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LOWNDES COUNTY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2023

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
BRANDON, MS 39042

LOWNDES COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lowndes County School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Lowndes County School District's basic financial statements as listed in the table of contents.

In our 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 Lowndes County School District, as of June 30, 2023, 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

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lowndes County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Lowndes 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our 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 our 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*, we

- 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 Lowndes 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lowndes County School District's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 our 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 our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our 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, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, on our consideration of the Lowndes County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lowndes County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lowndes County School District's internal control over financial reporting and compliance.

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
May 28, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

The following discussion and analysis of Lowndes County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2023. 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 2023 increased \$12,853,898, including a prior period adjustment of (\$2,017,792), which represents an 377% increase from fiscal year 2022. Total net position for 2022 increased \$12,839,552, which represents a 79% increase from fiscal year 2021.
- General revenues amounted to \$62,522,486 and \$58,285,577, or 77% and 81% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18,862,286, or 23% of total revenues for 2023, and \$14,098,787, or 19% of total revenues for 2022.
- The District had \$66,513,777 and \$59,544,812 in expenses for fiscal years 2023 and 2022; only \$18,862,286 for 2023 and \$14,098,787 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$62,522,486 for 2023 and general revenues of \$58,285,577 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$59,286,240 in revenues and \$48,380,967 in expenditures for 2023, and \$54,999,662 in revenues and \$44,653,421 in expenditures in 2022. The General Fund's fund balance increased by \$10,187,284, including a prior period adjustment of (\$1,837,403), from 2022 to 2023, and increased by \$7,484,649, from 2021 to 2022.
- Capital assets, including intangible right to use assets and net of accumulated depreciation/amortization, increased by \$2,946,103 for 2023 and increased by \$889,951, for 2022. The increase for 2023 was due primarily to the addition of construction in progress expenditures coupled with the increase in accumulated depreciation.
- Long-term debt, including bond premiums, compensated absences, leases and SBITA obligations, decreased by \$3,226,622 for 2023 and increased by \$5,148,981 for 2022. This decrease for 2023 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$89,668 for 2023 and increased by \$44,075 for 2022.

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.

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

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

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

Fund Financial Statements

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

Governmental funds – 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.

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

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. Assets and deferred outflows of resources exceeded Liabilities and deferred inflows of resources by \$9,445,101 as of June 30, 2023.

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, 2023 and June 30, 2022.

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Current assets	\$ 54,886,571	\$ 41,355,670	32.72 %
Restricted assets	3,174,997	10,279,772	-69.11 %
Leases receivable	1,724,986	1,778,036	-2.98 %
Capital assets, net	98,743,435	96,219,975	2.62 %
SBITA assets, net	422,643	-	N/A
Total assets	<u>158,952,632</u>	<u>149,633,453</u>	6.23 %
 Deferred outflows of resources	 <u>16,591,046</u>	 <u>13,442,134</u>	 23.43 %
 Current liabilities	 5,094,528	 7,461,020	 -31.72 %
Long-term debt outstanding	63,014,126	66,571,180	-5.34 %
SBITA liability	330,432	-	N/A %
Net OPEB liability	2,857,877	3,761,174	-24.02 %
Net pension liability	91,088,160	65,172,415	39.76 %
Total liabilities	<u>162,385,123</u>	<u>142,965,789</u>	13.58 %
 Deferred inflows of resources	 <u>3,713,454</u>	 <u>23,518,595</u>	 -84.21 %
 Net position:			
Net investment in capital assets	40,638,578	44,490,998	-8.66 %
Restricted	17,399,663	10,695,430	62.68 %
Unrestricted	(48,593,140)	(58,595,225)	17.07 %
Total net position	<u>\$ 9,445,101</u>	<u>\$ (3,408,797)</u>	377.08 %

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)	(\$48,593,140)
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	79,319,171
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 30,726,031</u>

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

- Decrease in the amount of restricted assets of \$7,104,775.
- Increase in capital assets, including SBITA assets, of \$2,946,103.
- The principal retirement of \$6,242,494 of long-term debt, including principal payments on lease obligations and subscription-based software arrangements.
- Increase in net pension liability of \$25,915,745.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

\$81,384,772 and \$72,384,364, respectively. The total cost of all programs and services was \$66,513,777 for 2023 and \$59,544,812 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2023	Year Ended June 30, 2022	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,826,221	\$ 1,292,283	41.32 %
Operating grants and contributions	14,991,094	12,806,504	17.06 %
Capital Grants and Contributions	2,044,971	-	N/A %
General revenues:			
Property taxes	31,890,374	29,952,508	6.47 %
Grants and contributions not restricted	28,846,894	28,147,966	2.48 %
Investment earnings	1,154,170	(158,654)	827.48 %
Sixteenth section sources	226,813	105,743	114.49 %
Other	404,235	238,014	69.84 %
Total revenues	81,384,772	72,384,364	12.43 %
Expenses:			
Instruction	33,478,508	32,512,631	2.97 %
Support services	20,324,226	18,349,551	10.76 %
Non-instructional	2,705,406	2,322,281	16.50 %
Sixteenth section	41,962	38,983	7.64 %
Pension expense	8,589,228	4,805,084	78.75 %
OPEB expense	(360,837)	(182,562)	(97.65) %
Interest on long-term liabilities	1,735,284	1,698,844	2.14 %
Total expenses	66,513,777	59,544,812	11.70 %
Increase (Decrease) in net position	14,870,995	12,839,552	15.82 %
Net Position, July 1, as previously reported	(3,408,797)	(16,248,349)	79.02 %
Prior Period Adjustment	(2,017,097)	-	N/A %
Net Position, July 1, as restated	(5,425,894)	(16,248,349)	66.61 %
Net Position, June 30	\$ 9,445,101	\$ (3,408,797)	377.08 %

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.

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2023	2022	
Instruction	\$ 33,478,508	\$ 32,512,631	2.97 %
Support services	20,324,226	18,349,551	10.76 %
Non-instructional	2,705,406	2,322,281	16.50 %
Sixteenth section	41,962	38,983	7.64 %
Pension Expense	8,589,228	4,805,084	78.75 %
OPEB Expense	(360,837)	(182,562)	(97.65) %
Interest on long-term liabilities	1,735,284	1,698,844	2.14 %
Total expenses	\$ 66,513,777	\$ 59,544,812	11.70 %

	Net (Expense) Revenue		Percentage Change
	2023	2022	
Instruction	\$ (22,642,706)	\$ (25,287,586)	10.46 %
Support services	(15,803,344)	(15,040,156)	(5.07) %
Non-instructional	601,797	1,241,829	(51.54) %
Sixteenth section	(23,078)	(38,746)	40.44 %
Pension Expense	(8,589,228)	(4,805,084)	(78.75) %
OPEB Expense	360,837	182,562	97.65 %
Interest on long-term liabilities	(1,555,769)	(1,698,844)	8.42 %
Total net (expense) revenue	\$ (47,651,491)	\$ (45,446,025)	(4.85) %

- Net cost of governmental activities [(\$47,651,491) for 2023 and (\$45,446,025) for 2022] was financed by general revenue, which is primarily made up of property taxes (\$31,890,374 for 2023 and \$29,952,508 for 2022) and state and federal revenues (\$28,846,894 for 2023 and \$28,147,966 for 2022). In addition, there was \$226,813 and \$105,743 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$1,154,170 for 2023 and (\$158,654) for 2022.

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 \$53,549,419, an increase of \$8,832,865, which includes a prior period adjustment of (\$1,837,403) and an increase in inventory of \$41,697. \$20,297,983 or 38% 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 \$33,251,436 or 62% 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.

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

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 \$10,187,284, which included a prior period adjustment of (\$1,837,403). The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,354,419, which includes an increase in reserve for inventory of \$41,697.

