



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

PASS CHRISTIAN SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2020

Charles L. Shivers, CPA, LLC  
Ridgeland, MS

This page left blank intentionally.

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	15
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	17
Exhibit B Statement of Activities.....	18
Governmental Funds Financial Statements	
Exhibit C Balance Sheet .....	19
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances.....	21
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	22
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Net Position.....	23
Exhibit F Statement of Changes in Fiduciary Net Position.....	24
Notes to the Financial Statements.....	25
REQUIRED SUPPLEMENTARY INFORMATION.....	43
Budgetary Comparison Schedule for the General Fund.....	45
Budgetary Comparison Schedule for the Major Special Revenue Fund – Equity in Distance Learning Fund....	46
Schedule of the District's Proportionate Share of the Net Pension Liability.....	47
Schedule of District Contributions (PERS).....	48
Schedule of the District's Proportionate Share of the Net OPEB Liability.....	49
Schedule of District Contributions (OPEB).....	50
Notes to the Required Supplementary Information.....	51
SUPPLEMENTARY INFORMATION.....	55
Schedule of Expenditures of Federal Awards.....	57
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	59
OTHER INFORMATION.....	61
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	63
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	64
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	65
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 <i>Government Auditing Standards</i> ...	67
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	69
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	75

**This page left blank intentionally.**

## INDEPENDENT AUDITOR'S REPORT

This page left blank intentionally.

# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, MS 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Pass Christian School District

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pass Christian School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pass Christian School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 4, 2020, on my consideration of the Pass Christian School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pass Christian 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 Pass Christian School District's internal control over financial reporting and compliance.

***Charles L Shivers, CPA, LLC***

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
December 4, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**This page left blank intentionally.**

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

The following discussion and analysis of Pass Christian School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$2,583,997, including a prior period adjustment of \$8,921, which represents a 7% decrease from fiscal year 2019. Total net position for 2019 decreased \$1,167,041, including a prior period adjustment of \$24,591, which represents a 3% decrease from fiscal year 2018.
- General revenues amounted to \$21,331,442 and \$20,429,511, or 86% and 86% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,553,867, or 14% of total revenues for 2020, and \$3,289,724, or 14% of total revenues for 2019.
- The District had \$27,478,227 and \$24,910,867 in expenses for fiscal years 2020 and 2019; only \$3,553,867 for 2020 and \$3,289,724 for 2019 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$21,331,442 for 2020 and \$20,429,511 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,413,178 in revenues and \$19,519,875 in expenditures for 2020, and \$19,468,148 in revenues and \$18,989,700 in expenditures in 2019. The General Fund's fund balance increased by \$630,193 from 2019 to 2020 and increased by \$149,936 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$211,217 for 2020 and increased by \$1,403,358 for 2019. The increase for 2020 was due to primarily to completion of Construction in Progress.
- Long-term debt decreased by \$512,589 for 2020 and decreased by \$724,966 for 2019. This decrease for 2020 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$7,411 for 2020 and decreased by \$39,966 for 2019.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

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

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

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

## Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

## Notes to the financial statements

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

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required

supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### Supplementary Information

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

### Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,179,475 as of June 30, 2020.

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

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

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

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Percentage Change</b>
Current assets	\$ 12,419,722	\$ 14,146,592	(12.21) %
Restricted assets	1,134,741	938,539	20.91 %
Capital assets, net	61,657,757	61,446,540	0.34 %
<b>Total assets</b>	<b>75,212,220</b>	<b>76,531,671</b>	<b>(1.72) %</b>
<b>Deferred outflows of resources</b>	<b>4,008,990</b>	<b>2,186,224</b>	<b>83.38 %</b>
Current liabilities	990,619	913,683	8.42 %
Long-term debt outstanding	9,443,704	9,956,293	(5.15) %
Net OPEB liability	1,811,507	1,626,032	11.41 %
Net pension liability	33,357,723	28,241,787	18.11 %
<b>Total liabilities</b>	<b>45,603,553</b>	<b>40,737,795</b>	<b>11.94 %</b>
<b>Deferred inflows of resources</b>	<b>438,182</b>	<b>2,216,628</b>	<b>(80.23) %</b>
<b>Net position:</b>			
Net investment in capital assets	52,386,757	51,819,108	1.10 %
Restricted	981,739	3,487,157	(71.85) %
Unrestricted	(20,189,021)	(19,542,793)	(3.31) %
<b>Total net position</b>	<b>\$ 33,179,475</b>	<b>\$ 35,763,472</b>	<b>(7.23) %</b>

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)	\$ (20,189,021)
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	31,598,422
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 11,409,401</u>

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

- Increase in net capital assets in the amount of \$211,217.
- The principal retirement of \$715,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$24,885,309 and \$23,719,235, respectively. The total cost of all programs and services was \$27,478,227 for 2020 and \$24,910,867 for 2019.

