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**PASCAGOULA-GAUTIER SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

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

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## **INDEPENDENT AUDITOR'S REPORT**

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**Wolfe • McDuff & Oppie**  
CERTIFIED PUBLIC ACCOUNTANTS  
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**INDEPENDENT AUDITOR'S REPORT**

To the Superintendent and School Board  
Pascagoula-Gautier 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 Pascagoula-Gautier School District (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pascagoula-Gautier 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 from 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 Pascagoula-Gautier School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center





**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and net pension and OPEB schedules on pages 11 - 20, 65 - 68, and 69 - 76 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 Pascagoula-Gautier School District's basic financial statements. 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

The Schedule of Expenditures of 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 basic financial statements or to the basic 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 are 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of the Pascagoula-Gautier 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 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 Pascagoula-Gautier 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 the Pascagoula-Gautier School District's internal control over financial reporting and compliance.

*Wolfe, McDuff & Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
February 17, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

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

**FINANCIAL HIGHLIGHTS**

- ◆ Total net position for 2020 increased \$164,232, including a prior period adjustment of \$253,161, which represents an 1% increase from fiscal year 2019. Total net position for 2019 decreased \$(1,666,777) which represents a (9)% decrease from fiscal year 2018.
- ◆ General revenues amounted to \$85,302,123 and \$84,121,566, or 86% and 86% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,310,089, or 14% of total revenues for 2020, and \$13,949,372, or 14% of total revenues for 2019.
- ◆ The School District had \$99,701,141 and \$99,737,715 in expenses for fiscal years 2020 and 2019; only \$14,310,089 for 2020 and \$13,949,372 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$85,302,123 for 2020 and \$84,121,566 for 2019 were not adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$83,643,346 in revenues and \$74,148,650 in expenditures for 2020, and \$82,308,193 in revenues and \$72,255,665 in expenditures in 2019. The General Fund's fund balance increased by \$6,224,725, including a prior period adjustment of \$431,614 from 2019 to 2020, and increased by \$4,143,084 from 2018 to 2019.
- ◆ Capital assets, net of accumulated depreciation, increased by \$5,604,802 for 2020 and \$9,995,224 for 2019. The increase for 2020 was due to additions exceeding the increase of accumulated depreciation.
- ◆ Long-term debt decreased by \$(3,671,473) for 2020 and increased by \$1,170,341 for 2019. This decrease for 2020 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$95,118 for 2020 and decreased by \$(2,550) for 2019.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the School 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.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School 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 School 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 School District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, non-instructional, OPEB expense, pension 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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most of the School 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 School 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 School 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 School 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.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

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

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

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

**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 School District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19,941,915 as of June 30, 2020.

The School 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 School District's net position at June 30, 2020 and June 30, 2019.

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

	2020	2019	Percentage Change
Current assets	\$ 57,288,025	52,338,312	9 %
Restricted assets	2,372,801	8,400,642	(72)%
Capital assets, net	<u>89,523,692</u>	<u>83,918,890</u>	7 %
<b>Total Assets</b>	<b><u>149,184,518</u></b>	<b><u>144,657,844</u></b>	<b>3 %</b>
 <b>Deferred Outflows of Resources</b>	 <b><u>15,404,508</u></b>	 <b><u>16,164,253</u></b>	 <b>(5)%</b>
 Current liabilities	5,292,223	2,310,095	129 %
Long-term liabilities	18,482,668	22,059,023	(16)%
Net OPEB liability	8,473,897	7,734,215	10 %
Net pension liability	<u>143,022,740</u>	<u>144,507,751</u>	(1)%
<b>Total Liabilities</b>	<b><u>175,271,528</u></b>	<b><u>176,611,084</u></b>	<b>(1)%</b>
 <b>Deferred Inflows of Resources</b>	 <b><u>9,259,413</u></b>	 <b><u>4,317,160</u></b>	 <b>114 %</b>
 <b>Net Position:</b>			
Net investment in capital assets	71,874,824	72,063,093	-
Restricted	11,878,222	16,319,000	(27)%
Unrestricted	<u>(103,694,961)</u>	<u>(108,488,240)</u>	4 %
<b>Total Net Position</b>	<b><u>\$ (19,941,915)</u></b>	<b><u>(20,106,147)</u></b>	<b>1 %</b>

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions and OPEB, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (103,694,961)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the deferred outflows and deferred inflows related to pensions and OPEB	<u>145,351,542</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ <u><u>41,656,581</u></u>

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

- ◆ Increase in net capital assets in the amount of \$5,604,802.
- ◆ The principal retirement of \$3,671,473 of long-term debt.

**Changes in net position**

The School District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$99,612,212 and \$98,070,938, respectively. The total cost of all programs and services was \$99,701,141 for 2020 and \$99,737,715 for 2019.



**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

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

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

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,383,586	1,427,086	(3)%
Operating grants and contributions	12,926,503	12,522,286	3 %
General revenues:			
Property and gaming taxes	50,427,869	50,913,113	(1)%
Grants and contributions not restricted	33,694,777	32,696,958	3 %
Investment earnings	1,099,346	376,409	192 %
Sixteenth section sources	5,990	20,911	(71)%
Other	<u>74,141</u>	<u>114,175</u>	(35)%
<b>Total Revenues</b>	<u><b>99,612,212</b></u>	<u><b>98,070,938</b></u>	<b>2 %</b>
<b>Expenses:</b>			
Instruction	47,313,100	44,904,792	5 %
Support Services	32,351,183	31,879,107	1 %
Non-instructional	4,658,915	5,023,108	(7)%
Pension expense	14,350,374	16,945,877	(15)%
OPEB Expense	530,871	412,207	29 %
Interest on long-term liabilities	<u>496,698</u>	<u>572,624</u>	(13)%
<b>Total Expenses</b>	<u><b>99,701,141</b></u>	<u><b>99,737,715</b></u>	- %
<b>Increase (Decrease) in Net Position</b>	<u><b>(88,929)</b></u>	<u><b>(1,666,777)</b></u>	<b>95 %</b>
<b>Net Position, July 1, as previously reported</b>	(20,106,147)	(18,439,370)	(9)%
<b>Prior Period Adjustment</b>	<u>253,161</u>	<u>-</u>	N/A
<b>Net Position, July 1, as restated</b>	<u>(19,852,986)</u>	<u>(18,439,370)</u>	(8)%
<b>Net Position, June 30</b>	<u><b>\$ (19,941,915)</b></u>	<u><b>(20,106,147)</b></u>	<b>1 %</b>

