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GEORGE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2020

GEORGE COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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## **INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
George County School District

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

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

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

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

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

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

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

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

### ***Opinions***

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

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-14, 46-48, 49, 50, 51, and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2020 on our consideration of the George County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the George County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering George County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 23, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

The following discussion and analysis of George County School District's financial performance provides an overview of the George County School District's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the George County 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 George County School District's financial performance.

## FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$3,311,473, including a prior period adjustment of \$269,958, which represents a 12% decrease from fiscal year 2019. Total net position for 2019 decreased \$2,751,527 including a prior period adjustment of (\$30,470), which represents a 10.7% decrease from fiscal year 2018.
- General revenues amounted to \$28,889,136 and \$28,112,379, or 79% and 80% 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 \$7,847,097, or 21% of total revenues for 2020, and \$6,915,181, or 20% of total revenues for 2019.
- The District had \$40,317,664 and \$37,748,617 in expenses for fiscal years 2020 and 2019; only \$7,847,097 for 2020 and \$6,915,181 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,889,136 for 2020 and \$28,112,379 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$29,528,562 in revenues and \$28,436,078 in expenditures for 2020, and \$28,370,480 in revenues and \$27,546,480 in expenditures in 2019. The General Fund's fund balance increased by \$765,831, which includes a prior period adjustment of \$269,958, from 2019 to 2020, and increased by \$71,596 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$636,559 for 2020 and decreased by \$674,515, including a prior period adjustment of (\$30,470) for 2019. The decrease for 2020 was due to current year additions net of the increase in accumulated depreciation.
- Long-term debt decreased by \$438,749 for 2020 and increased by \$482,260 for 2019. This decrease for 2020 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$1,000 for 2020 and increased by \$24,786 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.

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

Bond and note proceeds result in liabilities on government-wide financial statements, but are

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

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 major special revenue fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$31,752,215 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.

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 6,068,465	\$ 4,030,390	50.57 %
Restricted assets	3,856,461	4,402,530	(12.40) %
Capital assets, net	23,524,427	24,160,986	(2.63) %
<b>Total assets</b>	<b>33,449,353</b>	<b>32,593,906</b>	<b>2.62 %</b>
 <b>Deferred outflows of resources</b>	 <b>8,636,204</b>	 <b>5,124,276</b>	 <b>68.54 %</b>
 Current liabilities	 1,400,652	 358,685	 290.50 %
Long-term debt outstanding	9,186,377	9,626,126	(4.57) %
Net OPEB liability	3,894,739	3,428,617	13.60 %
Net pension liability	58,481,875	51,163,850	14.30 %
<b>Total liabilities</b>	<b>72,963,643</b>	<b>64,577,278</b>	<b>12.99 %</b>
 <b>Deferred inflows of resources</b>	 <b>874,129</b>	 <b>1,581,646</b>	 <b>(44.73) %</b>
 <b>Net position:</b>			
Net investment in capital assets	14,739,427	14,985,986	(1.65) %
Restricted	5,666,257	5,982,049	(5.28) %
Unrestricted	(52,157,899)	(49,408,777)	(5.56) %
<b>Total net position</b>	<b>\$ (31,752,215)</b>	<b>\$ (28,440,742)</b>	<b>(11.64) %</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)	\$ (52,157,899)
Less unrestricted deficit in net position resulting from recognition of the net pension and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	   <u>54,614,539</u>
Unrestricted net position, exclusive of the net pension and net OPEB liability effect	  <u>\$ 2,456,640</u>

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

- Decrease in net capital assets in the amount of \$636,559.
- The principal retirement of \$438,749 of long-term debt.

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$36,736,233 and \$35,027,560, respectively. The total cost of all programs and services was \$40,317,664 for 2020 and \$37,748,617 for 2019.

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

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,001,624	\$ 1,207,265	(17.03) %
Operating grants and contributions	6,845,473	5,707,916	19.93 %
General revenues:			
Property taxes	7,375,125	7,027,496	4.95 %
Grants and contributions not restricted	20,843,616	20,647,716	0.95 %
Investment earnings	203,339	124,797	62.94 %
Sixteenth section	57,800	161,378	(64.18) %
Other	409,256	150,992	171.04 %
<b>Total revenues</b>	<b>36,736,233</b>	<b>35,027,560</b>	<b>4.88 %</b>
<b>Expenses:</b>			
Instruction	20,172,801	19,046,850	5.91 %
Support services	10,284,170	10,161,585	1.21 %
Non-instructional	2,316,449	2,352,199	(1.52) %
Sixteenth section	16,629	22,423	(25.84) %
Pension expense	7,116,187	5,822,970	22.21 %
OPEB expense	283,528	201,513	40.70 %
Interest on long-term liabilities	127,900	141,077	(9.34) %
<b>Total expenses</b>	<b>40,317,664</b>	<b>37,748,617</b>	<b>6.81 %</b>
<b>Increase (Decrease) in net position</b>	<b>(3,581,431)</b>	<b>(2,721,057)</b>	<b>(31.62) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(28,440,742)</b>	<b>(25,689,215)</b>	<b>(10.71) %</b>
<b>Prior Period Adjustment</b>	<b>269,958</b>	<b>(30,470)</b>	<b>985.98 %</b>
<b>Net Position, July 1, as restated</b>	<b>(28,170,784)</b>	<b>(25,719,685)</b>	<b>(9.53) %</b>
<b>Net Position, June 30</b>	<b>\$ (31,752,215)</b>	<b>\$ (28,440,742)</b>	<b>(11.64) %</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.

