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LAUDERDALE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lauderdale County School District

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Lauderdale County School District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lauderdale County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lauderdale County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2023, on my consideration of the Lauderdale County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lauderdale County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
August 20, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

The following discussion and analysis of Lauderdale County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. 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 2022 increased \$9,584,668, including a prior period adjustment of (\$34,596), which represents a 14% increase from fiscal year 2021. Total net position for 2021 decreased \$6,627,008, including a prior period adjustment of \$356,184, which represents an 11% decrease from fiscal year 2020.
- General revenues amounted to \$50,602,797 and \$49,004,316, or 74% and 79% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$17,698,986, or 26% of total revenues for 2022, and \$13,164,450, or 21% of total revenues for 2021.
- The District had \$58,682,519 and \$69,151,958 in expenses for fiscal years 2022 and 2021; only \$17,698,986 for 2022 and \$13,164,450 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$50,602,797 for 2022 were adequate to provide for these programs. General revenues of \$49,004,316 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$51,431,497 in revenues and \$50,274,315 in expenditures for 2022, and \$48,403,826 in revenues and \$52,073,545 in expenditures in 2021. The General Fund's fund balance increased by \$1,691,971 from 2021 to 2022, including a prior period adjustment of (\$9,162), and decreased by \$4,467,260 from 2020 to 2021, including a prior period adjustment of \$353,770.
- Capital assets, net of accumulated depreciation, increased by \$2,494,716 for 2022 and decreased by \$392,460 for 2021. The increase for 2022 was due to the addition of land, buildings, improvements other than buildings, mobile equipment, and furniture and equipment and the increase in construction in progress.
- Total long-term debt increased by \$4,969,243 for 2022 and decreased by \$1,204,332 for 2021. This increase for 2022 was due primarily to the issuance of three mill notes during the fiscal year. The liability for compensated absences increased by \$15,427 for 2022 and increased by \$29,502 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or

decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$58,019,989 as of June 30, 2022.

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, 2022 and June 30, 2021.

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 20,058,750	\$ 12,468,896	60.87 %
Restricted assets	10,887,933	5,807,520	87.48 %
Capital assets, net	26,268,345	23,773,629	10.49 %
Total assets	57,215,028	42,050,045	36.06 %
Deferred outflows of resources	12,383,859	11,099,514	11.57 %
Current liabilities	3,527,984	2,012,494	75.30 %
Long-term debt outstanding	18,760,939	13,791,696	36.03 %
Net OPEB liability	4,385,419	5,198,452	(15.64) %
Net pension liability	75,326,428	96,355,325	(21.82) %
Total liabilities	102,000,770	117,357,967	(13.09) %
Deferred inflows of resources	25,618,106	3,396,249	654.31 %
Net position:			
Net investment in capital assets	20,104,915	19,777,257	1.66 %
Restricted	6,848,793	5,692,103	20.32 %
Unrestricted	(84,973,697)	(93,074,017)	8.70 %
Total net position	\$ (58,019,989)	\$ (67,604,657)	14.18 %

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)	\$ (84,973,697)
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	87,987,997
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,014,300</u>

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

- Increase in net capital assets in the amount of \$2,494,716.
- Proceeds from the issuance of three mill notes in the amount of \$6,165,000.
- The principal retirement of \$1,211,184 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$68,301,783 and \$62,168,766, respectively. The total cost of all programs and services was \$58,682,519 for 2022 and \$69,151,958 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,809,930	\$ 762,788	268.38 %
Operating grants and contributions	14,889,056	12,401,662	20.06 %
General revenues:			
Property taxes	16,059,894	16,132,138	(0.45) %
Grants and contributions not restricted	32,838,604	31,850,694	3.10 %
Investment earnings	123,109	127,087	(3.13) %
Sixteenth section sources	534,801	414,352	29.07 %
Other	1,046,389	480,045	117.98 %
Total revenues	68,301,783	62,168,766	9.87 %
Expenses:			
Instruction	36,202,128	35,298,133	2.56 %
Support services	19,411,165	22,154,170	(12.38) %
Non-instructional	1,911,021	1,610,344	18.67 %
Sixteenth section	335,886	268,672	25.02 %
Pension expense	737,006	9,463,417	(92.21) %
OPEB expense	(252,825)	85,252	(396.56) %
Interest on long-term liabilities	338,138	271,970	24.33 %
Total expenses	58,682,519	69,151,958	(15.14) %
Increase (Decrease) in net position	9,619,264	(6,983,192)	237.75 %
Net Position, July 1, as previously reported	(67,604,657)	(60,977,649)	(10.87) %
Prior Period Adjustment	(34,596)	356,184	(109.71) %
Net Position, July 1, as restated	(67,639,253)	(60,621,465)	(11.58) %
Net Position, June 30	\$ (58,019,989)	\$ (67,604,657)	14.18 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 36,202,128	\$ 35,298,133	2.56 %
Support services	19,411,165	22,154,170	(12.38) %
Non-instructional	1,911,021	1,610,344	18.67 %
Sixteenth section	335,886	268,672	25.02 %
Pension Expense	737,006	9,463,417	(92.21) %
OPEB Expense	(252,825)	85,252	(396.56) %
Interest on long-term liabilities	338,138	271,970	24.33 %
Total expenses	\$ 58,682,519	\$ 69,151,958	(15.14) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (26,711,146)	\$ (26,838,442)	0.47 %
Support services	(14,494,878)	(19,827,234)	26.89 %
Non-instructional	1,363,151	764,238	78.37 %
Sixteenth section	(318,341)	(265,431)	(19.93) %
Pension Expense	(737,006)	(9,463,417)	92.21 %
OPEB Expense	252,825	(85,252)	396.56 %
Interest on long-term liabilities	(338,138)	(271,970)	(24.33) %
Total net (expense) revenue	\$ (40,983,533)	\$ (55,987,508)	26.80 %