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, 2023, the District's total capital assets were \$162,124,701, 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 \$6,383,373 from 2022. Total accumulated depreciation, including the amortization of intangible right to use assets, as of June 30, 2023, was \$62,958,623, and total depreciation/amortization expense for the year was \$3,914,938, resulting in total net capital assets of \$99,166,078.

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

	June 30, 2023	June 30, 2022	Percentage Change
Land	\$ 2,349,388	\$ 2,349,388	0.00 %
Construction in Progress	4,439,285	3,531,192	25.72 %
Buildings	79,509,405	81,667,020	(2.64) %
Building improvements	3,987,122	2,039,539	95.49 %
Improvements other than buildings	5,609,336	3,794,290	47.84 %
Mobile equipment	1,971,760	1,757,237	12.21 %
Furniture and equipment	877,139	950,784	(7.75) %
Intangible right to use equipment	-	130,525	(100.00) %
Intangible right to use subscription-based software	422,643	-	N/A %
Total	<u>\$ 99,166,078</u>	<u>\$ 96,219,975</u>	3.06 %

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

Debt Administration. At June 30, 2023, the District had \$63,344,558 in outstanding long-term debt, including bond premiums, compensated absences, obligations under lease liabilities, and obligations under subscription-based software agreements, of which \$6,812,017 is due within one year. The liability for compensated absences decreased \$89,668 from the prior year.

**Lowndes County School District
Management Discussion and Analysis
FYE 6/30/2023**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 33,560,000	\$ 36,260,000	(7.45) %
Certificates of participation payable	3,255,000	3,920,000	(16.96) %
Three mill notes payable	6,315,000	6,750,000	(6.44) %
Three mill refunding notes payable	7,580,000	7,830,000	(3.19) %
Shortfall notes payable	4,149,046	3,044,292	36.29 %
Obligations under leases	-	130,848	(100.00) %
Obligations under SBITAs	330,432	-	N/A %
Energy efficiency loan payable	3,463,743	3,747,144	(7.56) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	668,012	757,680	(11.83) %
	<u>\$ 62,321,233</u>	<u>\$ 65,439,964</u>	(4.77) %
Add: Bond premiums	1,023,325	1,131,216	(9.54) %
Total	<u>\$ 63,344,558</u>	<u>\$ 66,571,180</u>	(4.85) %

Additional information on the District's long-term debt can be found in Note 6 and Note 7 included in this report.

CURRENT ISSUES

The District has eight (8) schools, an alternative center, and a career and technical center:

- Caledonia Elementary School
- New Hope Elementary School
- West Lowndes Elementary School
- Caledonia Middle School
- New Hope Middle School
- Caledonia High School
- New Hope High School
- West Lowndes High School
- Alternative Center
- Career and Technical Center

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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LOWNDES COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2023**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 49,639,332
Cash with fiscal agents	10,100
Due from other governments	5,094,649
Lease receivable	1,724,986
Inventories	142,490
Restricted assets	3,174,997
Capital assets, non-depreciable:	
Land	2,349,388
Construction in progress	4,439,285
Capital assets, net of accumulated depreciation:	
Buildings	79,509,405
Building improvements	3,987,122
Improvements other than buildings	5,609,336
Mobile equipment	1,971,760
Furniture and equipment	877,139
Subscription IT assets	422,643
Total Assets	<u>158,952,632</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	15,813,383
Deferred outflows - OPEB	777,663
Total deferred outflows of resources	<u>16,591,046</u>
Liabilities	
Accounts payable and accrued liabilities	4,487,861
Interest payable on long-term liabilities	606,667
Long-term liabilities, due within one year:	
Capital related liabilities	4,965,832
Non-capital related liabilities	1,688,467
SBITA liabilities	157,718
Net OPEB liability	145,024
Long-term liabilities, due beyond one year:	
Capital related liabilities	52,207,911
Capital related bond premiums	1,023,325
Non-capital related liabilities	3,128,591
SBITA liabilities	172,714
Net pension liability	91,088,160
Net OPEB liability	2,712,853
Total Liabilities	<u>162,385,123</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	347,662
Deferred inflows - OPEB	1,616,518
Deferred inflows - leases	1,749,274
Total deferred inflows of resources	<u>3,713,454</u>
Net Position	
Net investment in capital assets	40,638,578
Restricted for:	
Expendable:	
School-based activities	2,331,252
Debt service	9,154,825
Capital projects	5,116,101
Forestry improvements	54,634
Unemployment benefits	109,882
Non-expendable:	
Sixteenth section	632,969
Unrestricted	(48,593,140)
Total Net Position	<u>\$ 9,445,101</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 33,478,508	1,197,195	9,614,533	24,074	\$ (22,642,706)
Support services	20,324,226	71,896	2,518,633	1,930,353	(15,803,344)
Non-instructional	2,705,406	538,246	2,678,413	90,544	601,797
Sixteenth section	41,962	18,884			(23,078)
Pension expense	8,589,228				(8,589,228)
OPEB expense	(360,837)				360,837
Interest on long-term liabilities	1,735,284		179,515		(1,555,769)
Total Governmental Activities	\$ 66,513,777	1,826,221	14,991,094	2,044,971	\$ (47,651,491)
General Revenues:					
Taxes:					
General purpose levies					24,360,455
Debt purpose levies					7,529,919
Unrestricted grants and contributions:					
State					28,157,172
Federal					689,722
Unrestricted investment earnings					1,154,170
Sixteenth section sources					226,813
Other					404,235
Total General Revenues					62,522,486
Change in Net Position					14,870,995
Net Position - Beginning, as previously reported					(3,408,797)
Prior Period Adjustments					(2,017,097)
Net Position - Beginning, as restated					(5,425,894)
Net Position - Ending					\$ 9,445,101

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2023

Exhibit C

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 35,105,275	15,167,026	50,272,301
Cash with fiscal agents	10,100	112	10,212
Investments		2,541,916	2,541,916
Due from other governments	2,981,572	2,113,077	5,094,649
Leases receivable	1,724,986		1,724,986
Due from other funds	2,136,482	12,015	2,148,497
Inventories		142,490	142,490
Total assets	<u>41,958,415</u>	<u>19,976,636</u>	<u>61,935,051</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,869,978	617,883	4,487,861
Due to other funds	12,015	2,136,482	2,148,497
Total Liabilities	<u>3,881,993</u>	<u>2,754,365</u>	<u>6,636,358</u>
Deferred Inflows of Resources:			
Leases	1,749,274		1,749,274
Total deferred inflows of resources	<u>1,749,274</u>	<u>0</u>	<u>1,749,274</u>
Fund Balances:			
Nonspendable:			
Inventory		142,490	142,490
Permanent fund principal		632,969	632,969
Restricted:			
Debt service	183,991	9,761,492	9,945,483
Capital projects	784,059	4,332,042	5,116,101
Forestry improvement purposes		54,634	54,634
Grant activities		2,188,762	2,188,762
Unemployment benefits		109,882	109,882
Committed:			
Techology	4,200,000		4,200,000
Infrastructure	8,215,941		8,215,941
Assigned:			
Student activities	2,460,174		2,460,174
Infrastructure	185,000		185,000
Unassigned	<u>20,297,983</u>		<u>20,297,983</u>
Total Fund Balances	<u>36,327,148</u>	<u>17,222,271</u>	<u>53,549,419</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,958,415</u>	<u>19,976,636</u>	<u>61,935,051</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023**