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ 20,172,801	\$ 19,046,850	5.91 %
Support services	10,284,170	10,161,585	1.21 %
Non-instructional	2,316,449	2,352,199	(1.52) %
Sixteenth section	16,629	22,423	(25.84) %
Pension Expense	7,116,187	5,822,970	22.21 %
OPEB Expense	283,528	201,513	40.70 %
Interest on long-term liabilities	127,900	141,077	(9.34) %
<b>Total expenses</b>	<b>\$ 40,317,664</b>	<b>\$ 37,748,617</b>	<b>6.81 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ (15,856,298)	\$ (15,431,333)	(2.75) %
Support services	(8,792,491)	(9,094,056)	3.32 %
Non-instructional	(277,534)	(120,064)	(131.16) %
Sixteenth section	(16,629)	(22,423)	25.84 %
Pension Expense	(7,116,187)	(5,822,970)	(22.21) %
OPEB Expense	(283,528)	(201,513)	(40.70) %
Interest on long-term liabilities	(127,900)	(141,077)	9.34 %
<b>Total net (expense) revenue</b>	<b>\$ (32,470,567)</b>	<b>\$ (30,833,436)</b>	<b>(5.31) %</b>

- Net cost of governmental activities (\$32,470,567 for 2020 and \$30,833,436 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$7,375,125 for 2020 and \$7,027,496 for 2019) and state and federal revenues (\$20,843,616 for 2020 and \$20,647,716 for 2019). In addition, there was \$57,800 and \$161,378 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$203,339 for 2020 and \$124,797 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 \$8,587,218, an increase of \$449,687, which includes a prior period adjustment of \$269,958 and an increase in inventory of \$30,520. \$2,498,926 or 29% 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

GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

\$6,088,292 or 71% 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 \$765,831, including a prior period adjustment of \$269,958. The fund balance of Other Governmental Funds showed a decrease in the amount of \$736,213, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ (133,375)
Title I Fund	No Increase or Decrease
QSCB 2009 Sinking Fund	153,363
QSCB 2013 Sinking Fund	400,081

## 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 George County School District.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$45,487,715, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$130,053 from 2019. Total accumulated depreciation as of June 30, 2020, was \$21,963,288, and total depreciation expense for the year was \$961,423, resulting in total net capital assets of \$23,524,427.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 530,657	\$ 522,157	1.63 %
Buildings	19,301,575	19,850,512	(2.77) %
Building improvements	1,658,292	1,757,498	(5.64) %
Improvements other than buildings	348,331	367,354	(5.18) %
Mobile equipment	1,540,263	1,508,794	2.09 %
Furniture and equipment	145,309	154,671	(6.05) %
<b>Total</b>	<b>\$ 23,524,427</b>	<b>\$ 24,160,986</b>	<b>(2.63) %</b>

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



GEORGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

**Debt Administration.** At June 30, 2020, the District had \$9,186,377 in outstanding long-term debt, of which \$445,401 is due within one year. The liability for compensated absences decreased \$1,000 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,305,000	\$ 3,465,000	(4.62) %
Three mill notes payable	480,000	710,000	(32.39) %
Shortfall notes payable	102,511	151,260	(32.23) %
Qualified school construction bond payable	5,000,000	5,000,000	0.00 %
Compensated absences payable	298,866	299,866	(0.33) %
<b>Total</b>	<b><u>\$ 9,186,377</u></b>	<b><u>\$ 9,626,126</u></b>	<b><u>(4.57) %</u></b>

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

## CURRENT ISSUES

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

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the George County School District, 5152 Main Street, Lucedale, MS 39452.

## FINANCIAL STATEMENTS

**GEORGE COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2020**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,768,967
Due from other governments	1,210,610
Inventories	88,888
Restricted assets	3,856,461
Capital assets, non-depreciable:	
Land	530,657
Capital assets, net of accumulated depreciation:	
Buildings	19,301,575
Building improvements	1,658,292
Improvements other than buildings	348,331
Mobile equipment	1,540,263
Furniture and equipment	145,309
Total Assets	<u>33,449,353</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	7,895,576
Deferred outflows - OPEB	740,628
Total deferred outflows of resources	<u>8,636,204</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,337,708
Interest payable on long-term liabilities	62,944
Long-term liabilities, due within one year:	
Capital related liabilities	395,000
Non-capital related liabilities	50,401
Net OPEB liability	145,669
Long-term liabilities, due beyond one year:	
Capital related liabilities	8,390,000
Non-capital related liabilities	350,976
Net pension liability	58,481,875
Net OPEB liability	3,749,070
Total Liabilities	<u>72,963,643</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	616,419
Deferred inflows - OPEB	257,710
Total deferred inflows of resources	<u>874,129</u>
<b>Net Position</b>	
Net investment in capital assets	14,739,427
Restricted for:	
Expendable:	
School-based activities	1,342,354
Debt service	3,625,447
Forestry improvements	386,326
Unemployment benefits	108,448
Non-expendable:	
Sixteenth section principal	203,682
Unrestricted	(52,157,899)
Total Net Position	<u>\$ (31,752,215)</u>

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

**GEORGE COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2020**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 20,172,801	\$ 676,595	\$ 3,639,908	\$ -		\$ (15,856,298)
Support services	10,284,170	-	1,491,679	-		(8,792,491)
Non-instructional	2,316,449	325,029	1,713,886	-		(277,534)
Sixteenth section	16,629	-	-	-		(16,629)
Pension expense	7,116,187	-	-	-		(7,116,187)
OPEB expense	283,528	-	-	-		(283,528)
Interest on long-term liabilities	127,900	-	-	-		(127,900)
Total Governmental Activities	<u>\$ 40,317,664</u>	<u>\$ 1,001,624</u>	<u>\$ 6,845,473</u>	<u>\$ -</u>		<u>\$ (32,470,567)</u>

General Revenues:

Taxes:

General purpose levies

6,662,761

Debt purpose levies

712,364

Unrestricted grants and contributions:

State

20,603,506

Federal

240,110

Unrestricted investment earnings

203,339

Sixteenth section

57,800

Other

409,256

Total General Revenues

28,889,136

Change in Net Position

(3,581,431)

Net Position - Beginning, as previously reported

(28,440,742)

Prior Period Adjustments

269,958

Net Position - Beginning, as restated

(28,170,784)

Net Position - Ending

\$ (31,752,215)

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

**GEORGE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2020**

	Major Funds						
	General Fund	Child Nutrition Fund	Title I Fund	QSCB 2009 Sinking Fund	QSCB 2013 Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash and cash equivalents	\$ 3,169,879	\$ 1,004,183	\$ 5,407	\$ -	\$ -	\$ 1,742,548	\$ 5,922,017
Cash with fiscal agents	-	-	-	14,873	244	-	15,117
Investments	-	-	-	1,245,000	1,443,294	-	2,688,294
Due from other governments	659,620	1,864	203,885	-	-	345,241	1,210,610
Due from other funds	362,728	-	-	-	-	105,913	468,641
Inventories	-	88,888	-	-	-	-	88,888
Total assets	4,192,227	1,094,935	209,292	1,259,873	1,443,538	2,193,702	10,393,567
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 1,334,210	\$ 62	\$ -	\$ -	\$ -	\$ 3,436	\$ 1,337,708
Due to other funds	-	-	209,292	-	-	259,349	468,641
Total Liabilities	1,334,210	62	209,292	-	-	262,785	1,806,349
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Permanent fund principal	-	-	-	-	-	203,682	203,682
Inventory	-	88,888	-	-	-	-	88,888
<b>Restricted:</b>							
Debt service	-	-	-	1,259,873	1,443,538	984,980	3,688,391
Forestry improvements	-	-	-	-	-	386,326	386,326
Grant activities	-	1,005,985	-	-	-	247,481	1,253,466
Unemployment benefits	-	-	-	-	-	108,448	108,448
<b>Assigned:</b>							
Student activities	359,091	-	-	-	-	-	359,091
<b>Unassigned</b>	2,498,926	-	-	-	-	-	2,498,926
Total Fund Balances	2,858,017	1,094,873	-	1,259,873	1,443,538	1,930,917	8,587,218
Total Liabilities and Fund Balances	\$ 4,192,227	\$ 1,094,935	\$ 209,292	\$ 1,259,873	\$ 1,443,538	\$ 2,193,702	\$ 10,393,567

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

**GEORGE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**

**Exhibit C-1**

**June 30, 2020**

**Total fund balances for governmental funds** \$ 8,587,218

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	530,657	
Buildings	33,666,730	
Building improvements	3,098,165	
Improvements other than buildings	1,198,905	
Mobile equipment	4,944,344	
Furniture and equipment	2,048,914	
Accumulated depreciation	<u>(21,963,288)</u>	23,524,427

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(58,481,875)	
Deferred outflow s and inflow s of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to pensions	7,895,576	
Deferred inflow s of resources related to pensions	<u>(616,419)</u>	(51,202,718)

4. 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	(3,894,739)	
Deferred outflow s and inflow s of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to OPEB	740,628	
Deferred inflow s of resources related to OPEB	<u>(257,710)</u>	(3,411,821)

5. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds payable	(3,305,000)	
Three mill notes payable	(480,000)	
Shortfall notes payable	(102,511)	
Qualified school construction bonds	(5,000,000)	
Compensated absences	(298,866)	
Accrued interest payable	<u>(62,944)</u>	(9,249,321)

**Net position of governmental activities** \$ (31,752,215)

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

**GEORGE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2020**

	Major Funds						
	General Fund	Child Nutrition Fund	Title I Fund	QSCB 2009 Sinking Fund	QSCB 2013 Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Local sources	\$ 7,654,631	\$ 353,138	\$ -	\$ 26,636	\$ 36,331	\$ 908,972	\$ 8,979,708
State sources	21,564,714	21,039	-	-	-	1,412,275	22,998,028
Federal sources	246,493	1,640,700	1,001,335	-	-	1,802,532	4,691,060
Sixteenth section	62,724	-	-	-	-	16,188	78,912
Total Revenues	29,528,562	2,014,877	1,001,335	26,636	36,331	4,139,967	36,747,708
<b>Expenditures:</b>							
Instruction	18,662,197	-	740,952	-	-	3,136,987	22,540,136
Support services	9,754,333	156,186	517,643	-	-	952,255	11,380,417
Noninstructional services	10,715	1,781,658	5,029	-	-	276,943	2,074,345
Sixteenth section	333	-	-	-	-	16,296	16,629
Facilities acquisition and construction	8,500	-	-	-	-	-	8,500
Debt service:							
Principal	-	-	-	-	-	438,749	438,749
Interest	-	-	-	-	-	122,752	122,752
Other	-	-	-	2,500	1,250	1,750	5,500
Total Expenditures	28,436,078	1,937,844	1,263,624	2,500	1,250	4,945,732	36,587,028
Excess (Deficiency) of Revenues over (under) Expenditures	1,092,484	77,033	(262,289)	24,136	35,081	(805,765)	160,680
<b>Other Financing Sources (Uses):</b>							
Operating transfers in	783,986	-	282,354	129,227	365,000	1,610,233	3,170,800
Other financing sources	-	-	1	-	-	3	4
Operating transfers out	(1,369,122)	(240,928)	(20,066)	-	-	(1,540,684)	(3,170,800)
Other financing uses	(11,475)	-	-	-	-	-	(11,475)
Total Other Financing Sources (Uses)	(596,611)	(240,928)	262,289	129,227	365,000	69,552	(11,471)
Net Change in Fund Balances	495,873	(163,895)	-	153,363	400,081	(736,213)	149,209
<b>Fund Balances:</b>							
July 1, 2019, as previously reported	2,092,186	1,228,248	-	1,106,510	1,043,457	2,667,130	8,137,531
Prior period adjustments	269,958	-	-	-	-	-	269,958
July 1, 2019, as restated	2,362,144	1,228,248	-	1,106,510	1,043,457	2,667,130	8,407,489
Increase (Decrease) in reserve for inventory	-	30,520	-	-	-	-	30,520
June 30, 2020	\$ 2,858,017	\$ 1,094,873	\$ -	\$ 1,259,873	\$ 1,443,538	\$ 1,930,917	\$ 8,587,218