- Net cost of governmental activities (\$40,983,533 for 2022 and \$55,987,508 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$16,059,894 for 2022 and \$16,132,138 for 2021) and state and federal revenues (\$32,838,604 for 2022 and \$31,850,694 for 2021). In addition, there was \$534,801 and \$414,352 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$123,109 for 2022 and \$127,087 for 2021.

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 \$22,546,736, an increase of \$6,211,305, which includes a prior period adjustment of (\$9,155) and a decrease in inventory of \$6,976. \$10,053,664, or 45% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$12,493,072, or 55% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,691,971, which includes a prior period adjustment of (\$9,162). The fund balance of Other Governmental Funds showed an increase in the amount of \$1,178,069, which includes a prior period adjustment of \$7 and a decrease in inventory of \$6,976. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
3 Mill Loan 2022 \$6.165M Fund	\$ 3,341,265

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$51,785,484, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$3,326,133 from 2021. Total accumulated depreciation as of June 30, 2022, was \$25,517,139, and total depreciation expense for the year was \$1,232,504, resulting in total net capital assets of \$26,268,345.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 550,032	\$ 482,482	14.00 %
Construction in Progress	1,771,689	0	N/A
Buildings	19,944,008	19,721,559	1.13 %
Improvements other than buildings	1,724,391	1,151,936	49.70 %
Mobile equipment	1,637,039	1,759,251	(6.95) %
Furniture and equipment	641,186	658,401	(2.61) %
Total	\$ 26,268,345	\$ 23,773,629	10.49 %

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

Debt Administration. At June 30, 2022, the District had \$18,760,939 in outstanding long-term debt, of which \$1,171,548 is due within one year. During the fiscal year, the District received proceeds from the issuance of three mill notes in the amount of \$6,165,000. The District made principal payments totaling \$1,211,184 on outstanding long-term debt. The liability for compensated absences increased \$15,427 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 524,695	\$ 651,372	(19.45) %
Three mill notes payable	7,555,000	2,020,000	274.01 %
Obligations under energy efficiency loans	7,311,532	7,766,039	(5.85) %
Qualified school construction bonds payable	2,815,000	2,815,000	0.00 %
Compensated absences payable	554,712	539,285	2.86 %
Total	<u>\$ 18,760,939</u>	<u>\$ 13,791,696</u>	<u>36.03 %</u>

Additional information on the District's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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LAUDERDALE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,188,774
Due from other governments	3,795,287
Accrued interest receivable	7,485
Other receivables, net	6,121
Lease receivable	4,958,097
Inventories	102,986
Restricted assets	10,887,933
Non-depreciable capital assets	2,321,721
Depreciable capital assets, net	23,946,624
Total Assets	57,215,028
Deferred Outflows of Resources	
Deferred outflow - pensions	11,402,606
Deferred outflow - OPEB	981,253
Total Deferred Outflows of Resources	12,383,859
Liabilities	
Accounts payable and accrued liabilities	3,441,850
Interest payable on long-term liabilities	86,134
Long-term liabilities (Due within one year)	
Capital related liabilities	503,451
Non-capital related liabilities	668,097
Net OPEB liability	174,713
Long-term liabilities (Due beyond one year)	
Capital related liabilities	9,001,244
Non-capital related liabilities	8,588,147
Net OPEB liability	4,210,706
Net pension liability	75,326,428
Total Liabilities	102,000,770
Deferred Inflows of Resources	
Deferred inflows - pensions	19,021,809
Deferred inflows - OPEB	1,638,200
Deferred inflow - leases	4,958,097
Total Deferred Inflows of Resources	25,618,106
Net Position	
Net investment in capital assets	20,104,915
Restricted net position	
Expendable	
School-based activities	2,431,978
Debt service	3,369,456
Forestry improvements	489,002
Unemployment benefits	128,032
Non-expendable	
Sixteenth section	430,325
Unrestricted	(84,973,697)
Total Net Position	\$ (58,019,989)

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 36,202,128	894,232	8,596,750	(26,711,146)
Support services	19,411,165	1,769,306	3,146,981	(14,494,878)
Non-instructional	1,911,021	128,847	3,145,325	1,363,151
Sixteenth section	335,886	17,545		(318,341)
Pension expense	737,006			(737,006)
OPEB expense	(252,825)			252,825
Interest on long-term liabilities	338,138			(338,138)
Total Governmental Activities	<u>58,682,519</u>	<u>2,809,930</u>	<u>14,889,056</u>	<u>(40,983,533)</u>
General Revenues				
Taxes				
General purpose levies				15,394,764
Debt purpose levies				665,130
Unrestricted grants and contributions				
State				32,222,177
Federal				616,427
Unrestricted investment earnings				123,109
Sixteenth section sources				534,801
Other				1,046,389
Total General Revenues				<u>50,602,797</u>
Changes in Net Position				<u>9,619,264</u>
Net Position - Beginning, as previously reported				(67,604,657)
Prior Period Adjustments				(34,596)
Net Position - Beginning - as restated				<u>(67,639,253)</u>
Net Position - Ending				<u>\$ (58,019,989)</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022

