
2019-002	Partially Corrected (see Finding 2020-002)
2019-003	Corrected