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

**GEORGE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 149,209

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 333,768	
Depreciation expense	<u>(961,423)</u>	(627,655)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		
		(8,904)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	438,749	
Accrued interest payable	<u>352</u>	439,101
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(7,116,187)	
Contributions subsequent to the measurement date	<u>3,689,344</u>	(3,426,843)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense	(283,528)	
Contributions subsequent to the measurement date	<u>145,669</u>	(137,859)
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	1,000	
Change in inventory reserve	<u>30,520</u>	<u>31,520</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ (3,581,431)</u></u>

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



# GEORGE COUNTY SCHOOL DISTRICT

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

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

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

#### **A. Financial Reporting Entity**

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

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

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

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

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

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

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

## GEORGE COUNTY SCHOOL DISTRICT

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

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

The school district reports the following major governmental funds:

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

Child Nutrition Fund – This fund accounts for the food service activity of the school district.

Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

2009 QSCB Fund – This fund accounts for the sinking fund activities of the 2009 qualified school construction bonds.

2013 QSCB Fund – This fund accounts for the sinking fund activities of the 2013 qualified school construction bonds.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to

# GEORGE COUNTY SCHOOL DISTRICT

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

reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

### **D. Encumbrances**

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

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

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

Cash and cash equivalents

# GEORGE COUNTY SCHOOL DISTRICT

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

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

### Investments

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

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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

# GEORGE COUNTY SCHOOL DISTRICT

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

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

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

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

The following schedule details the capitalization thresholds:

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

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

### 7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$7,895,576 of deferred outflows related to its pension plan and \$740,628 related to its OPEB plan.

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 district reports \$616,419 of deferred inflows related to its pension plan and \$257,710 related to its OPEB plan.

See Note 14 for further details.

### 8. Compensated Absences

# GEORGE COUNTY SCHOOL DISTRICT

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

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 and Bond Discounts/Premiums

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

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

### 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 11. Postemployment Benefits Other than Pensions (OPEB)

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

### 12. Fund Balances

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

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

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes

## GEORGE COUNTY SCHOOL DISTRICT

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

receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

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

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

#### 13. Accounting Standards Update

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

The District has elected to early implement Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets and (2) the beneficiaries with whom the relationship exists. This means school district clearing and club funds, which were previously reported as agency funds in the statement of fiduciary net position, will no longer meet the requirements to be considered fiduciary. As a fiduciary fund, these activities have not been required to report revenue and expenses and have not been included in the government-wide financial statements. Beginning July 1, 2019, school clearing and student club funds are reported in the general fund. As part of the general fund, they are included in the governmental fund statements as well as in governmental activities in the government-wide financial statements.

## GEORGE COUNTY SCHOOL DISTRICT

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

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

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

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

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

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,922,017.

*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.

#### **Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$15,117.



GEORGE COUNTY SCHOOL DISTRICT

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

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AA+	1-5 years	\$ 1,245,000
Trustmark - Construction Bonds			
Common Trust Fund 2012-A	Unrated	Less than one year	1,443,294
Total			<u>\$ 2,688,294</u>

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

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

- U.S. government securities and Common Trust Fund type of investments of \$2,688,294 are valued using quoted market prices (Level 1 inputs)

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

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

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

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2020, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	\$ 1,245,000	46%
Trustmark - Construction Bonds		
Common Trust Fund 2012-A	1,443,294	54%
Total	<u>\$ 2,688,294</u>	<u>100%</u>

GEORGE COUNTY SCHOOL DISTRICT

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 209,292
	Other governmental funds	153,436
Other governmental funds	Other governmental funds	105,913
Total		<u>\$ 468,641</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,369,122
Child Nutrition Fund	General Fund	126,875
	Other governmental funds	114,053
Title I Fund	General Fund	20,066
Other governmental funds	General Fund	637,045
	Title I Fund	282,354
	QSCB 2009 Sinking Fund	129,227
	QSCB 2013 Sinking Fund	365,000
	Other governmental funds	127,058
Total		<u>\$ 3,170,800</u>

The primary reason for the interfund transfers was for debt service requirements, federal grant allocations and the funding of various programs within the district.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$203,682, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, restricted assets represent the cash balance, totaling \$949,368 of the debt service funds that is restricted for future debt service requirements.

In addition, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$14,873 and \$1,245,000, respectively, of the 2009 QSCB Bond Fund.

In addition, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$244 and \$1,443,294, respectively, of the 2013 QSCB Bond Fund.