Exhibit C-1

Total fund balances for governmental funds	\$ 53,549,419
Amounts reported for governmental activities in the statement of Net Position are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	\$ 2,349,388
Construction in progress	4,439,285
Buildings	124,084,793
Building improvements	5,892,047
Improvements other than buildings	9,998,992
Mobile equipment	8,921,218
Furniture and equipment	5,756,284
Subscription IT assets	682,694
Accumulated depreciation	<u>(62,958,623)</u>
	99,166,078
2. 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	(91,088,160)
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	15,813,383
Deferred inflows of resources related to pensions	<u>(347,662)</u>
	(75,622,439)
3. 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	(2,857,877)
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	777,663
Deferred inflows of resources related to OPEB	<u>(1,616,518)</u>
	(3,696,732)
4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(33,560,000)
Bond premiums	(1,023,325)
Certificates of participation payable	(3,255,000)
Three mill notes payable	(6,315,000)
Three mill refunding notes payable	(7,580,000)
Shortfall notes payable	(4,149,046)
Obligations under SBITAs	(330,432)
Energy efficiency loan payable	(3,463,743)
Qualified School construction bonds payable	(3,000,000)
Compensated absences payable	(668,012)
Accrued interest payable	<u>(606,667)</u>
	(63,951,225)
Net Position of governmental activities	\$ <u>9,445,101</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2023

	Major Fund General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 26,672,936	8,377,651	35,050,587
State sources	31,508,263	1,002,791	32,511,054
Federal sources	837,840	12,534,065	13,371,905
Sixteenth section sources	267,201	37,384	304,585
Total Revenues	59,286,240	21,951,891	81,238,131
Expenditures:			
Instruction	28,882,530	7,954,725	36,837,255
Support services	17,970,762	2,887,849	20,858,611
Noninstructional services		2,928,456	2,928,456
Sixteenth section	38,188	3,815	42,003
Facilities acquisition and construction		4,794,680	4,794,680
Debt service:			
Principal	1,331,080	4,911,414	6,242,494
Interest	153,907	1,670,774	1,824,681
Other debt	4,500	8,251	12,751
Total Expenditures	48,380,967	25,159,964	73,540,931
Excess (Deficiency) of Revenues over (under) Expenditures	10,905,273	(3,208,073)	7,697,200
Other Financing Sources (Uses):			
Bonds and notes issued	2,107,537		2,107,537
SBITAs issued	556,112	124,782	680,894
Insurance recovery	5,733		5,733
Sale of other property	140,848		140,848
Payment held by escrow agent		244,750	244,750
Gain on lease termination	60		60
Operating transfers in	654,877	2,342,052	2,996,929
Operating transfers out	(2,342,052)	(654,877)	(2,996,929)
Payment to QSCB escrow agent		(244,750)	(244,750)
Other financing uses	(3,701)		(3,701)
Total Other Financing Sources (Uses)	1,119,414	1,811,957	2,931,371
Net Change in Fund Balances	12,024,687	(1,396,116)	10,628,571
Fund Balances:			
July 1, 2022, as previously reported	26,139,864	18,576,690	44,716,554
Prior period adjustments	(1,837,403)		(1,837,403)
July 1, 2022, as restated	24,302,461	18,576,690	42,879,151
Increase (Decrease) in reserve for inventory		41,697	41,697
June 30, 2023	\$ 36,327,148	17,222,271	53,549,419

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

**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, 2023**

Exhibit D-1

Net change in fund balances - total governmental funds	\$	10,628,571
Amounts reported for governmental activities in the statement of activities are different because:		
1. 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, these amounts are:		
Capital outlay (includes intangible assets)	\$ 6,723,344	
Depreciation expense (includes amortization of intangible assets)	<u>(3,914,938)</u>	2,808,406
2. 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 assets sold.		
		(107,602)
3. 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:		
Subscription IT liability issued	(680,894)	
Shortfall notes payable issued	(2,107,537)	
Payments of debt principal	6,242,494	
Accrued interest payable	<u>(18,494)</u>	3,435,569
4. 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. The activities include:		
Pension expense	(8,589,228)	
Contributions subsequent to the measurement date	<u>5,950,163</u>	(2,639,065)
5. 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. The activities include:		
OPEB expense	360,837	
Contributions subsequent to the measurement date	<u>145,024</u>	505,861
6. 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 governmental funds. These activities include:		
Change in compensated absences	89,668	
Change in inventory reserve	41,697	
Amortization of bond premium	<u>107,891</u>	239,256
7. Rounding		
		(1)
Change in Net Position of governmental activities	\$	<u>14,870,995</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

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 (5) member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Lowndes 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.

B. Government-wide and Fund Financial Statements

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

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

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

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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

The school district reports the following major governmental funds:

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

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
Right to use leased property asset	**	**
Right to use Subscription IT asset	***	***

(**) A capitalization threshold amount has not been set for right to use property assets. Right to use leased property assets will be amortized in a rational and systematic manner over the shorter of the lease term or the useful life of the underlying asset.

(***) A capitalization threshold amount has not been set for right to use subscription IT assets. Right to use subscription IT assets will be amortized in a rational and systematic manner over the shorter of the subscription term or the useful life of the underlying IT asset.

The term 'depreciation' includes the amortization of intangible assets.

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.

Deferred outflows of resources related to pensions

Deferred outflows of resources related to OPEB (Other post-employment benefits)

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.

Deferred inflows of resources related to pensions

Deferred inflows of resources related to OPEB (Other post-employment benefits)

Deferred inflows of resources related to leases

See Notes 6, 9, 10, and 17 further details.

8. Compensated Absences

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

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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 the lessee, the school district uses the Federal prime borrowing rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

When acting as the lessor, the school district uses 4% to calculate the present value of lease payments involving the leasing of 16th section school lands. See Note 6 for details.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs. See Note 6 for details.

11. 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.

12. 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. See Note 9 for details.

13. 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

LOWNDES COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2023

fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state. See Note 10 for details.

14. 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 the official action of the school board to approve committed fund balances and to detail the action in its official minutes. Currently there is \$4,200,000 committed for technology purchases and \$8,215,941 committed for infrastructure.

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 District management pursuant to authorization established by school board policy.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 10% of District revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District will develop a restoration plan to achieve and maintain the minimum fund balances.

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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15. Accounting Standards Update

GASB 96, Subscription-Based Information Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

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; (3) 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 \$50,272,301.

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.

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents was \$10,212.
Investments

As of June 30, 2023, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Common Trust Fund	N/A	Less than 1	\$ 2,541,916
			<u>2,541,916</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; and Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2023:

- QSCB Common Trust Fund of \$2,541,916 is 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, 2023, 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	\$ 2,136,482
Other Governmental Funds	General Fund	12,015
		<u>\$ 2,148,497</u>

The inter-fund balances represent loans created by the existence of negative fund cash

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For the Year Ended June 30, 2023

balances in a pooled bank account due to the General Fund at June 30, 2023. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from other governments. Inter-fund balances also include operational transfers due from the General Fund to other governmental funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,342,052
Other governmental funds	General Fund	<u>654,877</u>
Total		<u><u>\$ 2,996,929</u></u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds and transfers of indirect costs from other governmental funds to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$632,969, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs. In addition, the restricted assets represent the cash with fiscal agent balance and investment balance, totaled \$112 and \$2,541,916, respectively, of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

The term depreciation includes amortization of intangible assets.