Exhibit C

	Major Funds			
	General	3 Mill Loan	Other	Total
	Fund	2022 \$6.165M	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 11,188,774	3,998,161	5,544,984	20,731,919
Cash with fiscal agent			197,211	197,211
Investments			1,147,577	1,147,577
Due from other governments	2,094,871		1,700,416	3,795,287
Accrued interest receivable			7,485	7,485
Other receivables, net	6,121			6,121
Lease receivable	4,958,097			4,958,097
Due from other funds	1,509,572			1,509,572
Advances to other funds			94,039	94,039
Inventories			102,986	102,986
Total Assets	19,757,435	3,998,161	8,794,698	32,550,294
Liabilities, Deferred Inflow of Resources and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	2,434,755	656,896	350,199	3,441,850
Due to other funds			1,509,572	1,509,572
Advances from other funds (Note 3)	94,039			94,039
Total Liabilities	2,528,794	656,896	1,859,771	5,045,461
Deferred Inflows of Resources				
Leases	4,958,097			4,958,097
Total Deferred Inflows of Resources	4,958,097	0	0	4,958,097
Fund Balances				
Nonspendable				
Inventory			102,986	102,986
Permanent fund principal			336,286	336,286
Advances			94,039	94,039
Restricted				
Debt service			3,455,590	3,455,590
Capital projects		3,341,265		3,341,265
Forestry improvements			489,002	489,002
Unemployment benefits			128,032	128,032
Grant activities			2,328,992	2,328,992
Assigned				
School activities	2,216,880			2,216,880
Unassigned	10,053,664			10,053,664
Total Fund Balances	12,270,544	3,341,265	6,934,927	22,546,736
Total Liabilities, Deferred Inflows of Resources				
Resources and Fund Balances	\$ 19,757,435	3,998,161	8,794,698	32,550,294

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds		\$ 22,546,736
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	550,032	
Construction in progress	1,771,689	
Buildings	35,494,988	
Improvement other than buildings	3,779,210	
Mobile equipment	8,022,305	
Furniture and equipment	2,167,260	
Accumulated depreciation	<u>(25,517,139)</u>	26,268,345
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	(75,326,428)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	11,402,606	
Deferred inflows of resources related to pensions	<u>(19,021,809)</u>	(82,945,631)
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability	(4,385,419)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	981,253	
Deferred inflows of resources related to OPEB	<u>(1,638,200)</u>	(5,042,366)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
QSCB bonds payable	(2,815,000)	
Notes payable	(7,555,000)	
Energy efficiency obligations	(7,311,532)	
Certificates of participation	(524,695)	
Compensated absences	(554,712)	
Accrued interest payable	<u>(86,134)</u>	(18,847,073)
Total Net Position - Governmental Activities		\$(58,019,989)

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	Major Funds			
	General Fund	3 Mill Loan 2022 \$6.165M Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 16,586,066		1,204,274	17,790,340
Intermediate sources	245,000			245,000
State sources	33,426,575		1,352,695	34,779,270
Federal sources	629,381		12,328,990	12,958,371
Sixteenth section sources	544,475		33,519	577,994
Total Revenues	51,431,497	0	14,919,478	66,350,975
Expenditures				
Instruction	30,210,020		9,169,117	39,379,137
Support services	18,339,767	7,000	2,687,671	21,034,438
Noninstructional services			2,553,011	2,553,011
Sixteenth section	284,740		51,146	335,886
Facilities acquisition and construction	662,881	2,744,708		3,407,589
Debt service				
Principal	581,184		630,000	1,211,184
Interest	195,723		51,704	247,427
Other		72,027	4,059	76,086
Total Expenditures	50,274,315	2,823,735	15,146,708	68,244,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,157,182	(2,823,735)	(227,230)	(1,893,783)
Other Financing Sources (Uses)				
Proceeds of loans		6,165,000		6,165,000
Insurance loss recoveries	1,769,306			1,769,306
Sale of transportation equipment	5,411			5,411
Sale of land	181,502			181,502
Operating transfers in	618,948		2,665,562	3,284,510
Operating transfers out	(2,031,216)		(1,253,294)	(3,284,510)
Payment to QSCB escrow agent			(122,064)	(122,064)
Payment held by QSCB escrow agent			122,064	122,064
Total Other Financing Sources (Uses)	543,951	6,165,000	1,412,268	8,121,219
Net Change in Fund Balances	1,701,133	3,341,265	1,185,038	6,227,436
Fund Balances				
July 1, 2021, as previously reported	10,578,573		5,756,858	16,335,431
Prior period adjustments	(9,162)		7	(9,155)
July 1, 2021, as restated	10,569,411	0	5,756,865	16,326,276
Decrease in reserve for inventory			(6,976)	(6,976)
June 30, 2022	\$ 12,270,544	3,341,265	6,934,927	22,546,736

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022

Exhibit D-1

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds	\$	6,227,436
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	3,795,767	
Depreciation expense	<u>(1,232,504)</u>	2,563,263
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(43,106)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(6,165,000)	
Payments of debt principal	1,211,184	
Accrued interest payable	<u>(14,625)</u>	(4,968,441)
Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(737,006)	
Contributions made subsequent to the measurement date	<u>6,206,137</u>	5,469,131
Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense	252,825	
Contributions made subsequent to the measurement date	<u>140,559</u>	393,384
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	(15,427)	
Change in inventory reserve	<u>(6,976)</u>	(22,403)
Changes in Net Position of Governmental Activities	\$	<u>9,619,264</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Lauderdale County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Blended component unit

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

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

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 – The school district’s financial statements consist of governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

3 Mill Loan 2022 \$6.165M Fund – This is a capital projects fund that is used to account for proceeds from limited tax notes and the expenditures associated with the acquisition and/or construction of capital facilities.