GEORGE COUNTY SCHOOL DISTRICT

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

**Note 5 – Capital Assets**

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

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 522,157	\$ 8,500	\$ -	\$ 530,657
Total non-depreciable capital assets	522,157	8,500	-	530,657
<u>Depreciable capital assets:</u>				
Buildings	33,666,730	-	-	33,666,730
Building improvements	3,098,165	-	-	3,098,165
Improvements other than buildings	1,198,905	-	-	1,198,905
Mobile equipment	4,791,613	287,615	(134,884)	4,944,344
Furniture and equipment	2,080,092	37,653	(68,831)	2,048,914
Total depreciable capital assets	44,835,505	325,268	(203,715)	44,957,058
<u>Less accumulated depreciation for:</u>				
Buildings	13,816,218	548,937	-	14,365,155
Building improvements	1,340,667	99,206	-	1,439,873
Improvements other than buildings	831,551	19,023	-	850,574
Mobile equipment	3,282,819	247,930	(126,668)	3,404,081
Furniture and equipment	1,925,421	46,327	(68,143)	1,903,605
Total accumulated depreciation	21,196,676	961,423	(194,811)	21,963,288
Total depreciable capital assets, net	23,638,829	(636,155)	(8,904)	22,993,770
Governmental activities capital assets, net	\$ 24,160,986	\$ (627,655)	\$ (8,904)	\$ 23,524,427

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 316,312
Support services	241,866
Non-instructional	403,245
Total depreciation expense - Governmental activities	<u>\$ 961,423</u>

GEORGE COUNTY SCHOOL DISTRICT

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

**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	\$ 3,465,000	\$ -	\$ (160,000)	\$ 3,305,000	\$ 160,000
B. Three mill notes payable	710,000	-	(230,000)	480,000	235,000
C. Shortfall notes payable	151,260	-	(48,749)	102,511	50,401
D. Qualified school construction bonds payable	5,000,000	-	-	5,000,000	-
E. Compensated absences payable	299,866	-	(1,000)	298,866	-
Total	\$ 9,626,126	\$ -	\$ (439,749)	\$ 9,186,377	\$ 445,401

**A. General obligation bonds payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the George County School District. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, 2013	3.54%	8/15/2013	8/15/2032	\$ <u>4,000,000</u>	\$ <u>3,305,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 160,000	\$ 112,826	\$ 272,826
2022	160,000	108,026	268,026
2023	160,000	103,226	263,226
2024	170,000	98,276	268,276
2025	185,000	92,719	277,719
2026-2030	1,245,000	362,363	1,607,363
2031-2033	1,225,000	61,397	1,286,397
Total	\$ <u>3,305,000</u>	\$ <u>938,833</u>	\$ <u>4,243,833</u>

This debt will be retired from the general obligation bond debt service fund.

The amount of bonded indebtedness that can be incurred by the George County School District is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2020, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2019.

GEORGE COUNTY SCHOOL DISTRICT

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

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes payable, Series 2019	2.4-3.1%	4/9/2019	4/9/2022	\$ 710,000	\$ 480,000
Total				<u>\$ 710,000</u>	<u>\$ 480,000</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 235,000	\$ 14,410	\$ 249,410
2022	245,000	7,595	252,595
Total	<u>\$ 480,000</u>	<u>\$ 22,005</u>	<u>\$ 502,005</u>

This debt will be retired from the Three Mill Note Fund.

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. FY 2018 Ad Valorem Shortfall Notes Payable	3.39%	7/23/2018	7/23/2021	\$ 151,260	\$ 102,511
Total				<u>\$ 151,260</u>	<u>\$ 102,511</u>

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

FY 2018 Series:

Year Ending June 30	Principal	Interest	Total
2021	\$ 50,401	\$ 3,475	\$ 53,876
2022	52,110	1,767	53,877
Total	<u>\$ 102,511</u>	<u>\$ 5,242</u>	<u>\$ 107,753</u>

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

# GEORGE COUNTY SCHOOL DISTRICT

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

### D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the George County School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, series 2009	0%	11/5/2009	9/15/2024	\$ 2,000,000	\$ 2,000,000
QSCB, series 2013	0%	8/15/2013	6/18/2028	3,000,000	3,000,000
Total				<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

### E. Compensated absences payable

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

## Note 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 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.

# GEORGE COUNTY SCHOOL DISTRICT

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

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$3,689,344, \$3,409,969 and \$3,093,850, 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 \$58,481,875 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 .332435 percent, which was based on a measurement date of June 30, 2019. This was an increase of .0248 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 \$7,116,187. 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	\$ 32,010	\$ 57,088
Net difference between projected and actual earnings on pension plan investments	-	507,756
Changes of assumptions	572,544	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,601,678	51,575
District contributions subsequent to the measurement date	3,689,344	-
<b>Total</b>	<b>\$ 7,895,576</b>	<b>\$ 616,419</b>

\$3,689,344 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ 1,701,499
2022	602,465
2023	1,018,853
2024	266,996
<b>Total</b>	<b>\$ 3,589,813</b>

**Actuarial assumptions.** The total pension liability as of June 30, 2019 was determined by actuarial valuation

# GEORGE COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

*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	\$ 76,876,451	\$ 58,481,875	\$ 43,298,804

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



## GEORGE COUNTY 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 \$145,669 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$3,894,739 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

GEORGE COUNTY SCHOOL DISTRICT

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

of June 30, 2019, the District's proportion was .45899249 percent. This was an increase of .0158 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 \$283,528. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,889	\$ 55,749
Net difference between projected and actual earnings on OPEB plan investments	73	-
Changes of assumptions	290,363	201,961
Changes in proportion and differences between District contributions and proportionate share of contributions	298,634	-
District contributions subsequent to the measurement date	145,669	-
Total	<u>\$ 740,628</u>	<u>\$ 257,710</u>

\$145,669 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	\$ 61,366
2022	61,366
2023	61,366
2024	62,836
2025	64,787
Thereafter	<u>25,528</u>
Total	<u>\$ 337,249</u>

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

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

# GEORGE COUNTY SCHOOL DISTRICT

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

of OPEB plan investment expense,  
including inflation

Measurement Date	3.50%
Prior Measurement Date	3.89%

Health Care Cost Trends

Medicare Supplement Claims	7.00 percent for 2019 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

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

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

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

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

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

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

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 4,326,376	\$ 3,894,739	\$ 3,525,434

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,609,076	\$ 3,894,739	\$ 4,218,347