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

**Governmental activities**

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

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ 47,313,100	44,904,792	5 %
Support services	32,351,183	31,879,107	1 %
Non-instructional	4,658,915	5,023,108	(7)%
Pension expense	14,350,374	16,945,877	(15)%
OPEB expense	530,871	412,207	29 %
Interest on long-term liabilities	496,698	572,624	(13)%
<b>Total Expenses</b>	<b>\$ 99,701,141</b>	<b>99,737,715</b>	- %

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ (39,306,190)	(38,076,198)	(3)%
Support services	(30,986,436)	(29,998,643)	(3)%
Non-instructional	279,517	217,206	29 %
Pension expense	(14,350,374)	(16,945,877)	15 %
OPEB expense	(530,871)	(412,207)	(29)%
Interest on long-term liabilities	(496,698)	(572,624)	13 %
<b>Total Net (Expense) Revenue</b>	<b>\$ (85,391,052)</b>	<b>(85,788,343)</b>	- %

- ◆ Net cost of governmental activities (\$(85,391,052) for 2020 and \$(85,788,343) for 2019) was financed by general revenue, which is primarily made up of property taxes (\$50,427,869 for 2020 and \$50,913,113 for 2019) and state and federal revenues (\$33,694,777 for 2020 and \$32,696,958 for 2019). In addition, there was \$5,990 and \$20,911 in Sixteenth Section sources for 2020 and 2019, respectively.
- ◆ Investment earnings amounted to \$1,099,346 for 2020 and \$376,409 for 2019.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

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

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$54,495,199, a decrease of \$(4,100,148), which includes a prior period adjustment of \$447,980 and an increase in inventory of \$95,595. \$18,220,862 or 33% 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 \$36,274,337 or 67% 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 School District. The increase in fund balance in the General Fund for the fiscal year was \$6,224,725, which includes a prior period adjustment of \$431,614. The fund balance of Other Governmental Funds showed a decrease in the amount of \$(5,188,888), which includes an increase in reserve for inventory of \$398, due primarily to normal operations.

The increase (decrease) in the fund balances for the other major funds were as follows:

<u><b>Major Fund</b></u>	<u><b>Increase/ (Decrease)</b></u>
School Food Service Fund	\$ (790,879)
Title I Fund	-
JKN CO. Exceptional School Fund	23,767
Three Mill Capital Project Fund	(5,220,660)
2020 Misc District-wide Improvements Fund	851,787

**BUDGETARY HIGHLIGHTS**

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

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2020, the School District's total capital assets were \$131,653,704, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$7,656,744 from 2019. Total accumulated depreciation as of June 30, 2020, was \$42,130,012, and total depreciation expense for the year was \$2,937,739, resulting in total net capital assets of \$89,523,692.

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

	2020	2019	Percentage Change
Land	\$ 2,372,628	2,357,484	1 %
Construction in progress	2,137,995	11,889,693	(82)%
Buildings	72,192,901	58,347,267	24 %
Building improvements	7,533,422	5,864,378	28 %
Improvements other than buildings	1,886,356	1,924,855	(2)%
Mobile equipment	2,397,270	2,667,047	(10)%
Furniture and equipment	1,003,120	868,166	16 %
<b>Total</b>	<b>\$ 89,523,692</b>	<b>83,918,890</b>	<b>7 %</b>

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

**Debt Administration.** At June 30, 2020, the School District had \$18,482,668 in outstanding long-term debt, of which \$4,198,199 is due within one year. The liability for compensated absences increased \$95,118 from the prior year.

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

	2020	2019	Percentage Change
Three mill note payable	\$ 15,200,000	17,700,000	(14)%
Shortfall notes payable	2,448,868	3,620,341	(32)%
Compensated absences payable	833,800	738,682	13 %
<b>Total</b>	<b>\$ 18,482,668</b>	<b>22,059,023</b>	<b>(16)%</b>

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020

**CURRENT ISSUES**

The Pascagoula-Gautier School District is financially stable. The School District is proud of its community support of the public schools.

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

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

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pascagoula-Gautier School District, 1006 Communny Avenue, Pascagoula, Mississippi 39567.

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



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# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## STATEMENT OF NET POSITION June 30, 2020

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 53,398,168
Due from other governments	3,704,635
Inventories	185,222
Restricted assets	2,372,801
Capital assets, non-depreciable	
Land	2,372,628
Construction in process	2,137,995
Capital assets, net of accumulated depreciation	
Buildings	72,192,901
Building improvements	7,533,422
Improvements other than buildings	1,886,356
Mobile equipment	2,397,270
Furniture and equipment	1,003,120
<b>Total Assets</b>	<b><u>149,184,518</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	14,188,420
Deferred outflows - OPEB	1,216,088
<b>Total Deferred Outflows of Resources</b>	<b><u>15,404,508</u></b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	5,165,627
Interest payable on long-term liabilities	126,596
Long-term liabilities, due within one year	
Capital related liabilities	3,781,299
Non-capital related liabilities	416,900
Net OPEB liability	312,624
Long-term liabilities, due beyond one year	
Capital related liabilities	13,867,569
Non-capital related liabilities	416,900
Net pension liability	143,022,740
Net OPEB Liability	8,161,273
<b>Total Liabilities</b>	<b><u>175,271,528</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	8,690,395
Deferred inflow - OPEB	569,018
<b>Total Deferred Inflows of Resources</b>	<b><u>9,259,413</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	71,874,824
Restricted for:	
Expendable:	
Capital projects	4,010,184
School-based activities	5,284,130
Debt Service	1,513,076
Forestry improvements	20,612
Unemployment benefits	411,769
Non-expendable	
Sixteenth section	638,451
Unrestricted	(103,694,961)
<b>Total Net Position</b>	<b><u>\$ (19,941,915)</u></b>