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

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

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 480,415	\$ 568,782	(15.54) %
Operating grants and contributions	3,073,452	2,720,942	12.96 %
General revenues:			
Property and gaming taxes	11,419,758	11,148,594	2.43 %
Grants and contributions not restricted	9,622,150	9,075,231	6.03 %
Investment earnings	257,431	183,629	40.19 %
Sixteenth section sources	28,903	16,330	76.99 %
Other	3,200	5,727	(44.12) %
<b>Total revenues</b>	<u>24,885,309</u>	<u>23,719,235</u>	<b>4.92 %</b>
<b>Expenses:</b>			
Instruction	12,492,096	11,640,481	7.32 %
Support services	10,010,594	9,954,958	0.56 %
Non-instructional	834,122	976,741	(14.60) %
Sixteenth section	2,185	1,396	56.52 %
Pension expense	3,775,676	1,945,622	94.06 %
OPEB expense	117,335	87,791	33.65 %
Interest on long-term liabilities	246,219	303,878	(18.97) %
<b>Total expenses</b>	<u>27,478,227</u>	<u>24,910,867</u>	<b>10.31 %</b>
<b>Increase (Decrease) in net position</b>	<u>(2,592,918)</u>	<u>(1,191,632)</u>	<b>(117.59) %</b>
<b>Net Position, July 1, as previously reported</b>	<u>35,763,472</u>	<u>36,930,513</u>	<b>(3.16) %</b>
<b>Prior Period Adjustment</b>	<u>8,921</u>	<u>24,591</u>	<b>(63.72) %</b>
<b>Net Position, July 1, as restated</b>	<u>35,772,393</u>	<u>36,955,104</u>	<b>(3.20) %</b>
<b>Net Position, June 30</b>	<u>\$ 33,179,475</u>	<u>\$ 35,763,472</u>	<b>(7.23) %</b>

**Governmental activities**

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

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ 12,492,096	\$ 11,640,481	7.32 %
Support services	10,010,594	9,954,958	0.56 %
Non-instructional	834,122	976,741	(14.60) %
Sixteenth section	2,185	1,396	56.52 %
Pension Expense	3,775,676	1,945,622	94.06 %
OPEB Expense	117,335	87,791	33.65 %
Interest on long-term liabilities	246,219	303,878	(18.97) %
<b>Total expenses</b>	<b>\$ 27,478,227</b>	<b>\$ 24,910,867</b>	<b>10.31 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ (10,782,712)	\$ (10,081,307)	(6.96) %
Support services	(9,304,062)	(9,408,322)	1.11 %
Non-instructional	303,829	207,173	46.65 %
Sixteenth section	(2,185)	(1,396)	(56.52) %
Pension Expense	(3,775,676)	(1,945,622)	(94.06) %
OPEB Expense	(117,335)	(87,791)	(33.65) %
Interest on long-term liabilities	(246,219)	(303,878)	18.97 %
<b>Total net (expense) revenue</b>	<b>\$ (23,924,360)</b>	<b>\$ (21,621,143)</b>	<b>(10.65) %</b>

- Net cost of governmental activities (\$23,924,360 for 2020 and \$21,621,143 for 2019) was financed by general revenue, which is primarily made up of property and gaming taxes (\$11,419,758 for 2020 and \$11,148,594 for 2019) and state and federal revenues (\$9,622,150 for 2020 and \$9,075,231 for 2019). In addition, there was \$28,903 and \$16,330 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$257,431 for 2020 and \$183,629 for 2019.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,647,738, a decrease of \$1,608,016, which includes a prior period adjustment of \$7,535 and an increase in inventory of \$24,408. \$4,240,525 or 34% 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 \$8,407,213 or 66% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$630,193. The fund balance of Other Governmental Funds showed an increase in the amount of \$116,305, which includes an increase in reserve for inventory of \$24,408. The increase (decrease) in the fund balances for the other major funds were as follows:



Major Fund	Increase (Decrease)
Equity in Distance Learning Fund	no increase or decrease
Local Building Projects Fund	\$ (2,354,514)

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$85,170,695, including land, school buildings, building improvements, improvements other than buildings, buses and other school vehicles and furniture and equipment. This amount represents an increase of \$1,945,089 from 2019. Total accumulated depreciation as of June 30, 2020, was \$23,512,938, and total depreciation expense for the year was \$1,843,800, resulting in total net capital assets of \$61,657,757.

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

	June 30, 2020	June 30, 2019	Percentage Change
Land	\$ 517,230	\$ 517,230	0.00 %
Construction in Progress	0	172,155	(100.00) %
Buildings	53,659,749	55,072,741	(2.57) %
Building improvements	2,211,048	56,061	3,844.00 %
Improvements other than buildings	4,356,868	4,581,316	(4.90) %
Mobile equipment	736,590	852,291	(13.58) %
Furniture and equipment	176,272	194,746	(9.49) %
<b>Total</b>	<b>\$ 61,657,757</b>	<b>\$ 61,446,540</b>	<b>0.34 %</b>

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

**Debt Administration.** At June 30, 2020, the District had \$9,443,704 in outstanding long-term debt, of which \$764,816 is due within one year. The liability for compensated absences increased \$7,411 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	June 30, 2020	June 30, 2019	Percentage Change
General obligation bonds payable	\$ 8,755,000	\$ 9,260,000	(5.45) %
Three mill notes payable	516,000	531,000	(2.82) %
Compensated absences payable	172,704	165,293	4.48 %
<b>Total</b>	<b>\$ 9,443,704</b>	<b>\$ 9,956,293</b>	<b>(5.15) %</b>

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

## CURRENT ISSUES

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pass Christian School District, 6457 Kiln-Delisle Road, Pass Christian, Mississippi 39571.