GEORGE COUNTY SCHOOL DISTRICT

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

*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 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation		Amount
1. To adjust beginning asset balances related to the implementation of GASB 84	\$	65,026
2. To adjust beginning balance sheet accounts		204,932
Total	\$	<u>269,958</u>

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

Fund	Explanation		Amount
General Fund	To adjust beginning asset balances related to the implementation of GASB 84	\$	65,026
General Fund	To adjust beginning balance sheet accounts		204,932
Total		\$	<u>269,958</u>

**Note 10 – Contingencies**

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

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

**Note 11 – 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.

# GEORGE COUNTY SCHOOL DISTRICT

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

### Note 12 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 43,809
2022	22,242
2023	18,402
2024	18,402
2025	18,402
2026-2030	89,508
Thereafter	257,213
Total	<u>\$ 467,978</u>

### Note 13 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2020 was \$1,259,873 and \$1,443,538, respectively. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

# GEORGE COUNTY SCHOOL DISTRICT

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

### QSCB series 2009

Year Ending June 30	Amount
2021	\$ 154,000
2022	154,000
2023	154,000
2024	154,000
2025	154,000
Total	<u>\$ 770,000</u>

### QSCB series 2013

Year Ending June 30	Amount
2021	\$ 190,000
2022	200,000
2023	200,000
2024	200,000
2025	210,000
2026-2028	655,000
Total	<u>\$ 1,655,000</u>

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

The unrestricted net position amount of (\$52,157,899) 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 \$3,689,344 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 \$4,206,232 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 4 years.

The unrestricted net position amount of (\$52,157,899) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$616,419 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 3 years.

The unrestricted net position amount of (\$52,157,899) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$145,669 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 \$594,959 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 (\$52,157,899) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$257,710 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.

GEORGE COUNTY SCHOOL DISTRICT

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

**Note 15 - 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 George County School District evaluated the activity of the district through November 23, 2020, (the date the financial statements were available to be issued), and determined no subsequent event have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION



**GEORGE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**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
<b>Revenues:</b>					
Local sources	\$ 7,524,311	\$ 7,713,807	\$ 7,654,631	\$ 189,496	\$ (59,176)
State sources	21,528,205	21,599,074	21,564,714	70,869	(34,360)
Federal sources	413,025	246,874	246,493	(166,151)	(381)
Sixteenth section	87,226	68,384	62,724	(18,842)	(5,660)
Total Revenues	29,552,767	29,628,139	29,528,562	75,372	(99,577)
<b>Expenditures:</b>					
Instruction	18,621,513	19,072,193	18,662,197	(450,680)	409,996
Support services	9,807,643	10,009,849	9,754,333	(202,206)	255,516
Noninstructional services	19,547	10,857	10,715	8,690	142
Sixteenth section	775	775	333	-	442
Facilities acquisition and construction	-	68,500	8,500	(68,500)	60,000
Total Expenditures	28,449,478	29,162,174	28,436,078	(712,696)	726,096
Excess (Deficiency) of Revenues over (under) Expenditures	1,103,289	465,965	1,092,484	(637,324)	626,519
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	4,241,004	4,727,377	783,986	486,373	(3,943,391)
Other financing sources	-	2,503	-	2,503	(2,503)
Operating transfers out	(5,053,255)	(5,287,247)	(1,369,122)	(233,992)	3,918,125
Other financing uses	-	-	(11,475)	-	(11,475)
Total Other Financing Sources (Uses)	(812,251)	(557,367)	(596,611)	254,884	(39,244)
Net Change in Fund Balances	291,038	(91,402)	495,873	(382,440)	587,275
<b>Fund Balances:</b>					
July 1, 2019, as previously reported	2,092,186	2,092,186	2,092,186	-	-
Prior period adjustments	-	35,061	269,958	35,061	234,897
July 1, 2019, as restated	2,092,186	2,127,247	2,362,144	35,061	234,897
June 30, 2020	\$ 2,383,224	\$ 2,035,845	\$ 2,858,017	\$ (347,379)	\$ 822,172

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

**GEORGE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Child Nutrition Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 376,500	\$ 386,388	\$ 353,138	\$ 9,888	\$ (33,250)
State sources	21,000	21,039	21,039	39	-
Federal sources	1,960,000	1,978,681	1,640,700	18,681	(337,981)
Total Revenues	2,357,500	2,386,108	2,014,877	28,608	(371,231)
<b>Expenditures:</b>					
Support services	155,764	156,387	156,186	(623)	201
Noninstructional services	2,113,982	2,002,705	1,781,658	111,277	221,047
Total Expenditures	2,269,746	2,159,092	1,937,844	110,654	221,248
Excess (Deficiency) of Revenues over (under) Expenditures	87,754	227,016	77,033	139,262	(149,983)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(166,466)	(280,519)	(240,928)	(114,053)	39,591
Total Other Financing Sources (Uses)	(166,466)	(280,519)	(240,928)	(114,053)	39,591
Net Change in Fund Balances	(78,712)	(53,503)	(163,895)	25,209	(110,392)
July 1, 2019	1,228,248	1,228,248	1,228,248	-	-
Increase (decrease) in reserve for inventory	-	30,520	30,520	30,520	-
June 30, 2020	\$ 1,149,536	\$ 1,205,265	\$ 1,094,873	\$ 55,729	\$ (110,392)