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

The school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

included in restricted assets.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5.

7. Deferred outflows/inflows of resources

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

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

See Note 6, 8, 9, and 16 for further details.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

8. Compensated Absences

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

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

9. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as lessor for the leasing of sixteenth section trust lands, the school district uses the minimum of 4% interest required by Mississippi statute for sixteenth section loans to calculate the net present value of future sixteenth section lease payments. When acting as lessee, the school district uses its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

10. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 7 for details.

11. 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.

12. 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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

13. Fund Balances

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

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

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

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

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

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

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

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

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

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$20,731,919.

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, 2022, none of the district's bank balance of \$21,347,249 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 \$197,211.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Investments

As of June 30, 2022, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	1 to 10 years	\$ 1,147,577
Total			<u>\$ 1,147,577</u>

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

The district's recurring fair value measurements as of June 30, 2022, are valued using quoted market prices (Level 1 inputs).

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2022, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 1,509,572
Total		<u>\$ 1,509,572</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	General Fund	\$ 94,039
Total		<u>\$ 94,039</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 Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2022 is four percent.

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 30,125	\$ 3,762	\$ 33,887
2024	31,330	2,557	33,887
2025	32,584	1,303	33,887
Total	<u>\$ 94,039</u>	<u>\$ 7,622</u>	<u>\$ 101,661</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,031,216
Other governmental funds	General Fund	618,948
	Other governmental funds	634,346
Total		<u>\$ 3,284,510</u>

The transfers out of the General Fund were primarily for the purpose of funding the vocational program and other various programs in the Other Governmental Funds. The transfers from Other Governmental Funds to the General Fund were for indirect costs. The remaining transfers between Other Governmental Funds were related to food service transfers and debt service transfers.

Note 4 – Restricted Assets

The restricted assets of \$10,887,933 represents the cash, cash with fiscal agent and investment balance, totaling \$9,543,145, \$197,211, and \$1,147,577, respectively, of various funds whose resources are legally restricted and may not be used for purposes that support the district's programs. This includes the 16th Section Principal Fund, debt service funds, and other state and federally funded programs of the district. Unspent proceeds in the 3 Mill Loan 2022 \$6.165M Fund are also included in restricted assets.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Note 5 – Capital Assets

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

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 482,482	\$ 67,550	\$	\$	\$ 550,032
Construction-in-progress	0	1,771,689			1,771,689
Total non-depreciable capital assets	482,482	1,839,239	0	0	2,321,721
Depreciable capital assets:					
Buildings	34,562,639	932,349			35,494,988
Improvements other than buildings	3,109,620	669,590			3,779,210
Mobile equipment	8,194,444	97,062	269,201		8,022,305
Furniture and equipment	2,110,166	257,527	200,433		2,167,260
Total depreciable capital assets	47,976,869	1,956,528	469,634	0	49,463,763
Less accumulated depreciation for:					
Buildings	14,841,080	709,900			15,550,980
Improvements other than buildings	1,957,684	70,349		26,786	2,054,819
Mobile equipment	6,435,193	186,886	236,813		6,385,266
Furniture and equipment	1,451,765	265,369	189,715	(1,345)	1,526,074
Total accumulated depreciation	24,685,722	1,232,504	426,528	25,441	25,517,139
Total depreciable capital assets, net	23,291,147	724,024	43,106	(25,441)	23,946,624
Governmental activities capital assets, net	\$ 23,773,629	\$ 2,563,263	\$ 43,106	\$ (25,441)	\$ 26,268,345

Adjustments were needed to correct prior year accumulated depreciation for improvements other than buildings and furniture and equipment.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 801,863
Support services	385,900
Non-instructional	44,741
Total depreciation expense - Governmental activities	\$ 1,232,504

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

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
Softball Field - NEH	\$ 178,164	\$ 1,561,266
Softball Field - SEH	86,559	949,863
Entegrity Energy Project	1,506,966	1,313,425
Total governmental activities	1,771,689	3,824,554

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Construction projects included in governmental activities are funded with proceeds from the issuance of three mill notes during the fiscal year.

Note 6 – Leases

As Lessee:

The school district has no leases of equipment, buildings, etc. that were recorded per GASB 87.

As Lessor:

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

The district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the net present value of \$4,958,097 for future lease payments as a lease receivable and as deferred inflows of resources.

The total amount of lease revenue and interest revenue recognized during the current fiscal year is \$411,865.