**This page left blank intentionally.**

## BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2020

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 11,430,191
Due from other governments	923,055
Other receivables, net	13,268
Inventories	38,804
Prepaid items	14,404
Restricted assets (Note 4)	1,134,741
Non-depreciable capital assets (Note 5)	517,230
Depreciable capital assets, net (Note 5)	61,140,527
<b>Total Assets</b>	<u>75,212,220</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	3,734,642
Deferred outflow - OPEB (Note 8)	274,348
<b>Total Deferred Outflows of Resources</b>	<u>4,008,990</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	859,436
Interest payable on long-term liabilities	83,894
Other payables	47,289
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	751,000
Non-capital related liabilities	13,816
Net OPEB liability (Note 8)	65,464
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	8,520,000
Non-capital related liabilities	158,888
Net OPEB liability (Note 8)	1,746,043
Net pension liability (Note 7)	33,357,723
<b>Total Liabilities</b>	<u>45,603,553</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 7)	318,317
Deferred inflows - OPEB (Note 8)	119,865
<b>Total Deferred Inflows of Resources</b>	<u>438,182</u>
<b>Net Position</b>	
Net investment in capital assets	52,386,757
Restricted net position	
Expendable	
School-based activities	625,332
Debt service	152,735
Capital Projects	46,503
Forestry improvements	2,436
Unemployment benefits	36,541
Non-expendable	
Sixteenth section	118,192
Unrestricted	<u>(20,189,021)</u>
<b>Total Net Position</b>	<u>\$ 33,179,475</u>

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

PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2020

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 12,492,096	300,504	1,408,880	(10,782,712)
Support services	10,010,594		706,532	(9,304,062)
Non-instructional	834,122	179,911	958,040	303,829
Sixteenth section	2,185			(2,185)
Pension expense	3,775,676			(3,775,676)
OPEB expense	117,335			(117,335)
Interest on long-term liabilities	246,219			(246,219)
Total Governmental Activities	<u>27,478,227</u>	<u>480,415</u>	<u>3,073,452</u>	<u>(23,924,360)</u>
General Revenues				
Taxes				
General purpose levies				10,288,070
Debt purpose levies				939,104
Gaming				192,584
Unrestricted grants and contributions				
State				9,594,246
Federal				27,904
Unrestricted investment earnings				257,431
Sixteenth section sources				28,903
Other				3,200
Total General Revenues				<u>21,331,442</u>
Changes in Net Position				<u>(2,592,918)</u>
Net Position - Beginning, as previously reported				35,763,472
Prior Period Adjustments (Note 10)				8,921
Net Position - Beginning - as restated				<u>35,772,393</u>
Net Position - Ending				<u>\$ 33,179,475</u>

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

PASS CHRISTIAN SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2020

Exhibit C

	Major Funds				Total
	General Fund	Equity in Distance Learning Fund	Local Building Projects Fund	Other Governmental Funds	Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 5,907,454		5,522,737	1,134,329	12,564,520
Cash with fiscal agent (Note 2)	412				412
Due from other governments	347,974	240,342		334,739	923,055
Other receivables, net	11,708			1,560	13,268
Due from other funds (Note 3)	242,706				242,706
Inventories				38,804	38,804
Prepaid items	14,404				14,404
<b>Total Assets</b>	<u>6,524,658</u>	<u>240,342</u>	<u>5,522,737</u>	<u>1,509,432</u>	<u>13,797,169</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable & accrued liabilities	434,233	240,342	12,757	172,104	859,436
Due to other funds (Note 3)				242,706	242,706
Other payables	18,300			28,989	47,289
<b>Total Liabilities</b>	<u>452,533</u>	<u>240,342</u>	<u>12,757</u>	<u>443,799</u>	<u>1,149,431</u>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventory				38,804	38,804
Permanent fund principal				118,192	118,192
Prepaid items	14,404				14,404
<b>Restricted</b>					
Debt service				236,629	236,629
Capital projects				46,503	46,503
Forestry improvements				2,436	2,436
Unemployment benefits				36,541	36,541
Grant activities				328,965	328,965
School bus acquisition				257,563	257,563
<b>Committed</b>					
Technology, buses, capital improvements	1,703,180		5,334,980		7,038,160
Game field turf replacement			175,000		175,000
<b>Assigned</b>					
School activities	114,016				114,016
<b>Unassigned</b>	4,240,525				4,240,525
<b>Total Fund Balances</b>	<u>6,072,125</u>	<u>0</u>	<u>5,509,980</u>	<u>1,065,633</u>	<u>12,647,738</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,524,658</u>	<u>240,342</u>	<u>5,522,737</u>	<u>1,509,432</u>	<u>13,797,169</u>

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



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

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 12,647,738
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	517,230	
Buildings	70,649,587	
Building improvements	2,311,173	
Improvement other than buildings	6,968,943	
Mobile equipment	2,821,891	
Furniture and equipment	1,901,871	
Accumulated depreciation	<u>(23,512,938)</u>	61,657,757
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		(33,357,723)
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	3,734,642	
Deferred inflows of resources related to pensions	<u>(318,317)</u>	3,416,325
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		(1,811,507)
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	274,348	
Deferred inflows of resources related to OPEB	<u>(119,865)</u>	154,483
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	(8,755,000)	
Three mill notes payable	(516,000)	
Compensated absences	(172,704)	
Accrued interest payable	<u>(83,894)</u>	<u>(9,527,598)</u>
Total Net Position - Governmental Activities		<u>\$ 33,179,475</u>