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 47,313,100	1,161,921	6,844,989	-	(39,306,190)
Support services	32,351,183	-	1,364,747	-	(30,986,436)
Non-instructional	4,658,915	221,665	4,716,767	-	279,517
Pension expense	14,350,374	-	-	-	(14,350,374)
OPEB expense	530,871	-	-	-	(530,871)
Interest on long-term liabilities	496,698	-	-	-	(496,698)
<b>Total Governmental Activities</b>	<b>\$ 99,701,141</b>	<b>1,383,586</b>	<b>12,926,503</b>	<b>-</b>	<b>(85,391,052)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					47,759,341
Debt purpose levies					2,668,528
Unrestricted grants and contributions:					
State					33,423,220
Federal					271,557
Unrestricted investment earnings					1,099,346
Sixteenth section sources					5,990
Other					74,141
<b>Total General Revenues</b>					<b>85,302,123</b>
<b>Change in Net Position</b>					<b>(88,929)</b>
<b>Net position - Beginning, as originally reported</b>					<b>(20,106,147)</b>
Prior period adjustments, Note 10					253,161
<b>Net position - Beginning, as restated</b>					<b>(19,852,986)</b>
<b>Net position - Ending</b>					<b>\$ (19,941,915)</b>

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

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**PASCAGOULA-GAUTIER SCHOOL DISTRICT**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**Exhibit C**

June 30, 2020

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	JKN Co. Exceptional School Fund	3 Mill Capital Projects Fund	2020 Misc District-wide Improvements		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 43,723,715	2,327,727	2,333	-	918,436	1,136,097	7,662,661	55,770,969
Due from other governments	1,225,442	5,498	422,094	507,222	-	-	1,544,379	3,704,635
Due from other funds	1,767,721	14,108	-	-	-	-	1,011	1,782,840
Inventories	-	182,737	-	-	-	-	2,485	185,222
<b>Total Assets</b>	<u>\$ 46,716,878</u>	<u>2,530,070</u>	<u>424,427</u>	<u>507,222</u>	<u>918,436</u>	<u>1,136,097</u>	<u>9,210,536</u>	<u>61,443,666</u>
<b>LIABILITIES, AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Accounts payable and accrued liabilities	\$ 4,226,497	-	-	162	294,893	284,310	359,765	5,165,627
Due to other funds	-	371,321	424,427	461,722	-	-	525,370	1,782,840
<b>Total Liabilities</b>	<u>4,226,497</u>	<u>371,321</u>	<u>424,427</u>	<u>461,884</u>	<u>294,893</u>	<u>284,310</u>	<u>885,135</u>	<u>6,948,467</u>
<b>FUND BALANCE</b>								
Nonspendable:								
Inventory	-	182,737	-	-	-	-	2,485	185,222
Permanent fund principal	-	-	-	-	-	-	638,451	638,451
Restricted:								
Debt service	-	-	-	-	-	-	1,639,672	1,639,672
Capital projects	-	-	-	-	623,543	851,787	2,534,854	4,010,184
Forestry improvement purposes	-	-	-	-	-	-	20,612	20,612
School-based activities	-	1,976,012	-	45,338	-	-	3,077,558	5,098,908
Unemployment benefits	-	-	-	-	-	-	411,769	411,769
Assigned:								
Student based activities	15,108,918	-	-	-	-	-	-	15,108,918
Capital improvements	9,160,601	-	-	-	-	-	-	9,160,601
Unassigned	18,220,862	-	-	-	-	-	-	18,220,862
<b>Total Fund Balance</b>	<u>42,490,381</u>	<u>2,158,749</u>	<u>-</u>	<u>45,338</u>	<u>623,543</u>	<u>851,787</u>	<u>8,325,401</u>	<u>54,495,199</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 46,716,878</u>	<u>2,530,070</u>	<u>424,427</u>	<u>507,222</u>	<u>918,436</u>	<u>1,136,097</u>	<u>9,210,536</u>	<u>61,443,666</u>

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2020

Exhibit C-1

Total fund balances for governmental funds	\$	54,495,199
<i>Amounts reported for governmental activities in the Statement of Net Position are different than those reported in the fund financial statements because of the following:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		89,523,692
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(143,022,740)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	\$ 14,188,420	
Deferred inflows of resources related to pensions	<u>(8,690,395)</u>	5,498,025
Net OPEB obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(8,473,897)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	1,216,088	
Deferred inflows of resources related to OPEB	<u>(569,018)</u>	647,070
Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:		
3 mill notes payable	(15,200,000)	
Shortfall notes payable	(2,448,868)	
Accrued interest payable	(126,596)	
Compensated absences	<u>(833,800)</u>	(18,609,264)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(19,941,915)</u></b>