LOWNDES COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2023

	Balance 7/1/2022	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2023
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 2,349,388					2,349,388
Construction-in-progress	3,531,192	4,794,680		(3,886,587)		4,439,285
Total non-depreciable capital assets	5,880,580	4,794,680		(3,886,587)		6,788,673
<u>Depreciable capital assets:</u>						
Buildings	124,084,793					124,084,793
Building improvements	3,708,781	261,202		1,676,767	245,297	5,892,047
Improvements other than buildings	7,789,172			2,209,820		9,998,992
Mobile equipment	8,627,846	486,352	183,027		(9,953)	8,921,218
Furniture and equipment	5,476,122	498,416	228,209		9,955	5,756,284
Intangible right to use equipment	174,034		174,034			-
Intangible right to use SBITAs	-	682,694				682,694
Total depreciable capital assets	149,860,748	1,928,664	585,270	3,886,587	245,299	155,336,028
<u>Less accumulated depreciation for:</u>						
Buildings	42,417,773	2,157,615				44,575,388
Building improvements	1,669,242	235,683				1,904,925
Improvements other than buildings	3,994,882	394,774				4,389,656
Mobile equipment	6,870,609	243,573	164,724			6,949,458
Furniture and equipment	4,525,338	579,733	225,926			4,879,145
Intangible right to use equipment	43,509	43,509	87,018			-
Intangible right to use SBITAs	-	260,051				260,051
Total accumulated depreciation	59,521,353	3,914,938	477,668	-	-	62,958,623
Total depreciable capital assets, net	90,339,395	(1,986,274)	107,602	3,886,587	245,299	92,377,405
Governmental activities capital assets, net	\$ 96,219,975	2,808,406	107,602	-	245,299	99,166,078
Total capital assets, net excluding intangible right to use assets						98,743,435
Intangible right to use assets, net						422,643
Total capital assets, net as reported in the statement of net position						99,166,078

Depreciation expense (including amortization expense) was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 828,898
Support services	2,992,355
Non-instructional	93,685
Total depreciation expense - Governmental activities	\$ 3,914,938

LOWNDES COUNTY SCHOOL DISTRICT
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The details of construction-in-progress are as follows:

	Spent to June 30, 2023	Remaining Commitment
Governmental Activities:		
HVAC/Window s Project	\$ 1,688,752	\$ 1,823,783
Caledonia High School Gym	2,501,263	7,777,288
Caledonia Administration Project	229,656	10,744
CES Entry Road	19,614	467,631
Total governmental activities	<u>\$ 4,439,285</u>	<u>\$ 10,079,446</u>

Construction projects included in governmental activities are funded with transfers from the General Fund to the capital project funds used to account for the construction contracts and federal ESSER III funds.

Note 6 – Leases and Subscription Based IT Assets

As Lessor:

Leases

Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 401 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type lease executed.

The total amount of inflows recognized in the reporting period from these leases is \$89,385. As of June 30, 2023, the School District recognized a lease receivable of \$1,724,986 and deferred inflow of resources of \$1,749,274 related to the Sixteenth section land leases.

The following are the future principal and interest payments to be received on the leases:

LOWNDES COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2023

Year Ending June 30		Lease Principal	Interest	Total
2024	\$	65,720	68,999	134,719
2025		64,003	66,371	130,374
2026		66,563	63,811	130,374
2027		67,951	61,148	129,099
2028		62,380	58,430	120,810
2029-2033		335,991	253,374	589,365
2034 - 2038		341,131	184,239	525,370
2039 – 2043		238,882	125,330	364,212
2044 – 2048		211,898	78,744	290,642
Thereafter		270,467	63,030	333,497
Total	\$	1,724,986	1,023,476	2,748,462

SBITAs

The School District has noncancellable SBITAs of various IT software. For subscriptions that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the subscription arrangement. For all other subscription-based information technology arrangements, other than short term, the school district recognized a subscription liability and an intangible right-to-use subscription asset.

At subscription commencement, the school district initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the subscription made to the vendor at the inception of the arrangement, plus capitalized implementation costs, less vendor incentives. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

The school district generally uses U. S. Treasury yield curve rate at subscription inception as the discount rate for subscriptions unless the rate that the vendor charges is known.

The subscription term includes the noncancellable period of the subscription plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or to terminate for which it is reasonably certain NOT to be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

As Lessee:

The school district, acting as lessee, has entered into nineteen (19) subscription arrangements.

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

Details of the subscription obligations are as follows:

	Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1.	App Defender Module License	4.102%	12-Jul-22	11-Jul-25	\$ 43,186	\$ 28,209
2.	PebbleGo and PebbleGo Next	3.887%	15-Sep-22	14-Sep-26	7,558	5,559
3.	Sam SPECTRA	4.102%	1-Jul-22	30-Jun-25	130,375	85,158
4.	AIMS 3.0 Notification System	416%	1-Aug-22	31-Jul-25	92,747	60,563
5.	Financial Accounting Software	4.102%	1-Jul-22	30-Jun-25	106,906	69,829
6.	Glimpse K-12, Inc. - AIM License	4.71%	1-Jul-22	30-Jun-23	27,500	-
7.	Go Guardian Suite Starter	4.71%	1-Jul-22	18-Nov-23	2,361	1,383
8.	KUTA Math Software	4.102%	1-Jul-22	30-Jun-24	886	434
9.	Annual E-Learning License	4.79%	1-Apr-23	31-Mar-24	4,389	-
10.	On-line Board Policy/Agenda	3.50%	17-May-23	30-Jun-27	11,405	8,405
11.	Firewall Renewal	4.79%	1-Mar-23	28-Feb-24	49,875	-
12.	Firewall Renewal	4.79%	1-Mar-23	28-Feb-24	48,895	-
13.	ForiAnalyzer Virtual License	1.8669%	14-Oct-22	13-Oct-23	5,379	-
14.	Lockdown Browser & Study Mate	1.8669%	1-Aug-22	31-Jul-26	15,741	11,696
15.	Mental Health Software	4.02%	15-Dec-22	14-Dec-23	44,400	-
16.	Carousel Cloud K12 Plan	4.13%	1-Jun-23	31-May-26	28,881	18,862
17.	IEP, Evaluation, Goal Progress Software	4.09%	1-Dec-22	30-Nov-25	47,607	31,492
18.	Survey Monkey	3.625%	25-May-23	24-May-27	4,824	3,553
19.	Originality Checking/Feedback Software	4.102%	22-Jul-22	21-Jul-25	7,979	5,289
					<u>\$ 680,894</u>	<u>\$ 330,432</u>

The following is a schedule by years of the debt due on SBITAs:

Year Ending June 30	Principal	Interest	Total
2024	\$ 157,718	13,257	170,975
2025	162,694	6,873	169,567
2026	10,020	294	10,314
Total	<u>\$ 330,432</u>	<u>20,424</u>	<u>350,856</u>

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 7 – Long-term Liabilities

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

	Balance July 1, 2022	Additions	Reductions	Adjustments	Balance June 30, 2023	Amounts due within one year
A. General obligation bonds payab \$	\$ 36,260,000		\$ 2,700,000		\$ 33,560,000	\$ 2,850,000
B. Certificates of participation payable	\$ 3,920,000		\$ 665,000		\$ 3,255,000	\$ 685,000
C. Three mill notes payable	\$ 6,750,000		\$ 860,000	\$ 425,000	\$ 6,315,000	\$ 450,000
D. Three mill refunding notes payable	\$ 7,830,000		\$ 250,000		\$ 7,580,000	\$ 690,000
E. Shortfall notes payable	\$ 3,044,292	\$ 2,107,537	\$ 1,002,783		\$ 4,149,046	\$ 1,688,467
F. Obligations under leases	\$ 130,848		\$ 130,848		\$ -	\$ -
G. Energy efficiency loan payable	\$ 3,747,144		\$ 283,401		\$ 3,463,743	\$ 290,832
H. Qualified school construction bonds payable	\$ 3,000,000		\$ -		\$ 3,000,000	\$ -
I. Compensated absences payable	\$ 757,680		\$ 89,668		\$ 668,012	\$ -
Subtotal	\$ 65,439,964	\$ 2,107,537	\$ 5,981,700	\$ 425,000	\$ 61,990,801	\$ 6,654,299
Add: Bond premiums	\$ 1,131,216		\$ 107,891		\$ 1,023,325	
	\$ 66,571,180	\$ 2,107,537	\$ 6,089,591	\$ 425,000	\$ 63,014,126	

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2015	3.0- 4.0%	9/1/2015	9/1/2032	\$ 44,000,000	\$ 33,560,000
Total				\$ 44,000,000	\$ 33,560,000

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 2,850,000	1,127,125	3,977,125
2025	2,950,000	1,011,125	3,961,125
2026	3,100,000	890,125	3,990,125
2027	3,200,000	764,125	3,964,125
2028	3,300,000	634,125	3,934,125
2029-2033	18,160,000	1,474,063	19,634,063
Total	\$ 33,560,000	5,900,688	39,460,688

This debt will be retired from the 2015 Bonds Debt Service Fund (debt service fund).