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

**GEORGE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,128,326	\$ 1,081,430	\$ 1,001,335	\$ (46,896)	\$ (80,095)
Total Revenues	1,128,326	1,081,430	1,001,335	(46,896)	(80,095)
<b>Expenditures:</b>					
Instruction	609,933	790,312	740,952	(180,379)	49,360
Support services	512,722	534,110	517,643	(21,388)	16,467
Noninstructional services	5,671	18,720	5,029	(13,049)	13,691
Total Expenditures	1,128,326	1,343,142	1,263,624	(214,816)	79,518
Excess (Deficiency) of Revenues over (under) Expenditures	-	(261,712)	(262,289)	(261,712)	(577)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	282,354	282,354	282,354	-
Other finances sources	-	-	1	-	1
Operating transfers out	-	(20,642)	(20,066)	(20,642)	576
Total Other Financing Sources (Uses)	-	261,712	262,289	261,712	577
Net Change in Fund Balances	-	-	-	-	-
July 1, 2019	-	-	-	-	-
June 30, 2020	\$ -	\$ -	\$ -	\$ -	\$ -

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

**GEORGE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS**

**Last 10 Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	% .3324350	.3076050	.301474	.297722	.295996	.283241
District's proportionate share of the net pension liability	\$ 58,481,875	51,163,850	50,115,217	53,180,584	45,755,145	33,986,874
District's covered payroll	21,650,597	19,643,492	19,339,650	19,046,025	18,487,295	17,307,511
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.50%	196.37%
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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**GEORGE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PERS**  
**Last 10 Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 3,689,344	3,409,969	3,093,850	3,045,995	2,999,749	2,911,749
Contributions in relation to the contractually required contribution	\$ 3,689,344	3,409,969	3,093,850	3,045,995	2,999,749	2,911,749
Contribution deficiency (excess)	\$ -	-	-	-	-	-
District's covered payroll	\$ 21,203,126	21,650,597	19,643,492	19,339,650	19,046,025	18,487,295
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 No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**GEORGE COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**OPEB**

**Last 10 Fiscal Years\***

		<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	%	.458992490	.44323150	.42775473
District's proportionate share of the net OPEB liability	\$	3,894,739	3,428,617	3,356,202
District's covered-employee payroll		21,650,597	19,643,492	19,339,650
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.99%	17.454%	17.354%
Plan fiduciary net position as a percentage of the total OPEB liability		0.1198%	0.12911%	0.0000%

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.

**GEORGE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 145,669	156,113	143,080
Contributions in relation to the actuarially determined contribution	\$ 145,669	156,113	143,080
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 21,203,126	21,650,597	19,643,492
Contributions as a percentage of covered-employee payroll	0.6870%	0.7211%	0.7284%

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 No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

## **Notes to Required Supplementary Information**

### **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% 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

2018: None

2019: None

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

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

## SUPPLEMENTARY INFORMATION

**GEORGE COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**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	\$ 485,854
National school lunch program	10.555	205MS326N1099	1,154,846
Summer food service program for children	10.559	205MS326N1099	179,842
Total child nutrition cluster			<u>1,820,542</u>
Total passed-through Mississippi Department of Education			<u>1,820,542</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,820,542</u>
<b><u>U.S. Department of Interior</u></b>			
Direct program:			
Payment in lieu of taxes	15.226	N/A	65,254
<b>Total U.S. Department of Interior</b>			<u>65,254</u>
<b><u>U.S. Department of Defense</u></b>			
Direct program:			
Reserve officers' training corps	12.357	N/A	71,904
<b>Total U.S. Department of Defense</b>			<u>71,904</u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	70,000
<b>Total Federal Communications Commission</b>			<u>70,000</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	ES010A190024	1,447,041
Career and technical education - basic grants to states	84.048	VO048A190024	39,417
Education for homeless children and youth	84.196	ES196A190025	34,458
Rural education	84.358	ES358B190024	68,344
Supporting Effective Instruction State Grants	84.367	ES367A190023	9,289
Student Support and Academic Enrichment	84.424	ES424A190025	32,090
Subtotal			<u>1,630,639</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108-19A	967,496
Special education - preschool grants	84.173	H173A190113	32,273
Total special education cluster			<u>999,769</u>
Total passed-through Mississippi Department of Education			<u>2,630,408</u>
<b>Total U.S. Department of Education</b>			<u>2,630,408</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	32,952
Total passed-through Mississippi Department of Education			<u>32,952</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>32,952</u>
Total for All Federal Awards			<u>\$ 4,691,060</u>

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

# GEORGE COUNTY SCHOOL DISTRICT

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

### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the George County 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 George County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the George County School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

The George County 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 \$176,567 are included in the National School Lunch Program.

**GEORGE COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2020**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 29,960,536	23,089,102	1,281,737	2,303,229	3,286,468
Other	6,626,492	2,299,538	362,003	12,730	3,952,221
Total	<u>\$ 36,587,028</u>	<u>25,388,640</u>	<u>1,643,740</u>	<u>2,315,959</u>	<u>7,238,689</u>
Total number of students *	<u>4,523</u>				
Cost per student	<u>\$ 8,089</u>	<u>5,614</u>	<u>363</u>	<u>512</u>	<u>1,600</u>