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

## PASS CHRISTIAN SCHOOL DISTRICT

Exhibit D

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

For the Year Ended June 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Equity in Distance Learning Fund	Local Building Projects Fund		
Revenues					
Local sources	\$ 10,910,899		115,044	1,163,452	12,189,395
State sources	9,445,526			501,996	9,947,522
Federal sources	27,904	240,342		2,445,790	2,714,036
Sixteenth section sources	28,849			2,307	31,156
Total Revenues	20,413,178	240,342	115,044	4,113,545	24,882,109
Expenditures					
Instruction	10,711,254	240,342		1,470,791	12,422,387
Support services	8,807,516		627,969	885,457	10,320,942
Noninstructional services				977,511	977,511
Sixteenth section	1,105			1,080	2,185
Facilities acquisition and construction			1,916,589	119,023	2,035,612
Debt service					
Principal (Note 6)				715,000	715,000
Interest				245,031	245,031
Other				1,600	1,600
Total Expenditures	19,519,875	240,342	2,544,558	4,415,493	26,720,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	893,303	0	(2,429,514)	(301,948)	(1,838,159)
Other Financing Sources (Uses)					
Proceeds of loans (Note 6)				195,000	195,000
Sale of other property	3,200				3,200
Operating transfers in (Note 3)	2,973		75,000	201,818	279,791
Operating transfers out (Note 3)	(276,818)		0	(2,973)	(279,791)
Total Other Financing Sources (Uses)	(270,645)	0	75,000	393,845	198,200
Net Change in Fund Balances	622,658	0	(2,354,514)	91,897	(1,639,959)
Fund Balances					
July 1, 2019, as previously reported	5,441,932	0	7,864,494	949,328	14,255,754
Prior period adjustments (Note 10)	7,535				7,535
July 1, 2019, as restated	5,449,467	0	7,864,494	949,328	14,263,289
Increase in reserve for inventory				24,408	24,408
June 30, 2020	\$ 6,072,125	0	5,509,980	1,065,633	12,647,738

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (1,639,959)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:

Capital outlay	2,062,913	
Depreciation expense	<u>(1,843,800)</u>	219,113

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (9,282)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(195,000)	
Payments of debt principal	715,000	
Accrued interest payable	<u>412</u>	520,412

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

Pension expense	(3,775,676)	
Contributions made subsequent to the measurement date	<u>2,127,348</u>	(1,648,328)

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

OPEB expense	(117,335)	
Contributions made subsequent to the measurement date	<u>65,464</u>	(51,871)

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

Change in compensated absences	(7,411)	
Change in inventory reserve	<u>24,408</u>	16,997

Changes in Net Position of Governmental Activities	<u><u>\$ (2,592,918)</u></u>
----------------------------------------------------	------------------------------

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

PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
June 30, 2020

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 67,666	1,014,840
Total Assets	67,666	1,014,840
<b>Liabilities</b>		
Accounts payable and accrued liabilities		967,298
Due to student clubs		47,542
Total Liabilities	0	1,014,840
<b>Net Position</b>		
Reserved for endowments	67,666	
Total Net Position	\$ 67,666	

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

PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2020

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 1,185
Contributions and donations from private sources	<u>7,273</u>
Total Additions	<u>8,458</u>
Deductions	
Scholarships awarded	<u>6,000</u>
Total Deductions	<u>6,000</u>
Changes in Net Position	<u>2,458</u>
Net Position	
July 1, 2019	<u>65,208</u>
June 30, 2020	<u>\$ 67,666</u>

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

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pass Christian since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

The school district reports the following major governmental funds:

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

**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.

**Equity in Distance Learning Fund** - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with providing technology equipment to students and teachers.

**Local Building Projects Fund** - This Capital Projects Funds is used to account for commitments made by the school board technology, school buses, capital improvements and game field turf replacement.

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

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

The District's fiduciary funds include the following:

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

**Accounts Payable Clearing** - This fund is used as a clearing account for non-payroll transactions.

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

**Scholarship Funds** - These funds are used to finance scholarships for students.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

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

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

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

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

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

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

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

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 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.



PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

# PASS CHRISTIAN SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

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

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

The following schedule details the capitalization thresholds:

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

### 7. Deferred outflows/inflows of resources

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

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

See Note 14 for further details.

### 8. Compensated Absences

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

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

### 9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

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

### 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees'

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the school board.

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

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

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

It is the policy of the Pass Christian School District to maintain a minimum fund balance in the General Fund that is not less than 7% of the revenues of the District Maintenance Fund (General Fund).

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

13. Related Parties

A member of the Pass Christian School Board is the vice president and chief executive officer of an insurance company that does business with the school district. The related party board member did not participate in the awarding of the bid for insurance coverage per the minutes of the board of education. The school district acquired \$1,327,966.54 in insurance coverage during the 2019-20 fiscal year from the insurance company. At fiscal year-end, there were no amounts either due from or due to the insurance company.

14. Accounting Standards Update

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

**Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,564,520 and \$1,082,506, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$412.

**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	\$ 242,706

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Major fund - local building project fund	\$ 75,000
	Other governmental funds	201,818
Other governmental funds	General Fund	2,973
Total		\$ 279,791

The transfer out of the General Fund was for the purpose of funding the extended school year and vocational program in the Other Governmental Funds. The transfer from Other Governmental Funds to the General Fund was to transfer interest to the 16<sup>th</sup> Section Interest Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and cash with fiscal agent totaling \$1,134,329 and \$412, respectively of the 16<sup>th</sup> Section Principal Fund, Debt Service Funds and other various funds which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

	Balance 7/1/2019	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2020
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 517,230					517,230
Construction-in-progress	172,155	2,035,612		(2,203,367)	(4,400)	0
Total non-depreciable capital assets	689,385	2,035,612	0	(2,203,367)	(4,400)	517,230
<u>Depreciable capital assets:</u>						
Buildings	70,649,587					70,649,587
Building improvements	107,806			2,203,367		2,311,173
Improvements other than buildings	6,968,943					6,968,943
Mobile equipment	2,911,784		(89,893)			2,821,891
Furniture and equipment	1,898,101	27,301	(29,317)		5,786	1,901,871
Total depreciable capital assets	82,536,221	27,301	(119,210)	2,203,367	5,786	84,653,465
<u>Less accumulated depreciation for:</u>						
Buildings	15,576,846	1,412,992				16,989,838
Building improvements	51,745	48,380				100,125
Improvements other than buildings	2,387,627	224,448				2,612,075
Mobile equipment	2,059,493	106,712	(80,904)			2,085,301
Furniture and equipment	1,703,355	51,268	(29,024)			1,725,599
Total accumulated depreciation	21,779,066	1,843,800	(109,928)	0	0	23,512,938
Total depreciable capital assets, net	60,757,155	(1,816,499)	(9,282)	2,203,367	5,786	61,140,527
Governmental activities capital assets, net	\$ 61,446,540	219,113	(9,282)	0	1,386	61,657,757