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness

LOWNDES COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2023

during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2023, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2022.

B. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	2.65-				
Trust certificates	4.0%	10/24/2014	10/01/27	\$ 7,995,000	\$ 3,255,000
Total				<u>\$ 7,995,000</u>	<u>\$ 3,255,000</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 685,000	81,967	766,967
2025	705,000	62,351	767,351
2026	725,000	42,860	767,860
2027	745,000	22,280	767,280
2028	395,000	5,925	400,925
Total	<u>\$ 3,255,000</u>	<u>215,383</u>	<u>3,470,383</u>

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

C. Three mill notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2022	3.06%	5/27/2022	5/27/2035	\$ 6,750,000	\$ 6,315,000
Total				<u>\$ 6,750,000</u>	<u>\$ 6,315,000</u>

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

LOWNDES COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 450,000	193,239	643,239
2025	460,000	179,469	639,469
2026	475,000	165,393	640,393
2027	485,000	150,858	635,858
2028	500,000	136,017	636,017
2029-2033	2,735,000	441,252	3,176,252
2034-2035	1,210,000	55,845	1,265,845
Total	<u>\$ 6,315,000</u>	<u>1,322,073</u>	<u>7,637,073</u>

This debt will be retired from the 3 Mill 2022 Note Fund (Debt Service Fund).

D. Three mill refunding notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Refunding	0.429%-				
1. Notes, Series 2021A	2.373%	13-May-21	1-Oct-31	\$ 6,940,000	\$ 6,735,000
Limited Tax Refunding	1.0-				
2. Notes, Series 2021B	2.0%	13-May-21	1-Oct-31	1,075,000	845,000
Total				<u>\$ 8,015,000</u>	<u>\$ 7,580,000</u>

1. Limited tax refunding notes payable, series 2021A, issued on May 13, 2021.

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 570,000	106,081	676,081
2025	570,000	101,521	671,521
2026	820,000	94,272	914,272
2027	825,000	84,177	909,177
2028	840,000	71,862	911,862
2029-2032	3,110,000	125,568	3,235,568
Total	<u>\$ 6,735,000</u>	<u>583,481</u>	<u>7,318,481</u>

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

2. Limited tax refunding notes payable, series 2021B, issued on May 13, 2021.

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

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Year Ending June 30		Principal	Interest	Total
2024	\$	120,000	11,250	131,250
2025		120,000	8,850	128,850
2026		90,000	7,200	97,200
2027		95,000	6,275	101,275
2028		100,000	5,300	105,300
2029-2032		320,000	8,100	328,100
Total	\$	845,000	46,975	891,975

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

Total three mill refunding notes payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2024	\$	690,000	117,331	807,331
2025		690,000	110,371	800,371
2026		910,000	101,472	1,011,472
2027		920,000	90,452	1,010,452
2028		940,000	77,162	1,017,162
2029-2032		3,430,000	133,668	3,563,668
Total	\$	7,580,000	630,456	8,210,456

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note, Series 2021	1.19%	8/25/2021	8/25/2024	\$ 3,044,292	\$ 2,041,509
2. Shortfall note, Series 2022	4.21%	9/14/2022	9/14/2025	2,107,537	2,107,537
Total				\$ 5,151,829	\$ 4,149,046

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

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

1. Shortfall note, Series 2021, Issued August 25, 2021

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Year Ending June 30	Principal	Interest	Total
2024	\$ 1,014,717	24,294	1,039,011
2025	1,026,792	12,219	1,039,011
Total	<u>\$ 2,041,509</u>	<u>36,513</u>	<u>2,078,022</u>

This note will be retired from the Shortfall Debt Fund (Debt Service Fund).

2. Shortfall note, Series 2022, Issued September 14, 2022

Year Ending June 30	Principal	Interest	Total
2024	\$ 673,750	88,727	762,477
2025	702,114	60,363	762,477
2026	731,673	30,804	762,477
Total	<u>\$ 2,107,537</u>	<u>179,894</u>	<u>2,287,431</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,688,467	113,021	1,801,488
2025	1,728,906	72,582	1,801,488
2026	731,673	30,804	762,477
Total	<u>\$ 4,149,046</u>	<u>216,407</u>	<u>4,365,453</u>

F. Obligations under leases

This debt was retired during the 2022-2023 year.

G. Energy efficiency loan

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency loan	2.605%	17-Aug-17	17-Aug-33	\$ 4,749,102	\$ 3,463,743
Total				<u>\$ 4,749,102</u>	<u>\$ 3,463,743</u>

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

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Year Ending June 30		Principal	Interest	Total
2024	\$	290,832	88,348	379,180
2025		298,457	80,723	379,180
2026		306,282	72,898	379,180
2027		314,313	64,867	379,180
2028		322,554	56,626	379,180
2029-2033		1,744,153	151,747	1,895,900
2034		187,152	2,438	189,590
Total	\$	3,463,743	517,647	3,981,390

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

An energy efficiency loan agreement dated August 17, 2017, was executed by and between the District and the Bank of America.

The agreement authorized the borrowing of \$4,749,102 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the loan shall be made from the District Maintenance Fund and not exceed twenty (20) 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 lender, the District has the option of repaying the total amount due as set forth by the agreement.

H. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.96%	17-Dec-09	15-Sep-24	\$ 3,000,000	\$ 3,000,000
Total				\$ 3,000,000	\$ 3,000,000

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

Year Ending June 30		Principal	Interest	Total
2024	\$	-	28,800	28,800
2025		3,000,000	28,800	3,028,800
Total	\$	3,000,000	57,600	3,057,600

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

The District will make annual payments to a sinking fund maintained by the paying agent. See Note 15.

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The \$3,000,000 Qualified School Construction Bonds are secured with a pledge of Education Enhancement Funds (EEF) for buildings and buses that is to be used for repayment of the limited tax note. Proceeds of the bonds were used to finance capital improvements in the school district. The notes are payable partially from the future revenue of the Education Enhancement revenue funds for buildings and buses and partially from a local ad valorem tax levy and are payable through September 15, 2024. Annual principal and interest payments on the notes are expected to require all of the District's annual allocation of such state revenues with local ad valorem taxes being levied to complete the required debt service payments. The total principal and interest payments remaining are \$3,057,600. The transfer to escrow agent and interest payments for the current year and State EEF funds for buildings and buses were \$273,550 and \$179,515, respectively.

I. 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 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – 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.

LOWNDES COUNTY SCHOOL DISTRICT
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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, 2023 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, 2023, 2022 and 2021 were \$5,950,163, \$5,300,901 and \$5,101,307, respectively, which equaled the required contributions for each year.