Note 7 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. Certificates of participation payable	\$ 651,372		126,677	524,695	128,451
B. Three mill notes payable	2,020,000	6,165,000	630,000	7,555,000	550,000
C. Obligations under energy efficiency loans	7,766,039		454,507	7,311,532	465,361
D. Qualified school construction bonds payable	2,815,000			2,815,000	0
E. Compensated absences payable	539,285	15,427		554,712	27,736
Total	\$ 13,791,696	\$ 6,180,427	\$ 1,211,184	\$ 18,760,939	\$ 1,171,548

A. Certificates of participation payable

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates, Series 2016	1.40%	6/24/2016	6/1/2026	\$ 1,259,000	\$ 524,695
Total				\$ 1,259,000	\$ 524,695

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 128,451	\$ 7,346	\$ 135,797
2024	130,249	5,547	135,796
2025	132,073	3,724	135,797
2026	133,922	1,875	135,797
Total	<u>\$ 524,695</u>	<u>\$ 18,492</u>	<u>\$ 543,187</u>

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited-tax note, Series 2020	1.97-2.41%	1/31/2020	1/31/2029	\$ 1,590,000	\$ 1,390,000
2. Limited-tax note, Series 2022	2.79%	5/16/2022	5/1/2035	6,165,000	6,165,000
Total				<u>\$ 7,755,000</u>	<u>7,555,000</u>

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

1. Three mill notes payable issued on January 31, 2020:

Year Ending June 30	Principal	Interest	Total
2023	\$ 175,000	\$ 30,991	\$ 205,991
2024	185,000	27,544	212,544
2025	210,000	23,899	233,899
2026	215,000	19,762	234,762
2027	220,000	14,580	234,580
2028 – 2029	385,000	13,135	398,135
Total	<u>\$ 1,390,000</u>	<u>\$ 129,911</u>	<u>\$ 1,519,911</u>

This debt will be retired from the Three Mill Note 2019 Fund (Debt Service Fund).

2. Three mill notes payable issued on May 16, 2022:

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ 375,000	\$ 164,837	\$ 539,837
2024	385,000	161,541	546,541
2025	400,000	150,800	550,800
2026	420,000	139,639	559,639
2027	440,000	127,922	567,922
2028 – 2032	2,470,000	444,865	2,914,865
2033 – 2035	1,675,000	94,441	1,769,441
Total	\$ 6,165,000	\$ 1,284,045	\$ 7,449,045

This debt will be retired from the Three Mill Note 2022 Fund (Debt Service Fund).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2023	\$ 550,000	\$ 195,828	\$ 745,828
2024	570,000	189,085	759,085
2025	610,000	174,699	784,699
2026	635,000	159,401	794,401
2027	660,000	142,502	802,502
2028 – 2032	2,855,000	458,000	3,313,000
2033 – 2035	1,675,000	94,441	1,769,441
Total	\$ 7,555,000	\$ 1,413,956	\$ 8,968,956

C. Obligations under energy efficiency loans

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency loan	2.374%	11/20/2019	10/1/2035	\$ 8,455,000	\$ 7,311,532
Total				\$ 8,455,000	7,311,532

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ 465,361	\$ 170,830	\$ 636,191
2024	476,475	159,717	636,192
2025	487,853	148,338	636,191
2026	499,504	136,688	636,192
2027	511,433	124,759	636,192
2028 – 2032	2,746,302	434,656	3,180,958
2033 – 2036	2,124,604	102,067	2,226,671
Total	\$ 7,311,532	\$ 1,277,055	\$ 8,588,587

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

An energy efficiency loan agreement dated November 20, 2019, was executed by and between the district and Bank of America.

The agreement authorized the borrowing of \$8,455,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments shall be made from the District Maintenance Fund and not exceed fifteen (15) years.

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

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

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
1. QSCB, Series 2009	0.69%	12/21/2009	9/15/2024	\$ 1,500,000	\$ 1,500,000
2. QSCB, Series 2014	0.00%	8/20/2014	9/15/2028	1,315,000	1,315,000
Total				\$ 2,815,000	2,815,000

The following is a schedule by years of the total payments due on the QSCB, Series 2009 issue:

Year Ending June 30	Principal	Interest	Total
2023	\$ 0	\$ 10,350	\$ 10,350
2024	0	10,350	10,350
2025	1,500,000	10,350	1,510,350
Total	\$ 1,500,000	\$ 31,050	\$ 1,531,050

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

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

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

E. Compensated absences payable

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 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, 2022, 2021 and 2020 were \$6,206,137, \$5,896,098, and \$5,766,858, respectively, which equaled the required contributions for each year.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the school district reported a liability of \$75,326,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022 net pension liability was 0.509636 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.011903 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$737,006. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 894,039	\$
Net difference between projected and actual earnings on pension plan investments		18,148,085
Changes of assumptions	4,302,430	
Changes in proportion and differences between District contributions and proportionate share of contributions		873,724
District contributions subsequent to the measurement date	6,206,137	
Total	\$ <u>11,402,606</u>	\$ <u>19,021,809</u>

\$6,206,137 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, 2023. 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:	
2023	\$ (3,036,069)
2024	(3,036,069)
2025	(3,216,181)
2026	(4,537,021)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation
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Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	100 %	

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

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

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 106,679,882	\$ 75,326,428	\$ 49,488,688