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 1,402,974
Support services	340,525
Non-instructional	100,301
Total depreciation expense - Governmental activities	\$ 1,843,800

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. General obligation bonds payable	\$ 9,260,000		505,000	8,755,000	530,000
B. Three mill notes payable	531,000	195,000	210,000	516,000	221,000
C. Compensated absences payable	165,293	7,411		172,704	13,816
Total	\$ 9,956,293	202,411	\$ 715,000	9,443,704	764,816

**A. General obligation bonds payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, series 2017	2.5-2.75	3/9/2017	3/1/2035	<u>\$ 10,000,000</u>	<u>8,755,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 530,000	223,125	753,125
2022	555,000	209,875	764,875
2023	580,000	196,000	776,000
2024	610,000	181,500	791,500
2025	640,000	166,250	806,250
2026 – 2030	3,090,000	583,000	3,673,000
2031 – 2035	<u>2,750,000</u>	<u>227,487</u>	<u>2,977,487</u>
Total	<u>\$ 8,755,000</u>	<u>1,787,237</u>	<u>10,542,237</u>

This debt will be retired from the Bond Issue 17 Retirement 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 during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2020, the amount of outstanding bonded indebtedness was equal to 4.3% of property assessments as of October 1, 2019.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes, series 2013	1.64	3/1/2013	3/1/2023	\$ 1,750,000	321,000
2. Limited tax notes, series 2020	1.87	5/1/2020	5/1/2022	195,000	195,000
Total				<u>\$ 1,945,000</u>	<u>516,000</u>

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

**1. Three mill notes payable series 2013:**

Year Ending June 30	Principal	Interest	Total
2021	\$ 105,000	5,264	110,264
2022	107,000	3,542	110,542
2023	109,000	1,788	110,788
Total	<u>\$ 321,000</u>	<u>10,594</u>	<u>331,594</u>

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

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

2. Three mill notes payable series 2020.

Year Ending June 30	Principal	Interest	Total
2021	\$ 116,000	3,647	119,647
2022	79,000	1,477	80,477
Total	<u>\$ 195,000</u>	<u>5,124</u>	<u>200,124</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 221,000	8,911	229,911
2022	186,000	5,019	191,019
2023	109,000	1,788	110,788
Total	<u>\$ 516,000</u>	<u>15,718</u>	<u>531,718</u>

**C. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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



# PASS CHRISTIAN SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$2,127,348, \$1,945,030 and \$1,707,767, respectively, which equaled the required contributions for each year.

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

At June 30, 2020, the school district reported a liability of \$33,357,723 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was .189619 percent, which was based on a measurement date of June 30, 2019. This was an increase of .019825 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$3,775,676. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,485	\$ 26,357
Net difference between projected and actual earnings on pension plan investments	0	291,960
Changes of assumptions	240,062	0
Changes in proportion and differences between District contributions and proportionate share of contributions	1,352,747	0
District contributions subsequent to the measurement date	2,127,348	0
<b>Total</b>	<b>\$ 3,734,642</b>	<b>\$ 318,317</b>

\$2,127,348 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30:</b>	
2021	\$ 555,151
2022	555,151
2023	251,666
2024	(72,991)

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

# PASS CHRISTIAN SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	100 %	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 43,849,883	\$ 33,357,723	\$ 24,697,387

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

**Note 8 – Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan.**

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

*Benefits provided.*

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

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$65,464 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$1,811,507 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was .21348488 percent. This was an increase of .00328105 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$117,335. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

# PASS CHRISTIAN SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,738	\$ 25,930
Changes of assumptions	135,053	93,935
Net difference between projected and actual earnings on OPEB plan investments	36	0
Changes in proportion and differences between District contributions and proportionate share of contributions	71,057	0
District contributions subsequent to the measurement date	65,464	0
Total	<u>\$ 274,348</u>	<u>\$ 119,865</u>

\$65,464 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2021	\$ 14,004
2022	14,004
2023	14,004
2024	15,271
2025	21,954
Thereafter	9,782

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

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate rate of 4.75% by 2028
Pre-Medicare	

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to

# PASS CHRISTIAN SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

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

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

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 2,012,268	\$ 1,811,507	\$ 1,639,737

*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	\$ 1,678,640	\$ 1,811,507	\$ 1,962,022

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

### Note 9 – Sixteenth Section Lands

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

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

Year Ending June 30	Amount
2021	\$ 8,609
2022	3,629
2023	3,629
2024	3,629
2025	3,629
2026 – 2030	9,150
2031 – 2035	6,263
2036 – 2040	1,513
Thereafter	322
Total	<u>\$ 40,373</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Error correction - restatement of prior period asset	\$ 7,535
2. Error correction - adjustment to capital assets	1,386
Total	<u>\$ 8,921</u>

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

Fund	Explanation	Amount
General Fund	Error correction - restatement of prior period asset	<u>\$ 7,535</u>

**Note 11 – Contingencies**

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

**Note 12 – Risk Management**

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

**Note 13 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated August 11, 2009 creating the Vocational Technical Training Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Pass Christian School District and the Hancock County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the

## PASS CHRISTIAN SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2020

construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Hancock County School District has been designated as the fiscal agent for the Vocational Technical Training Center, and the operations of the consortium are included in its financial statements. Pass Christian School District shall be assessed a minimum of 10% operational fee cost based on the total operational cost to Hancock County School District. If Pass Christian High School vocational population exceeds the 10% at Hancock County Vocational Center, then the assessed operational fee shall increase to proportionally match the population percentage.