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

At June 30, 2023, the school district reported a liability of \$91,088,160 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023 net pension liability was 0.44252700 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.00159 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$8,589,228. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	1,285,453	\$	
Net difference between projected and actual earnings on pension plan investments		4,813,734		
Changes of assumptions		3,139,066		
Changes in proportion and differences between District contributions and proportionate share of contributions		624,967		347,662
District contributions subsequent to the measurement date		5,950,163		
Total	\$	<u>15,813,383</u>	\$	<u>347,662</u>

\$5,950,163 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30:	
2024	\$ 2,847,368
2025	2,403,914
2026	(678,416)
2027	4,942,692

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

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	25.00	%	4.60	%
International Equity	20.00		4.50	
Global Equity	12.00		4.85	
Fixed Income	18.00		1.40	
Real Estate	10.00		3.65	
Private Equity	10.00		6.00	
Private Infrastructure	2.00		4.00	
Private Credit	2.00		4.00	
Cash Equivalents	1.00		(0.10)	
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

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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:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 118,879,351	\$ 91,088,160	\$ 68,175,736

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

Note 10 – 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

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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 \$145,024 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,857,877 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2022, the District's proportion was 0.58006289 percent. This was a decrease of 0.00425893 percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$360,837). At June 30, 2023, 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	\$ 2,367	\$ 1,238,150
Changes of assumptions	445,732	264,601
Net difference between projected and actual earnings on OPEB plan investments	197	
Changes in proportion and differences between District contributions and proportionate share of contributions	184,343	113,767
District contributions subsequent to the measurement date	145,024	
Total	\$ <u>777,663</u>	\$ <u>1,616,518</u>

\$145,024 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, 2024. 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:

2024	\$ (229,014)
2025	(190,569)
2026	(240,681)
2027	(175,876)
2028	(105,524)
Thereafter	(42,215)

LOWNDES COUNTY SCHOOL DISTRICT
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, 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	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2029 FYE
Pre-Medicare	

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 demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 3,148,303	\$ 2,857,877	\$ 2,608,404

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,659,049	\$ 2,857,877	\$ 3,081,631

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 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Error correction - recording prior year asset or liability	\$ (1,837,403)
2. Restatement of prior year capital assets	245,299
3. Restatement of prior year long-term debt	(425,000)
4. Restatement of prior year Net OPEB liability	7
Total	<u>\$ (2,017,097)</u>

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

Fund	Explanation	Amount
General Fund	Error correction - recording prior year asset or liability	\$ (1,837,403)
Total		<u>\$ (1,837,403)</u>

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Note 14 – Trust Certificates

A trust certificate dated October 24, 2014, was executed by and between the school district and the Peoples Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$7,995,000. Approximately \$7,832,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$163,000 was used to pay the costs 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 represents a finance purchase under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make 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 under the agreement; 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 due 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 15 – Qualified School Construction Bonds

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

While 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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

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.

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, 2023, was \$2,542,028, which includes cash with fiscal agents of \$112 and investments of \$2,541,916. 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 minimum annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2024	\$	214,000
2025		214,000
Total	\$	<u>428,000</u>

Note 16 - Insurance loss recoveries

The Lowndes County School District received \$5,733 in insurance loss recoveries during the year. The insurance recoveries were related to damages sustained to a district vehicle and were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 5,733	100%	Support services
<u>\$ 5,733</u>	<u>100%</u>	

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$48,593,140) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$5,950,163 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$9,863,220 balance of deferred outflow of resources related to pensions, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$48,593,140) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$347,662 balance of deferred inflow of resources related to pensions, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2023

The unrestricted net position amount of (\$48,593,140) 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 \$145,024 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$632,639 balance of deferred outflow of resources related to OPEB, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$48,593,140) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,616,518 balance of deferred inflow of resources related to OPEB, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$48,593,140) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from leases. The \$1,749,274 balance of deferred inflow of resources related to leases at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 50 years.

Note 18 - Subsequent Events

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

On July 14, 2023, the school board adopted a resolution authorizing the district to enter into a loan agreement evidenced by a promissory note in the amount of \$1,153,901 for a local ad valorem shortfall in the 2023 year. The note was issued on August 15, 2023 for a period of three (3) years and at an annual interest rate of 6.35%.

Note 19 – 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>.

REQUIRED SUPPLEMENTARY INFORMATION

LOWNDES COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 26,812,344	26,601,953	26,672,936	(210,391)	70,983
State sources	31,185,519	31,508,263	31,508,263	322,744	0
Federal sources	828,906	837,840	837,840	8,934	0
Sixteenth section sources	135,600	314,368	267,201	178,768	(47,167)
Total Revenues	58,962,369	59,262,424	59,286,240	300,055	23,816
Expenditures:					
Instruction	30,527,810	28,984,754	28,882,530	1,543,056	102,224
Support services	22,197,853	17,696,674	17,970,762	4,501,179	(274,088)
Sixteenth section	61,739	38,651	38,188	23,088	463
Debt service:					
Principal	948,400	948,400	1,331,080	0	(382,680)
Interest	197,997	151,876	153,907	46,121	(2,031)
Other	4,750	4,500	4,500	250	0
Total Expenditures	53,938,549	47,824,855	48,380,967	6,113,694	(556,112)
Excess (Deficiency) of Revenues over (under) Expenditures	5,023,820	11,437,569	10,905,273	6,413,749	(532,296)
Other Financing Sources (Uses):					
Proceeds of loan	0	2,107,537	2,107,537	2,107,537	0
SBITAs issued	0	0	556,112	0	556,112
Insurance recovery	1,500	5,733	5,733	4,233	0
Gain on lease termination	0	0	60	0	60
Sale of other property	50,000	140,848	140,848	90,848	0
Operating transfers in	6,213,668	17,322,631	654,877	11,108,963	(16,667,754)
Operating transfers out	(10,968,437)	(19,009,806)	(2,342,052)	(8,041,369)	16,667,754
Other financing uses	0	(3,701)	(3,701)	(3,701)	0
Total Other Financing Sources (Uses)	(4,703,269)	563,242	1,119,414	5,266,511	556,172
Net Change in Fund Balances	320,551	12,000,811	12,024,687	11,680,260	23,876
Fund Balances:					
July 1, 2022, as previously reported	21,785,653	24,350,626	26,139,864	2,564,973	1,789,238
Prior period adjustments	0	0	(1,837,403)	0	(1,837,403)
July 1, 2022, as restated	21,785,653	24,350,626	24,302,461	2,564,973	(48,165)
June 30, 2023	\$ 22,106,204	36,351,437	36,327,148	14,245,233	(24,289)

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability	\$ 91,088,160	65,172,415	84,281,411	78,459,672	73,346,246	66,912,153	78,193,795	66,225,284	49,366,176
District's proportion of the net pension liability	0.442527%	0.440937%	0.435364%	0.445997%	0.440969%	0.402518%	0.437754%	0.428420%	0.406702%
District's covered payroll	30,464,948	29,317,856	28,989,828	29,005,956	28,160,070	25,821,771	28,004,190	26,765,206	24,862,933
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	270.50%	260.46%	259.13%	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

		<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$	5,950,163	5,300,901	5,101,307	5,044,230	4,568,438	4,435,211	4,066,929	4,410,660	4,215,520
Contributions in relation to the contractually required contribution	\$	5,950,163	5,300,901	5,101,307	5,044,230	4,568,438	4,435,211	4,066,929	4,410,660	4,215,520
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$	34,196,339	30,464,948	29,317,856	28,989,828	29,005,956	28,160,070	25,821,771	28,004,190	26,765,206
Contributions as a percentage of covered payroll		17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.58006289%	0.58432182%	0.56895055%	0.58783512%	0.56318761%	0.54982312%
District's proportionate share of the net OPEB liability	\$ 2,857,877	3,761,174	4,427,619	4,988,022	4,356,538	4,313,962
District's covered-employee payroll	34,196,339	29,317,856	28,989,828	29,005,956	28,160,070	25,821,771
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.36%	12.83%	15.27%	17.20%	15.47%	16.71%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

* 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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 145,024	116,465	151,175	176,573	199,935	183,911
Contributions in relation to the actuarially determined contribution	\$ 145,024	116,465	151,175	176,573	199,935	183,911
Contribution deficiency (excess)	\$ 0	0	0	0	0	0
District's covered-employee payroll	\$ 34,196,339	30,464,948	29,317,856	28,989,828	29,005,956	28,160,070
Contributions as a percentage of covered-employee payroll	0.42%	0.38%	0.52%	0.61%	0.69%	0.65%

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

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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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%.