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$140,559 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$4,385,419 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

employee. At the measurement date of June 30, 2021, the District's proportion was 0.68130216 percent. This was an increase of 0.01329929 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$252,825). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,769	\$ 1,371,264
Changes of assumptions	710,251	148,319
Net difference between projected and actual earnings on OPEB plan investments	204	
Changes in proportion and differences between District contributions and proportionate share of contributions	125,470	118,617
District contributions subsequent to the measurement date	140,559	
Total	\$ <u>981,253</u>	\$ <u>1,638,200</u>

\$140,559 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, 2023. 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:

2023	\$ (203,197)
2024	(187,746)
2025	(141,884)
2026	(176,041)
2027	(88,638)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020

For Year Ended June 30, 2022

rate of 4.50% by 2030

45

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

		Healthcare Cost Trend Rates Current	
	1% Decrease		1% Increase
Net OPEB liability	\$ 4,062,032	\$ 4,385,419	\$ 4,751,388

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

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of prior period errors at the governmental fund level	\$ (9,155)
2. Correction of prior year accumulated depreciation of capital assets	(25,441)
Total	<u>\$ (34,596)</u>

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

Fund	Explanation	Amount
General Fund	Correction of prior period errors	\$ (9,162)
Other governmental funds	Correction of prior period errors	7
Total		<u>\$ (9,155)</u>

Note 11 – Contingencies

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

Note 12 – Risk Management

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

Note 13 – Trust Certificates

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

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,259,000. Approximately

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

\$1,235,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$24,000 was used to pay the cost of issuance.

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 7 for details regarding the debt service requirement on the trust certificates.

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

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. There were no subsidy payments associated with these debts.

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, 2022, for the Qualified School Construction Bond 2009 was \$1,106,580, which included accrued interest of \$5,926. The amount on deposit at June 30, 2022, for the Qualified School Construction Bond 2014 was \$245,693, which included accrued interest of \$1,559. 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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

1. Qualified School Construction Bond 2009:

Year Ending June 30	Amount
2023	\$ 140,000
2024	140,000
2025	140,000
Total	<u>\$ 420,000</u>

2. Qualified School Construction Bond 2014:

Year Ending June 30	Amount
2023	\$ 85,000
2024	170,000
2025	170,000
2026	170,000
2027	170,000
2028 – 2029	340,000
Total	<u>\$ 1,105,000</u>

Total Qualified School Construction Bonds:

Year Ending June 30	Amount
2023	\$ 225,000
2024	310,000
2025	310,000
2026	170,000
2027	170,000
2028 – 2029	340,000
Total	<u>\$ 1,525,000</u>

Note 15 - Insurance loss recoveries

The Lauderdale County School District received \$1,769,306 in insurance loss recoveries related to tornado damages during the 2021-2022 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$84,973,697) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$6,206,137 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, 2023. The \$5,196,469 balance of deferred outflow of resources related to pensions at June 30, 2022, will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

The unrestricted net position (deficit) amount of (\$84,973,697) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$19,021,809 balance of deferred inflow of resources related to pensions at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position (deficit) amount of (\$84,973,697) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$140,559 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$840,694 balance of deferred outflow of resources related to OPEB at June 30, 2022, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position (deficit) amount of (\$84,973,697) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,638,200 balance of deferred inflow of resources related to OPEB at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 17 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

Note 18 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through August 20, 2023, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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LAUDERDALE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 16,084,506	16,586,066	16,586,066	501,560	0
Intermediate sources	0	245,000	245,000	245,000	0
State sources	32,715,992	33,426,575	33,426,575	710,583	0
Federal sources	54,563	629,381	629,381	574,818	0
Sixteenth section sources	380,177	544,475	544,475	164,298	0
Total Revenues	49,235,238	51,431,497	51,431,497	2,196,259	0
Expenditures					
Instruction	29,902,039	30,615,108	30,210,020	(713,069)	405,088
Support services	18,406,153	20,946,987	18,339,767	(2,540,834)	2,607,220
Sixteenth section	240,636	285,540	284,740	(44,904)	800
Facilities acquisition and construction	548,400	663,031	662,881	(114,631)	150
Debt service					
Principal	581,184	1,162,369	581,184	(581,185)	581,185
Interest	195,723	386,527	195,723	(190,804)	190,804
Other	550	550	0	0	550
Total Expenditures	49,874,685	54,060,112	50,274,315	(4,185,427)	3,785,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	(639,447)	(2,628,615)	1,157,182	(1,989,168)	3,785,797
Other Financing Sources (Uses)					
Insurance loss recoveries	0	1,769,306	1,769,306	1,769,306	0
Sale of transportation equipment	0	5,411	5,411	5,411	0
Sale of land	0	181,502	181,502	181,502	0
Operating transfers in	3,897,855	7,417,378	618,948	3,519,523	(6,798,430)
Other financing sources	(4,712,319)	(8,829,646)	(2,031,216)	(4,117,327)	6,798,430
Total Other Financing Sources (Uses)	(814,464)	543,951	543,951	1,358,415	0
Net Change in Fund Balances			1,701,133		
Fund Balances					
July 1, 2021, as previously reported			10,578,573		
Prior period adjustments			(9,162)		
July 1, 2021, as restated			10,569,411		
June 30, 2022			\$ 12,270,544		

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

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

	2022	2021	2020
District's proportion of the net pension liability	0.509636%	0.497733%	0.532988%
District's proportionate share of the net pension liability	\$ 75,326,428	96,355,325	93,763,105
District's covered payroll	\$ 33,885,621	33,142,862	34,712,159
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	270.12%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%