#### **Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$20,189,021) 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 \$2,127,348 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$1,607,294 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$20,189,021) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$318,317 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$20,189,021) 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 \$65,464 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$208,884 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$20,189,021) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$119,865 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 15 – Economic Dependency**

The school district is significantly economically dependent on an ad valorem tax payer. In the event of a loss of ad valorem taxes from this payer, the district would encounter an economic hardship.

#### **Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through December 4, 2020, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION



**This page left blank intentionally.**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 10,414,946	10,910,899	10,910,899	495,953	0
State sources	9,444,052	9,445,526	9,445,526	1,474	0
Federal sources	61,307	27,904	27,904	(33,403)	0
Sixteenth section sources	18,889	28,849	28,849	9,960	0
Total Revenues	19,939,194	20,413,178	20,413,178	473,984	0
Expenditures					
Instruction	11,300,880	10,711,254	10,711,254	589,626	0
Support services	8,991,517	8,807,516	8,807,516	184,001	0
Sixteenth section	1,500	1,105	1,105	395	0
Total Expenditures	20,293,897	19,519,875	19,519,875	774,022	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(354,703)	893,303	893,303	1,248,006	0
Other Financing Sources (Uses)					
Insurance loss recoveries	7,060	0	0	(7,060)	0
Sale of other property	0	3,200	3,200	3,200	0
Operating transfers in	1,048,919	0	2,973	(1,048,919)	2,973
Operating transfers out	(1,270,493)	(1,772,196)	(276,818)	(501,703)	1,495,378
Total Other Financing Sources (Uses)	(214,514)	(1,768,996)	(270,645)	(1,554,482)	1,498,351
Net Change in Fund Balances			622,658		
Fund Balances					
July 1, 2019, as previously reported			5,441,932		
Prior period adjustments			7,535		
July 1, 2019, as restated			5,449,467		
June 30, 2020			\$ 6,072,125		

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

## PASS CHRISTIAN SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Equity in Distance Learning Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 0	240,342	240,342	240,342	0
Total Revenues	0	240,342	240,342	240,342	0
Expenditures					
Instruction	0	240,342	240,342	(240,342)	0
Total Expenditures	0	240,342	240,342	(240,342)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2019			0		
June 30, 2020			\$ 0		

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

PASS CHRISTIAN SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years \*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.189619%	0.169794%	0.177816%	0.173448%	0.174362%	0.171318%
District's proportionate share of the net pension liability	\$ 33,357,723	28,241,787	29,559,054	30,982,144	26,952,927	20,756,269
District's covered payroll	\$ 12,349,397	10,842,965	11,407,022	11,095,873	10,893,156	10,468,400
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.43%	198.28%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

PASS CHRISTIAN SCHOOL DISTRICT  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,127,348	1,945,030	1,707,767	1,796,606	1,747,600	1,715,672
Contributions in relation to the contractually required contribution	2,127,348	1,945,030	1,707,767	1,796,606	1,747,600	1,715,672
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 12,226,128	12,349,397	10,842,965	11,407,022	11,095,873	10,893,156
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

PASS CHRISTIAN SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net OPEB Liability  
OPEB  
Last 10 Fiscal Years \*

	2020	2019	2018
District's proportion of the net OPEB liability	0.21348488%	0.21020383%	0.20872369%
District's proportionate share of the net OPEB liability	\$ 1,811,507	1,626,032	1,637,665
Covered employee payroll	\$ 12,349,397	10,842,965	11,407,022
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	14.67%	15.00%	14.36%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PASS CHRISTIAN SCHOOL DISTRICT  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years

	2020	2019	2018
Actuarially determined contribution	\$ 65,464	72,611	69,816
Contributions in relation to the actuarially determined contribution	65,464	72,611	69,816
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 12,226,128	12,349,397	10,842,965
Contributions as a percentage of covered employee payroll	0.54%	0.59%	0.64%

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

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

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

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%



PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

(2) *Changes in benefit provisions*

2017: None

PASS CHRISTIAN SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

2018: None

2019: None

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

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

This page left blank intentionally.

## SUPPLEMENTARY INFORMATION

This page left blank intentionally.

PASS CHRISTIAN SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 224,509
National school lunch program	10.555	205MS326N1099	820,819
COVID-19 - summer food service program for children	10.559	205MS326N1099	84,914
Total child nutrition cluster			<u>1,130,242</u>
Total passed-through Mississippi Department of Education			<u>1,130,242</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,130,242</u>
<b><u>Department of the Treasury</u></b>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus relief fund	21.019	*	<u>240,342</u>
Total passed-through the Mississippi Department of Education			<u>240,342</u>
<b>Total Department of the Treasury</b>			<u>240,342</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A190024	674,456
Supporting effective instruction - state grants	84.367	S367A190023	102,760
Student support and academic enrichment program	84.424	S424A190025	50,647
COVID-19 - Education stabilization fund (ESSER)	84.425	S425D200031	73,886
Total			<u>901,749</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108	567,818
Special education - preschool grants	84.173	H173A190113	19,833
Total special education cluster			<u>587,651</u>
Total passed-through Mississippi Department of Education			<u>1,489,400</u>
<b>Total U.S. Department of Education</b>			<u>1,489,400</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	*	<u>6,304</u>
Total passed-through Mississippi Department of Education			<u>6,304</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>6,304</u>
Total for All Federal Awards			<u>\$ 2,866,288</u>

\* See item (6) in the Notes to the Supplementary Information

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

PASS CHRISSTIAN SCHOOL DISTRICT  
Notes to the Supplementary Information  
For the Year Ended June 30, 2020

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$82,643 are included in the National School Lunch Program.