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

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

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

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

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

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

## OTHER INFORMATION

**GEORGE COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2020	2019*	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 7,654,631	\$ 7,225,533	\$ 6,792,522	\$ 6,236,992
State sources	21,564,714	20,614,906	19,427,741	19,933,070
Federal sources	246,493	353,815	205,649	431,829
Sixteenth section	62,724	176,226	81,700	244,434
Total Revenues	29,528,562	28,370,480	26,507,612	26,846,325
<b>Expenditures:</b>				
Instruction	18,662,197	18,029,179	17,312,332	16,989,608
Support services	9,754,333	9,515,144	9,219,045	8,997,841
Noninstructional services	10,715	1,641	2,796	1,877
Sixteenth section	333	516	22	156
Facilities acquisition and construction	8,500	-	-	-
Total Expenditures	28,436,078	27,546,480	26,534,195	25,989,482
Excess (Deficiency) of Revenues over (under) Expenditures	1,092,484	824,000	(26,583)	856,843
<b>Other Financing Sources (Uses):</b>				
Bond and notes issued	-	710,000	575,000	-
Insurance recovery	-	-	10,463	4,298
Sale of transportation equipment	-	-	60	-
Operating transfers in	783,986	479,985	218,372	1,164,697
Other financing sources	-	2,623	-	4,834
Operating transfers out	(1,369,122)	(1,945,012)	(1,742,429)	(1,244,510)
Other financing uses	(11,475)	-	(6,154)	-
Total Other Financing Sources (Uses)	(596,611)	(752,404)	(944,688)	(70,681)
Net Change in Fund Balances	495,873	71,596	(971,271)	786,162
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,092,186	2,020,590	2,991,861	2,225,715
Prior period adjustment	269,958	-	-	(20,016)
Beginning of period, as restated	2,362,144	2,020,590	2,991,861	2,205,699
End of Period	\$ 2,858,017	\$ 2,092,186	\$ 2,020,590	\$ 2,991,861

\*SOURCE - PRIOR YEAR AUDIT REPORTS



**GEORGE COUNTY SCHOOL DISTRICT**

**Other Information**

**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	\$ 8,979,708	\$ 8,498,742	\$ 8,020,289	\$ 7,402,510
State sources	22,998,028	21,849,882	20,861,970	21,221,669
Federal sources	4,691,060	4,503,247	4,414,504	4,634,557
Sixteenth section	78,912	185,235	100,615	274,601
Total Revenues	<u>36,747,708</u>	<u>35,037,106</u>	<u>33,397,378</u>	<u>33,533,337</u>
<b>Expenditures:</b>				
Instruction	22,540,136	21,266,930	20,246,672	19,666,923
Support services	11,380,417	11,132,740	10,770,540	10,537,839
Noninstructional services	2,074,345	2,069,248	2,050,467	2,068,647
Sixteenth section	16,629	22,423	14,913	37,139
Facilities acquisition and construction	8,500	-	-	-
Debt service:				
Principal	438,749	375,000	1,767,806	857,564
Interest	122,752	126,932	149,646	180,396
Other	5,500	2,850	5,040	2,600
Total Expenditures	<u>36,587,028</u>	<u>34,996,123</u>	<u>35,005,084</u>	<u>33,351,108</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>160,680</u>	<u>40,983</u>	<u>(1,607,706)</u>	<u>182,229</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	861,260	575,000	-
Insurance recovery	-	-	10,463	4,298
Sale of transportation equipment	-	-	12,499	-
Operating transfers in	3,170,800	2,927,835	3,031,181	2,411,886
Other financing sources	4	2,623	-	4,834
Operating transfers out	(3,170,800)	(2,927,835)	(3,031,181)	(2,411,886)
Other financing uses	(11,475)	(12,169)	(11,669)	-
Total Other Financing Sources (Uses)	<u>(11,471)</u>	<u>851,714</u>	<u>586,293</u>	<u>9,132</u>
Net Change in Fund Balances	<u>149,209</u>	<u>892,697</u>	<u>(1,021,413)</u>	<u>191,361</u>
Fund Balances:				
Beginning of period, as previously reported	8,137,531	7,233,801	8,256,495	8,073,112
Prior period adjustment	269,958	-	-	(26,078)
Beginning of period, as restated	<u>8,407,489</u>	<u>7,233,801</u>	<u>8,256,495</u>	<u>8,047,034</u>
Increase (Decrease) in reserve for inventory	<u>30,520</u>	<u>11,033</u>	<u>(1,281)</u>	<u>18,100</u>
End of Period	<u>\$ 8,587,218</u>	<u>\$ 8,137,531</u>	<u>\$ 7,233,801</u>	<u>\$ 8,256,495</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board  
George County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the George County School District's basic financial statements, and have issued our report thereon dated November 23, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

However, we did note certain instances of noncompliance with state laws and regulations that we reported to management of the school district in a separate letter dated November 23, 2020, which is included in this report.

The George County School District's response to the finding identified in our audit is described in the accompanying Independent Auditor's Report on Compliance with State Laws and Regulations. We did not audit George County School District's response and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 23, 2020

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

Superintendent and School Board  
George County School District

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

We have audited the George County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the George County School District's major federal programs for the year ended June 30, 2020. George County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

## Report on Internal Control over Compliance

Management of the George County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the George County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the George County School District's internal control over compliance.

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

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in blue ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 23, 2020

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

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

Superintendent and School Board  
George County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2020, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated November 23, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations:



### Finding

The George County School District declared an ad valorem shortfall for fiscal year 2020 of \$181,531 and subsequently received a promissory note in that amount. However, in our testing, we discovered errors in the District's calculation of the shortfall and determined that those errors in fact resulted in an ad valorem tax escrow of \$373,733. As such, future ad valorem tax requests will need to be reduced for that calculated escrow amount. The original ad valorem request included an increase in tax effort that requires advertisement. Although the district was able to provide evidence that it submitted an increase in tax effort advertisement to the local newspaper, the advertisement was never run. This resulted in the district collecting more ad valorem taxes than allowed and subsequently resulted in an incorrect shortfall calculation.

### Recommendation

We recommend the District follow the steps outlined in the State Legal Compliance Audit Program in determining ad valorem tax shortfalls and escrows.

### School District's Response

We have reviewed the steps outlined in the State Legal Compliance Audit Program and have corrected our internal documents used to calculate ad valorem tax shortfalls and escrows. We will take greater care in ensuring compliance with the state laws and regulations surrounding ad valorem taxes.

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.

The George County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC  
Belzoni, Mississippi  
November 23, 2020

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program For Children

- |     |   |           |
|-----|---|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:  | \$750,000 |
| 9.  | Auditee qualified as 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        |

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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