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

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

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

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

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

	2022	2021	2020
Contractually required contribution	\$ 6,206,137	5,896,098	5,766,858
Contributions in relation to the contractually required contribution	6,206,137	5,896,098	5,766,858
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 35,667,454	33,885,621	33,142,862
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%

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

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

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

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

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.68130216%	0.66800287%	0.68803771%	0.68546353%	0.67800229%
District's proportionate share of the net OPEB liability	\$ 4,385,419	5,198,452	5,838,282	5,302,403	5,319,667
Covered employee payroll	\$ 33,885,621	33,142,862	34,712,159	32,731,308	33,085,263
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	12.94%	15.68%	16.82%	16.20%	16.08%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

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

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

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 140,559	176,266	207,313	234,016	226,785
Contributions in relation to the actuarially determined contribution	140,559	176,266	207,313	234,016	226,785
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 35,667,454	33,885,621	33,142,862	34,712,159	32,731,308
Contributions as a percentage of covered employee payroll	0.39%	0.52%	0.63%	0.67%	0.69%

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

2019:

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

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

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

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

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

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

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%. The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

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

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

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

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SUPPLEMENTARY INFORMATION

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LAUDERDALE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program - seamless summer option	10.555	225MS326N1099	\$ 2,748,152
Total child nutrition cluster			2,748,152
Total passed-through Mississippi Department of Education			2,748,152
Total U.S. Department of Agriculture			2,748,152
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	Not Available	71,545
Total U.S. Department of Defense			71,545
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A210024	1,768,917
Career and technical education - basic grants to states	84.048	V048A210024	74,205
Rural education	84.358	S358B210024	223,748
Supporting effective instruction - state grants	84.367	S367A210023	277,274
Student support and academic enrichment program	84.424	S424A210025	117,518
Total			2,461,662
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	7,358
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	2,772,954
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	1,663,059
COVID-19 - PreK ESSER Grant	84.425D	S425D200031	28,992
COVID-19 - CTE ESSER Grant	84.425D	S425D200031	19,400
Total education stabilization funds			4,491,763
Special education cluster:			
Special education - grants to states	84.027	H027A210108	1,601,053
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	5,464
Total special education - grants to states			1,606,517
Special education - preschool grants	84.173	H173A210113	71,930
Total special education cluster			1,678,447
Total passed-through Mississippi Department of Education			8,631,872
Passed-through the Mississippi Institution of Higher Learning			
Gaining early awareness & readiness for undergraduate programs	84.334	Not Available	156,168
Total passed-through the Mississippi Institution of Higher Learning			156,168
Total U.S. Department of Education			8,788,040
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2205MS5ADM	70,002
Total passed-through Mississippi Department of Education			70,002
Total U.S. Department of Health and Human Services			70,002
Total for All Federal Awards			\$ 11,677,739

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information

For the Year Ended June 30, 2022

(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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$260,437 are included in the national school lunch program - seamless summer option.

LAUDERDALE COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2022

		Instruction and Other Student			
Expenditures	Total	Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$48,619,282	37,979,792	1,927,405	3,333,364	5,378,721
Other	19,625,476	6,503,013	410,837	85,526	12,626,100
Total	68,244,758	44,482,805	2,338,242	3,418,890	18,004,821
Total number of students	4,383				
Cost per student	\$ 15,570	10,149	533	780	4,108

Notes to the schedule.

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

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

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

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

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

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

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OTHER INFORMATION

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

	UNAUDITED			
	2022	2021	2020*	2019*
Revenues				
Local sources	\$ 16,586,066	16,465,284	15,372,099	15,099,475
Intermediate sources	245,000	0	0	0
State sources	33,426,575	31,501,617	31,990,679	31,306,076
Federal sources	629,381	36,824	97,047	116,604
Sixteenth section sources	544,475	400,101	637,243	942,258
Total Revenues	51,431,497	48,403,826	48,097,068	47,464,413
Expenditures				
Instruction	30,210,020	29,592,771	29,572,514	28,359,736
Support services	18,339,767	21,431,990	22,588,234	17,653,469
Noninstructional services	0	31,116	716	1,042
Sixteenth section	284,740	239,096	262,626	274,296
Facilities acquisition and construction	662,881	0	90,913	0
Debt service				
Principal	581,184	568,834	368,258	121,502
Interest	195,723	209,188	92,740	14,294
Other	0	550	550	8,136
Total Expenditures	50,274,315	52,073,545	52,976,551	46,432,475
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,157,182	(3,669,719)	(4,879,483)	1,031,938
Other Financing Sources (Uses)				
Proceeds of loans	0	0	1,590,000	0
Inception of energy efficiency loans	0	0	8,455,000	0
Insurance loss recoveries	1,769,306	0	0	52,174
Sale of transportation equipment	5,411	0	0	0
Sale of other property	0	254	491	122
Sale of land	181,502	0	0	0
Operating transfers in	618,948	211,140	34,854	107,610
Operating transfers out	(2,031,216)	(1,362,705)	(1,069,386)	(2,192,005)
Total Other Financing Sources (Uses)	543,951	(1,151,311)	9,010,959	(2,032,099)
Net Change in Fund Balances	1,701,133	(4,821,030)	4,131,476	(1,000,161)
Fund Balances:				
Beginning of period, as previously reported	10,578,573	15,045,833	10,645,358	11,569,925
Fund reclassification	0	0	240,755	75,594
Prior period adjustments	(9,162)	353,770	28,244	0
Beginning of period, as restated	10,569,411	15,399,603	10,914,357	11,645,519
End of period	\$ 12,270,544	10,578,573	15,045,833	10,645,358

* Source - Prior year audit reports.