(5) Other Items

As allowed by federal regulations, the school district elected to transfer program funds. The district expended \$56,000 from its Supporting Effective Instruction - State Grants CFDA # 84.367 and \$42,000 from Student Support and Academic Enrichment Program CFDA # 84.424 on allowable activities of the Title I - Grants to Local Educational Agencies CFDA # 84.010. These amounts are reflected in the expenditures of Title I - Grants to Local Educational Agencies.

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

(6) Pass Through Entity Identifying Number

Pass through numbers have not been provided by the Mississippi Department of Education.

PASS CHRISTIAN SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2020

<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	\$ 16,760,265	12,337,284	1,132,018	1,336,674	1,954,289
Other	9,960,003	2,570,646	233,151	58,879	7,097,327
Total	<u>26,720,268</u>	<u>14,907,930</u>	<u>1,365,169</u>	<u>1,395,553</u>	<u>9,051,616</u>
Total number of students	<u>2,002</u>				
Cost per student	<u>\$ 13,347</u>	<u>7,447</u>	<u>682</u>	<u>697</u>	<u>4,521</u>

Notes to the schedule.

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

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

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

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

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

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



This page left blank intentionally.

## OTHER INFORMATION

This page left blank intentionally.

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

UNAUDITED

	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 10,910,899	10,376,587	10,006,226	9,848,466
State sources	9,445,526	9,002,325	8,987,179	8,791,250
Federal sources	27,904	72,906	65,451	134,493
Sixteenth section sources	28,849	16,330	20,033	19,008
Total Revenues	<u>20,413,178</u>	<u>19,468,148</u>	<u>19,078,889</u>	<u>18,793,217</u>
Expenditures				
Instruction	10,711,254	10,272,349	10,172,680	9,886,803
Support services	8,807,516	8,715,955	8,313,454	7,979,711
Sixteenth section	1,105	1,396	922	1,113
Total Expenditures	<u>19,519,875</u>	<u>18,989,700</u>	<u>18,487,056</u>	<u>17,867,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>893,303</u>	<u>478,448</u>	<u>591,833</u>	<u>925,590</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	0	4,395	49,540	27,174
Sale of other property	3,200	1,332	0	0
Operating transfers in	2,973	8,589	1,475	1,398
Operating transfers out	(276,818)	(342,828)	(177,944)	(282,762)
Total Other Financing Sources (Uses)	<u>(270,645)</u>	<u>(328,512)</u>	<u>(126,929)</u>	<u>(254,190)</u>
Net Change in Fund Balances	<u>622,658</u>	<u>149,936</u>	<u>464,904</u>	<u>671,400</u>
Fund Balances:				
Beginning of period, as previously reported	5,441,932	5,291,996	4,827,092	4,155,692
Prior period adjustments	<u>7,535</u>	<u>0</u>		<u>0</u>
Beginning of period, as restated	<u>5,449,467</u>	<u>5,291,996</u>	<u>4,827,092</u>	<u>4,155,692</u>
End of period	<u>\$ 6,072,125</u>	<u>5,441,932</u>	<u>5,291,996</u>	<u>4,827,092</u>

\* Source - Prior year audit reports.

## PASS CHRISTIAN SCHOOL DISTRICT

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

## All Governmental Funds

## Last Four Years

## UNAUDITED

	2020	2019*	2018*	2017*
<b>Revenues</b>				
Local sources	\$ 12,189,395	11,900,250	11,441,603	11,448,732
State sources	9,947,522	9,417,552	9,418,189	9,101,366
Federal sources	2,714,036	2,378,621	2,182,872	2,033,152
Sixteenth section sources	31,156	17,085	20,739	19,711
<b>Total Revenues</b>	<b>24,882,109</b>	<b>23,713,508</b>	<b>23,063,403</b>	<b>22,602,961</b>
<b>Expenditures</b>				
Instruction	12,422,387	11,518,155	11,388,447	10,770,019
Support services	10,320,942	10,533,841	9,822,860	8,862,827
Noninstructional services	977,511	1,064,208	1,028,806	999,954
Sixteenth section	2,185	1,396	922	1,113
Facilities acquisition and construction	2,035,612	2,881,585	6,209,975	484,209
Debt service				
Principal	715,000	880,000	1,580,000	1,236,000
Interest	245,031	263,412	286,577	77,157
Other	1,600	1,600	2,310	21,520
<b>Total Expenditures</b>	<b>26,720,268</b>	<b>27,144,197</b>	<b>30,319,897</b>	<b>22,452,799</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,838,159)</b>	<b>(3,430,689)</b>	<b>(7,256,494)</b>	<b>150,162</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of general obligation bonds	0	0	0	10,000,000
Proceeds of loans	195,000	195,000	195,000	0
Insurance loss recoveries	0	4,395	49,540	27,174
Sale of other property	3,200	1,332	0	0
Operating transfers in	279,791	680,151	308,218	284,160
Other financing sources	0	0	0	170,235
Operating transfers out	(279,791)	(680,151)	(308,218)	(284,160)
<b>Total Other Financing Sources (Uses)</b>	<b>198,200</b>	<b>200,727</b>	<b>244,540</b>	<b>10,197,409</b>
<b>Net Change in Fund Balances</b>	<b>(1,639,959)</b>	<b>(3,229,962)</b>	<b>(7,011,954)</b>	<b>10,347,571</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	14,255,754	17,496,481	24,494,275	14,139,357
Prior period adjustments	7,535	3,231	0	7,450
Beginning of period, as restated	14,263,289	17,499,712	24,494,275	14,146,807
Increase (Decrease) in reserve for inventory	24,408	(13,996)	14,160	(103)
<b>End of period</b>	<b>\$ 12,647,738</b>	<b>14,255,754</b>	<b>17,496,481</b>	<b>24,494,275</b>