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

**Exhibit D**

	Major Funds						Other	Total
	General Fund	School Food Service Fund	Title I Fund	JKN Co. Exceptional School Fund	3 Mill Capital Projects Fund	2020 Misc District-wide Improvements	Governmental Funds	Governmental Funds
<b>REVENUES</b>								
Local sources	\$ 49,294,205	256,621	-	507,221	-	-	3,000,550	53,058,597
State sources	34,034,202	44,900	-	-	-	-	1,464,321	35,543,423
Federal sources	293,435	3,938,894	3,057,425	-	-	-	3,788,103	11,077,857
Sixteenth section	21,504	-	-	-	-	-	13,628	35,132
<b>Total Revenues</b>	<u>83,643,346</u>	<u>4,240,415</u>	<u>3,057,425</u>	<u>507,221</u>	<u>-</u>	<u>-</u>	<u>8,266,602</u>	<u>99,715,009</u>
<b>EXPENDITURES</b>								
Instruction	42,342,060	-	2,904,490	420,869	161,955	-	4,992,226	50,821,600
Support services	31,806,177	372,898	201,834	327,995	51,119	411,995	2,709,967	35,881,985
Noninstructional services	413	4,382,272	36,988	-	-	-	571,963	4,991,636
Facilities acquisition and construction	-	-	-	-	5,023,952	-	3,213,965	8,237,917
Debt service								
Principal	-	-	-	-	-	-	3,671,473	3,671,473
Interest	-	-	-	-	-	-	536,590	536,590
<b>Total Expenditures</b>	<u>74,148,650</u>	<u>4,755,170</u>	<u>3,143,312</u>	<u>748,864</u>	<u>5,237,026</u>	<u>411,995</u>	<u>15,696,184</u>	<u>104,141,201</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>9,494,696</u>	<u>(514,755)</u>	<u>(85,887)</u>	<u>(241,643)</u>	<u>(5,237,026)</u>	<u>(411,995)</u>	<u>(7,429,582)</u>	<u>(4,426,192)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in (out)	(3,484,054)	(371,321)	85,887	265,410	-	1,263,782	2,240,296	-
Other financing sources (uses)	(217,531)	-	-	-	-	-	-	(217,531)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,701,585)</u>	<u>(371,321)</u>	<u>85,887</u>	<u>265,410</u>	<u>-</u>	<u>1,263,782</u>	<u>2,240,296</u>	<u>(217,531)</u>
<b>Net Change in Fund Balances</b>	<u>5,793,111</u>	<u>(886,076)</u>	<u>-</u>	<u>23,767</u>	<u>(5,237,026)</u>	<u>851,787</u>	<u>(5,189,286)</u>	<u>(4,643,723)</u>
<b>Fund Balance - Beginning, as originally reported</b>	36,265,656	2,949,628	-	21,571	5,844,203	-	13,514,289	58,595,347
Prior period adjustment, Note 10	431,614	-	-	-	16,366	-	-	447,980
<b>Fund Balance - Beginning, as restated</b>	<u>36,697,270</u>	<u>2,949,628</u>	<u>-</u>	<u>21,571</u>	<u>5,860,569</u>	<u>-</u>	<u>13,514,289</u>	<u>59,043,327</u>
Increase (Decrease) in reserve for inventory	-	95,197	-	-	-	-	398	95,595
<b>Fund Balance - Ending</b>	<u>\$ 42,490,381</u>	<u>2,158,749</u>	<u>-</u>	<u>45,338</u>	<u>623,543</u>	<u>851,787</u>	<u>8,325,401</u>	<u>54,495,199</u>

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



# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

Exhibit D-1

Net change in fund balances - total governmental funds \$ (4,643,723)

*Amounts reported for governmental activities in the Statement of Activities are different than those reported in the fund financial statements because of the following:*

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	\$ 8,810,145	
Depreciation expense	<u>(2,937,739)</u>	5,872,406

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental fund, 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.

(72,785)

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	3,671,473	
Accrued interest payable	<u>39,892</u>	3,711,365

Some items relating to pensions and reported in the Statement of Activities do not provided 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	(14,350,374)	
Contributions subsequent to the measurement date	<u>9,611,952</u>	(4,738,422)

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	(530,871)	
Contributions made subsequent to the measurement date	<u>312,624</u>	(218,247)

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

Change in compensated absences	(95,118)	
Change in inventory reserve	<u>95,595</u>	<u>477</u>

Change in net position of governmental activities \$ (88,929)

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

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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**PASCAGOULA-GAUTIER SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2020**

**Exhibit E**

	<u>Private-Purpose Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>153,592</u>
<b>Total Assets</b>	<u><u>153,592</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>15,485</u>
<b>Total Liabilities</b>	<u><u>15,485</u></u>
<b>NET POSITION</b>	
Reserved for endowments	<u>138,107</u>
<b>Total Net Position</b>	\$ <u><u>138,107</u></u>

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2020**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 3,592
<b>Total Additions</b>	<u>3,592</u>
<b>Deductions</b>	
Capital expenditures	<u>15,485</u>
<b>Total Deductions</b>	<u>15,485</u>
Change in Net Position	<u>(11,893)</u>
<b>Net Position</b>	
July 1, 2019, as previously reported	363,289
Prior period adjustments, Note 10	<u>(213,289)</u>
July 1, 2019, as restated	<u>150,000</u>
June 30, 2020	<u>\$ 138,107</u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the School District is considered an "other stand-alone government." The School District is a related organization of, but not a component unit of, the City of Pascagoula and the City of Gautier since the governing authority of the cities selects a majority of the School District's board but does not have financial accountability for the School District.

For financial reporting purposes, Pascagoula-Gautier School District has included all funds and organizations. The School 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 School District are such that exclusion would cause the School 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 School 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 School 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 School 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 School 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.



**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The School District reports the following major governmental funds:

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

School Food Service Fund - This is the fund used to track the School Food Service activity. This fund is funded partially through local, state, and federal sources.

Title I Fund - This is the fund used to track Title I Grant Fund activity. This grant was funded through federal sources.

JKN Co. Exceptional School Fund - This Special Revenue Fund is financed with local funds whose use is restricted for services associated with the operations of the special education consortium.

3 Mill Capital Projects Fund - This is a capital projects fund used to account for projects funded by the 3 mill debt issuance.

2020 Misc District-wide improvements Fund - This is a capital projects fund used to account for the 2020 District-wide projects.

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

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

The District's fiduciary funds include the following:

Chevron Settlement Fund - This private-purpose trust fund accounts for the funds received from Chevron refinery due to the settlement of the lawsuit between the refinery and the School District.

Additionally, the School District reports the following fund types:

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***GOVERNMENTAL FUNDS***

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

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

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

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

***FIDUCIARY FUNDS***

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

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

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

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

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 cities 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 School 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 School 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. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances**

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

Cash and cash equivalents

The School 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 School 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.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. *Restricted Assets***

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

**6. *Capital Assets***

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

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

See Note 5 for further details.

**7. *Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports \$14,188,420 of deferred outflows related to its pension plan and \$1,216,088 related to its OPEB plan.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports \$8,690,395 of deferred inflows related to its pension plan and \$569,018 related to its OPEB plan.

See Note 14 for further details.

**8. *Compensated Absences***

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 School District:

- ◆ *Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- ◆ *Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the School 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 the School District.
- ◆ *Assigned fund balance* includes amounts that are constrained by the School 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 the School Board.
- ◆ *Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the School 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 School District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

Pascagoula-Gautier School District chose to early implement GASB 84 in the current fiscal year. Therefore, the agency funds (i.e., club funds and clearing funds) previously shown as fiduciary funds are now shown in the General Fund.