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

	UNAUDITED			
	2022	2021	2020*	2019*
Revenues				
Local sources	\$ 17,790,340	17,463,633	16,566,391	16,541,818
Intermediate sources	245,000	0	0	0
State sources	34,779,270	33,926,085	34,349,545	32,979,308
Federal sources	12,958,371	10,337,119	5,600,049	6,768,966
Sixteenth section sources	577,994	441,929	677,149	1,059,297
Total Revenues	<u>66,350,975</u>	<u>62,168,766</u>	<u>57,193,134</u>	<u>57,349,389</u>
Expenditures				
Instruction	39,379,137	38,619,363	35,124,326	34,784,266
Support services	21,034,438	23,928,662	24,114,439	19,322,935
Noninstructional services	2,553,011	2,174,398	2,393,309	2,549,752
Sixteenth section	335,886	268,672	331,017	289,783
Facilities acquisition and construction	3,407,589	0	90,913	0
Debt service				
Principal	1,211,184	1,233,834	943,258	706,502
Interest	247,427	275,584	139,227	72,482
Other	76,086	3,148	3,851	11,012
Total Expenditures	<u>68,244,758</u>	<u>66,503,661</u>	<u>63,140,340</u>	<u>57,736,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,893,783)</u>	<u>(4,334,895)</u>	<u>(5,947,206)</u>	<u>(387,343)</u>
Other Financing Sources (Uses)				
Proceeds of loans	6,165,000	0	1,590,000	0
Inception of energy efficiency loans	0	0	8,455,000	0
Insurance loss recoveries	1,769,306	0	0	52,174
Sale of transportation equipment	5,411	0	0	0
Sale of other property	0	554	491	122
Sale of land	181,502	0	0	0
Operating transfers in	3,284,510	2,080,842	1,387,961	2,299,615
Operating transfers out	(3,284,510)	(2,080,842)	(1,387,961)	(2,299,615)
Payment to QSCB escrow agent	(122,064)	(122,064)	(166,931)	(175,000)
Payment held by QSCB escrow agent	122,064	122,064	166,931	175,000
Total Other Financing Sources (Uses)	<u>8,121,219</u>	<u>554</u>	<u>10,045,491</u>	<u>52,296</u>
Net Change in Fund Balances	<u>6,227,436</u>	<u>(4,334,341)</u>	<u>4,098,285</u>	<u>(335,047)</u>
Fund Balances:				
Beginning of period, as previously reported	16,335,431	20,304,768	15,987,363	16,305,468
Fund reclassification	0	0	240,755	0
Prior period adjustments	(9,155)	356,184	(12,254)	32,388
Beginning of period, as restated	<u>16,326,276</u>	<u>20,660,952</u>	<u>16,215,864</u>	<u>16,337,856</u>
Increase (Decrease) in reserve for inventory	<u>(6,976)</u>	<u>8,820</u>	<u>(9,381)</u>	<u>(15,446)</u>
End of period	<u>\$ 22,546,736</u>	<u>16,335,431</u>	<u>20,304,768</u>	<u>15,987,363</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Lauderdale County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lauderdale County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lauderdale County School District's basic financial statements, and have issued my report thereon dated August 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and

accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

August 20, 2023

CHARLES L. SHIVERS, CPA, LLC

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

Independent Auditor's Report

Superintendent and School Board
Lauderdale County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Lauderdale County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lauderdale County School District's major federal programs for the year ended June 30, 2022. Lauderdale County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Lauderdale County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

I am required to be independent of Lauderdale County School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Lauderdale County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lauderdale County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lauderdale County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lauderdale County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I did

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lauderdale County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Lauderdale County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lauderdale County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC

Ridgeland, MS

August 20, 2023

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAUDERDALE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements? | 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. Federal program identified as major program: | |

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Grants to Local Educational Agencies
84.027, 84.027X, 84.173	Special Education Cluster
84.425D	COVID-19 – Education Stabilization Fund (ESSER) I
84.425D	COVID-19 – Education Stabilization Fund (ESSER) II
84.425U	COVID-19 – Education Stabilization Fund (ESSER) ARP III
84.425D	COVID-19 – PreK ESSER Grant
84.425D	COVID-19 – CTE ESSER Grant

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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SUMMARY OF PRIOR AUDIT FINDINGS

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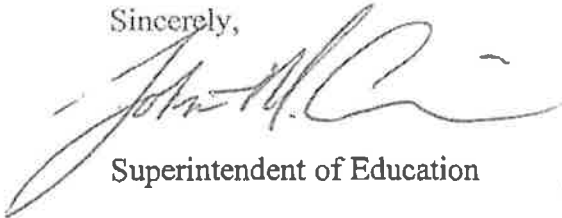
Summary Schedule of Prior Audit Findings

August 20, 2023

As required by 2 CFR 200.511(b), the Lauderdale County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2022.

<u>Finding</u>	<u>Status</u>
2021 - 001	Corrected

Sincerely,



Superintendent of Education

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