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, MS 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

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

### Independent Auditor's Report

Superintendent and School Board  
Pass Christian School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pass Christian School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pass Christian School District's basic financial statements, and have issued my report thereon dated December 4, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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



### **Purpose of this Report**

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

*Charles L Shivers, CPA, LLC*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
December 4, 2020

# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, MS 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

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

### Independent Auditor's Report

Superintendent and School Board  
Pass Christian School District

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

I have audited Pass Christian School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pass Christian School District's major federal programs for the year ended June 30, 2020. Pass Christian School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Pass Christian School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pass Christian School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Pass Christian School District's compliance.

#### ***Opinion on Each Major Federal Program***

In my opinion, Pass Christian School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

#### **Report on Internal Control Over Compliance**

Management of Pass Christian School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I

considered Pass Christian School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Pass Christian School District's internal control over compliance.

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

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

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

*Charles L Shivers, CPA, LLC*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
December 4, 2020

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

This page left blank intentionally.

# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, MS 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

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

Superintendent and School Board  
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2020, which collectively comprise Pass Christian School District's basic financial statements and have issued my report thereon dated December 4, 2020. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and Pass Christian School District's response are as follows:

### Finding No. 1

CONDITION: Seven Public Employees Retirement System (PERS) retirees out of sample of nine had a PERS Form 4B for reemployment which was dated by management beyond the five days of the employment date. This is a repeat finding from the prior year. Due to the timing of the audits, management was unable to correct this matter until October 30, 2019.

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

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

POTENTIAL EFFECT OF CONDITION: The effect of the condition could be construed to be a matter of noncompliance.

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

SCHOOL DISTRICT RESPONSE: The Business Manager was made aware of the time restrictions outlined in Section 25-11-127(4)(b), Miss. Code Ann. (1972) requiring Form 4B to be completed and submitted to PERS within five (5) days of employment during October 2019, after the forms for 2019-2020 forms had been processed. Procedures have been adjusted to ensure the Form 4B is signed and filed within the five (5) day deadline. For the 2020-2021 fiscal year, the district expects to have fewer Form 4B filed outside of the deadline due to the need for additional controls to be implemented.

#### Finding No. 2

CONDITION: The school board is operating a private purpose trust fund (scholarship fund) that provides scholarships to students. According to an opinion of the Mississippi Attorney General, the school board does not have the authority to provide scholarships to students.

CRITERIA: According to a 1980 opinion of the Mississippi Attorney General (reference 1980 WL 28797), it states "We are unable to find any authority whereby the school board could administer a scholarship fund."

CAUSE OF CONDITION: The cause of the condition is an apparent oversight by school management.

POTENTIAL EFFECT OF CONDITION: The effect of the condition could be constructed to be a violation of state law.

RECOMMENDATION: It is recommended that the school board consult with legal counsel to seek a resolution that will be acceptable to the State Auditor of the State of Mississippi.

SCHOOL DISTRICT RESPONSE: The Business Manager is working with legal counsel to seek the best resolution that will be acceptable to the State Auditor of the State of Mississippi in regards to the private purpose trust fund (scholarship fund) that provides scholarships for students.

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

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

*Charles L Shivers, CPA, LLC*

Charles L. Shivers, CPA, LLC

Ridgeland, MS

December 4, 2020

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



This page left blank intentionally.

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

**Section I: Summary of Auditor's Results**

**Financial Statements:**

- |    |                                                                                      |               |
|----|--------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                   | Unmodified    |
| 2. | Noncompliance material to the basic financial statements noted?                      | No            |
| 3. | Internal control over financial reporting:                                           |               |
| a. | Material weaknesses identified?                                                      | No            |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |         |                                                                                                                                                                                                               |               |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4.      | Type of auditor's report issued on compliance for major federal programs:                                                                                                                                     | Unmodified    |
| 5.      | Internal control over major programs:                                                                                                                                                                         |               |
| a.      | Material weaknesses identified?                                                                                                                                                                               | No            |
| b.      | Significant deficiency identified that are not considered to be material weaknesses?                                                                                                                          | None Reported |
| 6.      | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                                                                                                          | No            |
| 7.      | Federal program identified as major program:                                                                                                                                                                  |               |
| a.      | COVID-19 – Coronavirus relief fund                                                                                                                                                                            |               |
| CFDA #: | 21.019                                                                                                                                                                                                        |               |
| b.      | Special education cluster                                                                                                                                                                                     |               |
| CFDA #: | 84.027                                                                                                                                                                                                        |               |
| CFDA #: | 84.173                                                                                                                                                                                                        |               |
| 8.      | The dollar threshold used to distinguish between type A and type B programs:                                                                                                                                  | \$750,000     |
| 9.      | Auditee qualified as a low-risk auditee?                                                                                                                                                                      | Yes           |
| 10.     | Prior fiscal year audit findings(s) and questioned costs relative to federal Awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No            |

**Section II: Financial Statement Findings**

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

**Section III: Federal Award Findings and Questioned Costs**

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

This page left blank intentionally.