**NOTE 2. CASH AND CASH EQUIVALENTS**

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

**A. 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.

**B. Cash and Cash Equivalents**

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$55,770,969 and \$153,592, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School 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 School District.



**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC 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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities		
General fund	Other governmental funds	\$ 511,262
	School Food Service Fund	371,321
	Title I Fund	424,427
	JKN Co. Exceptional School Fund	460,711
Other governmental funds	JKN Co. Exceptional School Fund	1,011
School Food Service Fund	Other governmental funds	14,108
<b>Total</b>		<b>\$ 1,782,840</b>

The purpose of the inter-fund loans was to cover deficit cash of federal and state funds not received prior to year end. Payments are made of amounts due between funds within three months.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities		
Title I Fund	School Food Service Fund	\$ 85,887
JKN CO. Exceptional School Fund	School Food Service Fund	265,410
2020 Misc District-wide Improvements Fund	General Fund	1,263,782
Other governmental funds	School Food Service Fund	20,024
Other governmental funds	General Fund	2,220,272
<b>Total</b>		<b>\$ 3,855,375</b>

The primary purpose of the inter-fund transfers was to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

**NOTE 4. RESTRICTED ASSETS**

The restricted assets amounting to \$638,451 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) and various Federal Programs which are legally restricted and may not be used for purposes that support the School District's programs.

In addition, the restricted assets represent the cash balance, totaling \$918,436, of unspent proceeds of the three mill notes payable.

Also, the restricted assets represent the cash balance, totaling \$815,914, in the debt service funds that can only be used for future debt service requirements.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC 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:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Adjustments</b>
<b>Governmental activities:</b>				
Non-depreciable capital assets:				
Land	\$ 2,357,484	15,144	-	-
Construction in progress	<u>11,889,693</u>	<u>8,237,918</u>	<u>(17,794,797)</u>	<u>(194,819)</u>
Total non-depreciable capital assets	<u>14,247,177</u>	<u>8,253,062</u>	<u>(17,794,797)</u>	<u>(194,819)</u>
Depreciable capital assets:				
Buildings	86,623,598	15,707,446	-	-
Buildings improvements	8,036,703	2,013,486	(111,591)	-
Improvements other than buildings	2,931,166	73,864	-	-
Mobile equipment	8,728,251	179,940	(154,955)	-
Furniture and equipment	<u>3,430,065</u>	<u>377,144</u>	<u>(692,036)</u>	<u>-</u>
Total depreciable capital assets	<u>109,749,783</u>	<u>18,351,880</u>	<u>(958,582)</u>	<u>-</u>
Total governmental activities capital assets	<u>123,996,960</u>	<u>26,604,942</u>	<u>(18,753,379)</u>	<u>(194,819)</u>
Less accumulated depreciation for:				
Buildings	28,276,331	1,861,812	-	-
Buildings improvements	2,172,325	308,734	(75,883)	-
Improvements other than buildings	1,006,311	112,363	-	-
Mobile equipment	6,061,204	426,584	(131,822)	-
Furniture and equipment	<u>2,561,899</u>	<u>228,246</u>	<u>(678,092)</u>	<u>-</u>
Total accumulated depreciation	<u>40,078,070</u>	<u>2,937,739</u>	<u>(885,797)</u>	<u>-</u>
Total depreciable capital assets, net	<u>69,671,713</u>	<u>15,414,141</u>	<u>(72,785)</u>	<u>-</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 83,918,890</u></u>	<u><u>23,667,203</u></u>	<u><u>(17,867,582)</u></u>	<u><u>(194,819)</u></u>

Depreciation expense was charged to the following governmental functions:

<b>Governmental activities:</b>	<b>Amount</b>
Instruction	\$ 2,190,705
Support services	597,228
Non-instructional	<u>149,806</u>
<b>Total depreciation expense</b>	<u><u>\$ 2,937,739</u></u>

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

<b>Governmental activities:</b>	<b>Spent to June 30, 2020</b>	<b>Remaining Commitment</b>
GHS Track	\$ 39,287	-
High School Roofing Projects	<u>2,098,708</u>	<u>608,351</u>
<b>Total construction-in-progress</b>	<u><u>\$ 2,137,995</u></u>	<u><u>608,351</u></u>

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 5. CAPITAL ASSETS (Continued)**

Construction projects included in governmental activities were funded with local funds and 3 mill note proceeds and other capital project funds.

**NOTE 6. LONG-TERM LIABILITIES**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustment</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>						
A. Three Mill notes payable	\$ 17,700,000	-	(2,500,000)	-	15,200,000	2,575,000
B. Shortfall notes payable	3,620,341	-	(1,171,473)	-	2,448,868	1,206,299
C. Compensated absences	<u>738,682</u>	<u>95,118</u>	<u>-</u>	<u>-</u>	<u>833,800</u>	<u>416,900</u>
<b>Total governmental activities</b>						
<b>long-term liabilities</b>	<u>\$ 22,059,023</u>	<u>95,118</u>	<u>(3,671,473)</u>	<u>-</u>	<u>18,482,668</u>	<u>4,198,199</u>

**A. Three Mill Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three Mill Note, Series 2017	2.42 %	5/12/2017	5/1/2026	\$ 22,500,000	15,200,000
<b>Total</b>				<u>\$ 22,500,000</u>	<u>15,200,000</u>

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

<b>Three Mill Note Payable Issue Date 2017:</b>			
<b>Amounts due fiscal year ending June 30,</b>	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,575,000	367,840	2,942,840
2022	2,675,000	305,525	2,980,525
2023	2,775,000	240,790	3,015,790
2024	2,875,000	173,635	3,048,635
2025	2,950,000	104,060	3,054,060
2026	<u>1,350,000</u>	<u>32,670</u>	<u>1,382,670</u>
<b>Total</b>	<u>\$ 15,200,000</u>	<u>1,224,520</u>	<u>16,424,520</u>

This debt will be retired from the Three Mill Debt Service Fund.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 6. LONG-TERM LIABILITIES (continued)**

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2018 Ad valorem shortfall	2.99 %	8/14/2018	8/14/2021	\$ 3,620,341	2,448,868
<b>Total</b>				<u>\$ 3,620,341</u>	<u>2,448,868</u>