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.

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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%.

(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, 2020 valuation for the June 30, 2022 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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

Amortization method	Level percentage of payroll, open
Remaining amortization period	27.7 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.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

(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, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

SUPPLEMENTARY INFORMATION

LOWNDES COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	235MS326N1099	\$ 690,387
Total School breakfast program			690,387
National school lunch program	10.555	235MS326N1099	1,779,731
National school lunch program - supply chain assistance	10.555	235MS323N8903	177,612
National school lunch program - commodities	10.555	235MS326N1099	175,766
Total National school lunch program			2,133,109
Total child nutrition cluster			2,823,496
Administrative expense reimbursement	10.560	235MS907N2533	8,465
Child nutrition discretionary grants limited availability	10.579	235MS326N1099	20,781
Total passed-through Mississippi Department of Education			2,852,742
Total U.S. Department of Agriculture			2,852,742
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX	N/A	67,981
Total U.S. Department of Defense			67,981
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A190024 S010A200024 S010A210024 S010A220024	1,511,084
Career and technical education - basic grants to states	84.048	V048A220024	82,354
Rural education	84.358	S358B190024 S358B200024 S358B210024 S358B220024	144,318
Supporting Effective Instruction State Grants	84.367	S367A200023 S367A210023 S367A220023	244,466
School Improvement Grant	84.377	S377A160025	21,662
Student support and academic enrichment grants	84.424A	S424A200023 S424A210023 S424A220023	117,639
Subtotal			2,121,523

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Special education cluster:			
Special education - grants to states	84.027	H027A200108 H027A210108 H027A220108	1,402,312
IDEA, Part B ARP Grant	84.027X	H027X210108	236,676
Special education - preschool grants	84.173	H173A200113 H173A210113 H173A220113	43,631
IDEA, Part B Preschool ARP Grant	84.173X	H173X210113	16,068
Total special education cluster			1,698,687
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	32,683
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	2,034,521
Elementary & Secondary School Emergency Relief CTE Grant	84.425D	S425D200031	14,385
Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	3,711,543
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			5,793,132
Total passed-through Mississippi Department of Education			9,613,342
Passed-through Mississippi Department of Rehabilitation Services			
Disability Innovation Fund	84.421	22-OVR-00	88,189
Total passed-through Mississippi Department of Rehabilitation Services			88,189
Total U.S. Department of Education			9,701,531
<u>U. S. Department of Health and Human Services</u>			
Passed-through MS Department of Education			
Medicaid cluster:			
Medical assistance program	93.778	2205MS5ADM	59,271
Total Medicaid cluster:			59,271
Total passed-through MS Department of Education			59,271
Total U.S. Department of Health and Human Services			59,271
<u>Social Security Administration</u>			
Passed-through MS Department of Rehabilitation Services			
Social security disability insurance	96.001	N/A	658
Subtotal			658
Total passed-through MS Department of Rehabilitation Services			658
Total Social Security Administration			658
Total for All Federal Awards			\$ 12,682,183

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

LOWNDES COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Lowndes County School District under programs of the federal government for the year ending June 30, 2023. 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 Lowndes County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Lowndes County 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 Lowndes County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

LOWNDES COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2023

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 46,973,173	37,146,993	1,437,050	3,147,702	5,241,428
Other	26,567,758	3,954,289	724,476	55,412	21,833,581
Total	<u>\$ 73,540,931</u>	<u>41,101,282</u>	<u>2,161,526</u>	<u>3,203,114</u>	<u>27,075,009</u>
Total number of students *	<u>5,230</u>				
Cost per student	<u>\$ 14,061</u>	<u>7,859</u>	<u>413</u>	<u>612</u>	<u>5,177</u>

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.

* 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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LOWNDES COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 26,672,936	25,753,278	24,230,740	21,482,384
State sources	31,508,263	28,411,355	27,354,218	27,138,351
Federal sources	837,840	731,892	784,744	816,722
Sixteenth section sources	267,201	103,137	136,653	129,090
Total Revenues	59,286,240	54,999,662	52,506,355	49,566,547
Expenditures:				
Instruction	28,882,530	27,144,091	27,457,535	26,202,266
Support services	17,970,762	16,279,662	16,147,087	17,230,034
Sixteenth section	38,188	34,793	69,749	67,282
Debt service:				
Principal	1,331,080	964,345	889,104	1,030,706
Interest	153,907	226,030	254,019	293,669
Other	4,500	4,500	17,768	2,750
Total Expenditures	48,380,967	44,653,421	44,835,262	44,826,707
Excess (Deficiency) of Revenues over (under) Expenditures	10,905,273	10,346,241	7,671,093	4,739,840
Other Financing Sources (Uses):				
Bonds and notes issued	2,107,537	3,044,292		
Leases issued		174,034		
SBITAs issued	556,112			
Insurance recovery	5,733	4,383	5,225	101,458
Sale of other property	140,848	12,705	945,000	0
Gain on lease termination	60			
Operating transfers in	654,877	94,725	125,699	25,815
Operating transfers out	(2,342,052)	(6,182,640)	(1,540,561)	(1,778,633)
Other financing uses	(3,701)	(9,091)		(4,198)
Total Other Financing Sources (Uses)	1,119,414	(2,861,592)	(464,637)	(1,655,558)
Net Change in Fund Balances	12,024,687	7,484,649	7,206,456	3,084,282
Fund Balances:				
Beginning of period, as previously reported	26,139,864	18,655,215	11,251,331	8,135,817
Prior period adjustments	(1,837,403)		197,428	(2,230)
Reclassify fund type				33,462
Beginning of period, as restated	24,302,461	18,655,215	11,448,759	8,167,049
Increase (Decrease) in reserve for inventory				
End of Period	\$ 36,327,148	26,139,864	18,655,215	11,251,331

*SOURCE - PRIOR YEAR AUDIT REPORTS

LOWNDES COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 35,050,587	31,309,885	30,804,371	27,424,670
State sources	32,511,054	29,068,409	28,450,922	28,225,383
Federal sources	13,371,905	11,894,740	10,884,649	5,471,824
Sixteenth section sources	304,585	106,947	280,963	129,746
Total Revenues	81,238,131	72,379,981	70,420,905	61,251,623
Expenditures:				
Instruction	36,837,255	33,815,013	35,672,342	30,400,925
Support services	20,858,611	19,555,830	18,722,646	18,647,866
Noninstructional services	2,928,456	2,507,420	1,808,197	2,249,999
Sixteenth section	42,003	38,983	69,749	67,282
Facilities acquisition and construction	4,794,680	3,574,212		
Debt service:				
Principal	6,242,494	4,819,345	3,434,104	2,625,706
Interest	1,824,681	1,692,923	1,967,205	2,056,527
Debt issue costs		77,694	113,431	
Other	12,751	12,016	27,234	14,076
Total Expenditures	73,540,931	66,093,436	61,814,908	56,062,381
Excess (Deficiency) of Revenues over (under) Expenditures	7,697,200	6,286,545	8,605,997	5,189,242
Other Financing Sources (Uses):				
Bonds and notes issued	2,107,537	9,794,292	1,300,000	
Leases issued		174,034		
SBITAs issued	680,894			
Insurance recovery	5,733	4,383	5,225	101,458
Refunding bonds issued			8,015,000	
Payment held by escrow agent	244,750	213,998	213,779	213,801
Payment to refunded bond escrow agent			(7,837,200)	
Payment to QSCB escrow agent	(244,750)	(213,998)	(213,779)	(213,801)
Sale of other property	140,848	12,705	945,000	
Gain on lease termination	60			
Operating transfers in	2,996,929	6,600,673	2,014,481	1,988,728
Operating transfers out	(2,996,929)	(6,600,673)	(2,014,481)	(1,988,728)
Other financing uses	(3,701)	(9,091)	(77,085)	(4,198)
Total Other Financing Sources (Uses)	2,931,371	9,976,323	2,350,940	97,260
Net Change in Fund Balances	10,628,571	16,262,868	10,956,937	5,286,502
Fund Balances:				
Beginning of period, as previously reported	44,716,554	28,452,530	17,330,142	11,949,171
Fund reclassification				33,462
Prior period adjustments	(1,837,403)		197,699	(4,237)
Beginning of period, as restated	42,879,151	28,452,530	17,527,841	11,978,396
Increase (Decrease) in reserve for inventory	41,697	1,156	(32,248)	65,244
End of Period	\$ 53,549,419	44,716,554	28,452,530	17,330,142