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

<b>2018 Ad valorem shortfall</b>			
<b>Amounts due fiscal year ending June 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,206,299	73,422	1,279,721
2022	1,242,569	37,152	1,279,721
<b>Total</b>	<u>\$ 2,448,868</u>	<u>110,574</u>	<u>2,559,442</u>

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

**D. Compensated Absences Payable**

As more fully explained in Note 1(F)(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. OTHER COMMITMENTS**

**A. Construction Contracts**

Commitments under construction contracts are described in Note 5.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 8. DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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

*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 ended June 30, 2020, 2019, and 2018 were \$9,611,952, \$8,334,198 and \$8,740,788, respectively, which equaled the required contributions for each year.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)**

**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 \$143,022,740 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 School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2020 net pension liability was 0.813 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.056 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 School District recognized pension expense of \$14,350,374. At June 30, 2020 the School 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 experiences	\$ 84,606	153,954
Net difference between projected and actual earnings on pension plan investments	-	1,564,724
Changes of assumptions	1,402,215	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	3,089,647	6,971,717
School District contributions subsequent to the measurement date	<u>9,611,952</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 14,188,420</u></b>	<b><u>8,690,395</u></b>

\$9,611,952 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	<b>Amount</b>
2021	\$ (184,314)
2022	(3,087,870)
2023	(1,494,715)
2024	<u>652,972</u>
<b>Total</b>	<b><u>\$ (4,113,927)</u></b>

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)**

Inflation	2.75%
Salary increases	3.00-18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investments 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:

<b>Asset class</b>	<b>Target Allocation</b>	<b>Long-term expected real rate of return</b>
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
<b>Total</b>	<b>100.00 %</b>	

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)**

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District's proportionate share of the net pension liability	\$ 188,008,348	143,022,740	105,891,161

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

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

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

**Benefits provided**

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



**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**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 \$312,624 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 \$8,473,897 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was 0.99864317 percent. This was a decrease of 0.00119070 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 \$530,871. 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	\$ 12,813	121,295
Changes of assumption	631,752	439,413
Net difference between projected and actual earnings on OPEB plan investments	160	-
Changes in proportion and differences between District contributions and proportionate share of contributions	258,739	8,310
District contributions subsequent to the measurement date	312,624	-
<b>Total</b>	<b>\$ 1,216,088</b>	<b>569,018</b>

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

\$312,624 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending 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:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 47,506
2022	47,506
2023	47,506
2024	61,414
2025	93,318
Thereafter	<u>37,196</u>
<b>Total</b>	<b>\$ <u>334,446</u></b>

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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 an 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%. 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 was projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2018 and the June 30, 2019. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyer 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%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Net OPEB Liability	\$ 9,413,021	8,473,897	7,670,388

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**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:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates Current</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 7,852,371	8,473,897	9,177,980

**OPEB plan fiduciary net position**

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

**NOTE 10. PRIOR PERIOD ADJUSTMENTS**

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

**Exhibit B - Statement of Activities**

<b><u>Explanation</u></b>	<b><u>Amount</u></b>
To correct the overstatement of fixed assets	\$ (194,819)
To correct the overstatement of accounts payable	96,083
Retrospective implementation of GASB 84	351,897
<b>Total</b>	<b>\$ 253,161</b>

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

<b><u>Fund</u></b>	<b><u>Explanation</u></b>	<b><u>Amount</u></b>
General Fund	Retrospective implementation of GASB 84	\$ 351,897
General Fund	To correct the overstatement of expenses	79,717
3 Mill Capital Projects Fund	To correct the overstatement of expenses	16,366
<b>Total</b>		<b>\$ 447,980</b>

**Exhibit F - Statement of Changes in Fiduciary Net Position**

<b><u>Explanation</u></b>	<b><u>Amount</u></b>
Retrospective implementation of GASB 84	\$ (213,289)
<b>Total</b>	<b>\$ (213,289)</b>

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 11. CONTINGENCIES**

**A. 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 disallowance resulting from the grantor audit may become a liability of the School District.

**B. 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 12. RISK MANAGEMENT**

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

**NOTE 13. SPECIAL EDUCATION CONSORTIUM**

The school district entered into a special education consortium dated June 15, 1988 creating the Exceptional School Program. This consortium was created pursuant to the provisions of Section 37-7-403 through 37-7-415 Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the following participants: Jackson County School District, Pascagoula-Gautier School District, Moss Point School District and the Jackson County Board of Supervisors.

The building housing the Exceptional School Program is the property of the Jackson County Board of Supervisors and they are responsible for the constructing, erecting, equipping, alterations, and major maintenance of the building. Operating expenses for the educational programs are shared in direct proportion to each district's monthly enrollment of students placed by each school district in the Exception School Program. Each district is billed by the fiscal agent. The Jackson County Board of Supervisors provides funding by levying an ad valorem tax at a rate of not less than 0.5 mills. Transportation for students attending the special education program is the responsibility of the individual school district sending the students. The Pascagoula-Gautier School District has been designated the lead school district (fiscal agent) and the operations of the consortium are included in the financial statements.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 13. SPECIAL EDUCATION CONSORTIUM (Continued)**

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Exceptional School Program.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2020

**Revenues**

Local Sources:	
Tuition from other LEA's within the state	\$ <u>507,221</u>
Total Revenues	<u>507,221</u>

**Expenditures**

Salaries and employee benefits	682,463
Purchased property services	56,968
Supplies	6,110
Property	<u>3,323</u>
Total Expenditures	<u>748,864</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(241,643)</u>
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**Other Financing Sources/Uses:**

Transfers in	<u>265,410</u>
Total Other Financing Sources/Uses	<u>265,410</u>

Net Change in Fund Balance	<u>23,767</u>
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Fund Balance:

July 1, 2019	<u>21,571</u>
June 30, 2020	<u>\$ <u>45,338</u></u>

**NOTE 14. EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The unrestricted net position amount of \$(103,694,961) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$9,611,952 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$4,576,468 balance of deferred outflow of resources, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(103,694,961) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$8,690,395 balance of deferred inflow of resources, at June 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For Year Ended June 30, 2020

**NOTE 14. EFFECT OF DEFERRED AMOUNTS ON NET POSITION (Continued)**

The unrestricted net position amount of \$(103,694,961) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$312,624 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$903,464 balance of deferred outflow of resources, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(103,694,961) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$569,018 balance of deferred inflow of resources at June 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

**NOTE 15. ECONOMIC DEPENDENCY**

The school district is significantly economically dependent on two ad valorem tax payers (Chevron Corporation and Huntington Ingalls Corporation). In the event of a loss of ad valorem taxes from these payers, the district would encounter an economic hardship.

**NOTE 16. SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Pascagoula-Gautier School District evaluated the activity of the School District through February 17, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements:

- As a result of the spread of COVID-19, coronavirus, economic uncertainties have arisen which could have a material adverse impact on economic and market conditions. While potential impact is unknown at this time, the outbreak presents uncertainty and risk with respect to Pascagoula-Gautier School District, its performance, and its financial results.
- In December 2019, the Board of Trustees approved the early retirement of the 2018 shortfall notes payable. This debt was paid in full in July 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**  
(UNAUDITED)



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# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### 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	\$ 49,396,802	49,263,397	49,294,205	(133,405)	30,808
State sources	33,886,869	34,034,202	34,034,202	147,333	-
Federal sources	310,000	293,435	293,435	(16,565)	-
Sixteenth section sources	10,700	21,504	21,504	10,804	-
<b>Total Revenues</b>	<u>83,604,371</u>	<u>83,612,538</u>	<u>83,643,346</u>	<u>8,167</u>	<u>30,808</u>
<b>EXPENDITURES</b>					
Instruction	47,947,940	42,342,404	42,342,060	5,605,536	344
Support services	32,865,518	31,843,414	31,806,177	1,022,104	37,237
Noninstructional services	12,114	482	413	11,632	69
Facilities acquisition and construction	<u>265,000</u>	<u>15,144</u>	<u>-</u>	<u>249,856</u>	<u>15,144</u>
<b>Total Expenditures</b>	<u>81,090,572</u>	<u>74,201,444</u>	<u>74,148,650</u>	<u>6,889,128</u>	<u>52,794</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>2,513,799</u>	<u>9,411,094</u>	<u>9,494,696</u>	<u>6,897,295</u>	<u>83,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	(4,909,919)	(3,535,368)	(3,484,054)	1,374,551	51,314
Other financing Sources (uses)	<u>-</u>	<u>26,567</u>	<u>(217,531)</u>	<u>26,567</u>	<u>(244,098)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(4,909,919)</u>	<u>(3,508,801)</u>	<u>(3,701,585)</u>	<u>1,401,118</u>	<u>(192,784)</u>
<b>Net Change in Fund Balances</b>	<u>(2,396,120)</u>	<u>5,902,293</u>	<u>5,793,111</u>	<u>8,298,413</u>	<u>(109,182)</u>
<b>Fund Balance - Beginning, as originally reported</b>	36,265,656	36,265,656	36,265,656	-	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>431,614</u>	<u>-</u>	<u>431,614</u>
<b>Fund Balance - Beginning, as restated</b>	<u>36,265,656</u>	<u>36,265,656</u>	<u>36,697,270</u>	<u>-</u>	<u>431,614</u>
<b>Fund Balance - Ending</b>	<u>\$ 33,869,536</u>	<u>42,167,949</u>	<u>42,490,381</u>	<u>8,298,413</u>	<u>322,432</u>

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### BUDGETARY COMPARISON SCHEDULE-SCHOOL FOOD SERVICE 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	\$ 272,000	256,620	256,621	(15,380)	1
State sources	44,000	44,899	44,900	899	1
Federal sources	<u>5,150,000</u>	<u>3,938,893</u>	<u>3,938,894</u>	<u>(1,211,107)</u>	<u>1</u>
<b>Total Revenues</b>	<u>5,466,000</u>	<u>4,240,412</u>	<u>4,240,415</u>	<u>(1,225,588)</u>	<u>3</u>
<b>EXPENDITURES</b>					
Support services	372,324	372,901	372,898	(577)	3
Noninstructional services	<u>4,949,072</u>	<u>4,382,265</u>	<u>4,382,272</u>	<u>566,807</u>	<u>(7)</u>
<b>Total Expenditures</b>	<u>5,321,396</u>	<u>4,755,166</u>	<u>4,755,170</u>	<u>566,230</u>	<u>(4)</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>144,604</u>	<u>(514,754)</u>	<u>(514,755)</u>	<u>(659,358)</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	<u>-</u>	<u>(371,321)</u>	<u>(371,321)</u>	<u>(371,321)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(371,321)</u>	<u>(371,321)</u>	<u>(371,321)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>144,604</u>	<u>(886,075)</u>	<u>(886,076)</u>	<u>(1,030,679)</u>	<u>(1)</u>
<b>Fund Balance - Beginning</b>	<u>2,949,628</u>	<u>2,949,628</u>	<u>2,949,628</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in reserve for inventory</b>	<u>-</u>	<u>95,197</u>	<u>95,197</u>	<u>95,197</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 3,094,232</u>	<u>2,158,750</u>	<u>2,158,749</u>	<u>(935,482)</u>	<u>(1)</u>

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### 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	\$ 4,041,241	3,057,425	3,057,425	(983,816)	-
<b>Total Revenues</b>	<u>4,041,241</u>	<u>3,057,425</u>	<u>3,057,425</u>	<u>(983,816)</u>	<u>-</u>
<b>EXPENDITURES</b>					
Instruction	3,543,444	2,904,487	2,904,490	638,957	(3)
Support services	407,153	201,834	201,834	205,319	-
Noninstructional services	<u>170,340</u>	<u>36,990</u>	<u>36,988</u>	<u>133,350</u>	<u>2</u>
<b>Total Expenditures</b>	<u>4,120,937</u>	<u>3,143,311</u>	<u>3,143,312</u>	<u>977,626</u>	<u>(1)</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(79,696)</u>	<u>(85,886)</u>	<u>(85,887)</u>	<u>(6,190)</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	<u>79,696</u>	<u>88,417</u>	<u>85,887</u>	<u>8,721</u>	<u>(2,530)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>79,696</u>	<u>88,417</u>	<u>85,887</u>	<u>8,721</u>	<u>(2,530)</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>2,531</u>	<u>-</u>	<u>2,531</u>	<u>(2,531)</u>
<b>Fund Balance - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>2,531</u>	<u>-</u>	<u>2,531</u>	<u>(2,531)</u>