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

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

Superintendent and School Board
Lowndes County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowndes County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Lowndes County School District's basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 the Lowndes County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
May 28, 2024

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

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

Superintendent and School Board
Lowndes County School District

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Lowndes 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 Lowndes County School District's major federal programs for the year ended June 30, 2023. Lowndes County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report Lowndes County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Lowndes County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on it other major programs identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our 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). Our 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.

We are required to be independent of Lowndes County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Lowndes County School District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Special Education Cluster

As described in the accompanying schedule of findings and questioned costs, Lowndes County School District did not comply with requirements regarding the Special Education Cluster as described in finding number 2023-001 for allowable cost/cost principles.

Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

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 Lowndes County School District's federal programs.

Auditor's Responsibilities for Audit of Compliance

Our 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 to express an opinion on Lowndes 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 generally accepted auditing standards, *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 Lowndes County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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 Lowndes 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 Lowndes 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 Lowndes County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our compliance audit described in the accompanying

schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiencies in internal control over compliance that we consider to be a material weaknesses.

A deficiency in internal control over compliance exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charges with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2023-001 to be a material weakness.

Our 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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Lowndes County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of the 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.

L. Reeves, CPA, PLLC

L. Reeves, CPA, PLLC
Brandon, Mississippi
May 28, 2024

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Lowndes County School District
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2023**

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | | |
|----|---|--|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? (Yes/No) | Yes |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified for all major programs except the Special Education Cluster, which is qualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | Yes |

7. Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies

Special Education Cluster:

84.027	Special Education – grants to states
84.027X	IDEA, Part B ARP Grant
84.173	Special Education – preschool grants
84.173X	IDEA, Part B Preschool ARP Grant
84.367	Supporting Effective Instruction State Grants
84.425 D	COVID-19 Elementary & Secondary School Emergency Relief I
84.425 D	COVID-19 Elementary & Secondary School Emergency Relief II

**Lowndes County School District
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2023**

84.425 D	COVID-19 Elementary & Secondary School Emergency Relief CTE Grant
84.425 U	COVID-19 Elementary & Secondary School Emergency Relief Fund III – ARP (ESSER)

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | No |
| 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/No) | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Finding 2023-001

Material Weakness in Internal Control Over Compliance and Material Non-Compliance

Federal Agency:	U. S. Department of Education	
Pass-Through Entity:	Mississippi Department of Education	
Federal Program:	Special Education Cluster	
	Special Education Grants to States	84.027
	COVID 19 - Special Education Grants to States	84.027X
	Special Education Grants to States	84.173
	COVID 19 - Special Education Grants to States	84.173X
Compliance Requirement:	Allowable Costs/Cost Principles	

Repeat Finding from Prior Audit? No

Condition: Controls were not adhered to within the Office of Special Services to ensure that time and effort documentation were maintained in accordance with 2 CFR section 200.430 and Appendix B of 2 CFR Part 225 – Selected Items of Cost. Time and effort documentation for Special Education Cluster employees who worked on one cost objective submitted annual certifications instead of the required semi-annual certifications. The following deficiencies were noted regarding personnel activity reports (PAR forms): (1) PAR forms were not reviewed for mathematical accuracy resulting in incorrect percentages of effort by cost objective; (2) comparisons of actual costs to budgeted distributions based on the monthly activity reports were not performed at least quarterly. The lack of review and comparison of actual cost to budget did not result in excess cost to the federal award. (3) the district did not review, and approved PAR forms within the timeline established by the district on a consistent basis. Date and signature documentation on at least one PAR form for each employee tested was signed and dated after the fifth of the following month.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200.430 – Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance) requires charges to federal award for salaries and wages to be based on records that accurately reflect the work

**Lowndes County School District
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2023**

performed. These records must (1) be supported by a system of internal controls which provide reasonable assurance that charges are accurate, allowable and properly allocated, (2) reasonably reflect total activity for which the employee is compensated, (3) encompass both federally assisted and all other activities compensated by the entity, (4) support the distribution of the employee's wages among specific cost objectives if the employee works on more than one federal award, (5) be reconciled with payroll budget estimates with necessary adjustments made to accounting records to ensure that excess costs are not charged to federal programs. In addition, Appendix B of 2 CFR Part 225 – Selected Items of Cost requires:

- (1) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- (2) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. These reports must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause: A lack of oversight by program personnel resulted in documentation for time and effort reporting to not conform to requirements of set forth in 2 CFR 200.430 and Appendix B of 2 CFR Part 225.

Effect: Failure to timely and properly prepare and review time and effort reporting could allow for improper charges to be made to the federal award which could result in disallowed charges to the program.

Context: Fifteen (15) of fifteen (15) semi-annual certifications examined were prepared for the entire school year instead of on a semi-annual basis. Two personnel activity reports for one employee were not signed by the immediate supervisor. At one or more PAR forms for eight (8) of the eight employees monthly PAR reports tested were not signed and approved timely as defined by the district procedures.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: The school district should provide training to all employees working on Special Education grants to educate them on the requirements for documenting personnel time and effort both for semi-annual certifications and personnel activity reports.

View of Responsible Officials and Planned Corrective Actions:

See Auditee's Corrective
Action Plan

AUDITEE'S CORRECTIVE ACTION PLAN

J. Matt Keith
Assistant Superintendent



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

Stefanie Jones
Assistant Superintendent

Sam Allison
Superintendent

“Challenge all students to attain their greatest potential.”

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (UG), the Lowndes County School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2023.

Finding 2023-001

- a. Name of Contact Person Responsible for Corrective Action: Rhonda D. Locke
- b. Corrective Action Planned:
 - Special Education Director and Assistant Special Education Director will attend the Annual Fiscal Conference presented by OSEP through MDE.
 - Special Education Director and Assistant Special Education Director will train all certified staff in the proper method to complete monthly personnel activity reports [to include but not limited to: how to calculate percentages of effort by cost objective, expected timelines, and proper documentation].
 - Special Education Director and Assistant Special Education Director will train all non-certified staff in the proper method to complete semi-annual certification reports [to include but not limited to: how to complete semi-annual certification reports, expected timelines, and proper documentation/signatures].
 - Special Education Director and Assistant Special Education Director will train the bookkeeper in the proper procedures for collecting and maintaining monthly personnel activity reports and semi-annual certification reports.
 - Special Education Director and/or Assistant Special Education Director will provide new PARs spread sheets to ensure all formulas for calculation of hours are correct and without corruption.
 - Special Education Director will review and sign each of the PARs monthly to ensure percentages of effort by cost objective are in line with expected activity compensation, signatures are provided by each employee, and each completion date is prior to the 5th of the month.
 - Assistant Special Education Director and/or Bookkeeper will contact each of the assistant teachers to provide an advanced reminder regarding the completion of the semi-annual certification reports no later than end of business on the last working day of December and May.
- c. Anticipated Completion Date: July 3, 2025