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### BUDGETARY COMPARISON SCHEDULE-JKN CO. EXCEPTIONAL SCHOOL 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	\$ 475,000	507,222	507,221	32,222	(1)
<b>Total Revenues</b>	<u>475,000</u>	<u>507,222</u>	<u>507,221</u>	<u>32,222</u>	<u>(1)</u>
<b>EXPENDITURES</b>					
Instruction	557,805	420,868	420,869	136,937	(1)
Support services	<u>332,048</u>	<u>327,997</u>	<u>327,995</u>	<u>4,051</u>	<u>2</u>
<b>Total Expenditures</b>	<u>889,853</u>	<u>748,865</u>	<u>748,864</u>	<u>140,988</u>	<u>1</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(414,853)</u>	<u>(241,643)</u>	<u>(241,643)</u>	<u>173,210</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	<u>414,853</u>	<u>265,410</u>	<u>265,410</u>	<u>(149,443)</u>	<u>-</u>
<b>Total Other Financing     Sources (Uses)</b>	<u>414,853</u>	<u>265,410</u>	<u>265,410</u>	<u>(149,443)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>23,767</u>	<u>23,767</u>	<u>23,767</u>	<u>-</u>
<b>Fund Balance - Beginning</b>	<u>21,571</u>	<u>21,571</u>	<u>21,571</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 21,571</u>	<u>45,338</u>	<u>45,338</u>	<u>23,767</u>	<u>-</u>

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

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

#### Public Employees Retirement System of Mississippi (PERS)

#### Last 10 Fiscal Years (Only 6 Years Shown)\*\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	0.813 %	0.869 %	0.826 %	0.823 %	0.777 %	0.800 %
School District's proportionate share (amount) of the net pension liability	\$143,022,740	144,507,751	137,314,238	147,061,938	120,165,918	97,105,353
School District's covered payroll	\$ 52,915,543	55,497,067	52,990,241	52,673,543	48,565,549	48,604,305
School District's proportionate share (amount) of the net pension liability as a percentage of its covered payroll	270.28 %	260.39 %	259.13 %	279.20 %	247.43 %	199.79 %
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 amounts presented for each fiscal year were determined as the measurement date of June 30 of the year prior to the fiscal year presented.

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-PERS

#### Public Employees Retirement System of Mississippi (PERS)

#### Last 10 Fiscal Years (Only 6 Years Shown)\*\*

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,611,952	8,334,198	8,740,788	8,345,963	8,296,083	7,649,074
Contributions in relation to the contractually required contribution	<u>(9,611,952)</u>	<u>(8,334,198)</u>	<u>(8,740,788)</u>	<u>(8,345,963)</u>	<u>(8,296,083)</u>	<u>(7,649,074)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District's covered payroll	\$55,241,148	52,915,543	55,497,067	52,990,241	52,673,543	48,565,549
Contributions as a percentage of covered payroll	17.40 %	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

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

#### Other Postemployment Benefits (OPEB)

#### Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	2020	2019	2018
District's proportion of the net OPEB liability	0.99864317 %	0.99983387 %	0.96962470 %
District's proportionate share of the net OPEB liability	\$ 8,473,897	7,734,215	7,607,775
District's covered-employee payroll	\$ 52,915,543	55,497,067	52,990,241
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.01 %	13.94 %	14.36 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.12 %	0.13 %	0.00 %

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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



# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Required Supplementary Information (Unaudited)

### SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-OPEB

#### Other Postemployment Benefits (OPEB)

#### Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	2020	2019	2018
Actuarially determined contribution	\$ 312,624	339,660	324,331
Contributions in relation to the actuarially determined contribution	(312,624)	(339,660)	(324,331)
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 55,241,148	52,915,543	55,497,067
Contributions as a percentage of covered-employee payroll	0.57 %	0.64 %	0.58 %

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Prior year information is based on historical amounts reported in prior year audit report(s).

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

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2020

**NOTE 1. BUDGETARY COMPARISON SCHEDULE**

**A. 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.

**B. 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.

**NOTE 2. PENSION SCHEDULES**

**A. 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.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2020

**NOTE 2. PENSION SCHEDULES (continued)**

**A. Changes of assumptions (continued)**

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%.

**B. 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.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2020

**NOTE 2. PENSION SCHEDULES (Continued)**

**C. 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

**NOTE 3. OPEB SCHEDULES**

**A. 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.

**B. Changes in Benefit Provisions**

**2017:** None.

**2018:** None.

**2019:** None.

**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2020

**NOTE 3. OPEB SCHEDULES (Continued)**

**C. Method 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 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 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	7.25 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	4.75 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89 percent

## **SUPPLEMENTARY INFORMATION**

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# PASCAGOULA-GAUTIER 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 No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Mississippi Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	205MS326N1099	\$ 1,043,937
National School Lunch Program	10.555	205MS326N1099	2,894,955
Summer Food Service Program for Children	10.559	205MS326N1099	637,004
Total Child Nutrition Cluster			4,575,896
Fresh Fruit & Vegetable	10.582	205MS326L1603	95,968
Total Passed through Mississippi Department of Education			4,671,864
<b>Total U.S. Department of Agriculture</b>			<b>4,671,864</b>
<b><u>U.S. Department of Defense</u></b>			
<i>Direct Program:</i>			
Reserve Officers' Training Corps	12.xxx	N/A	132,283
<b>Total U.S. Department of Defense</b>			<b>132,283</b>
<b><u>Federal Communications Commission</u></b>			
<i>Administered through the Universal Service Administrative Company:</i>			
The schools and libraries program of the universal service fund	32.xxx	N/A	271,557
<b>Total Federal Communications Commission</b>			<b>271,557</b>
<b><u>U.S. Department of Education</u></b>			
<i>Passed-through Mississippi Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education-Grants to States	84.027	H027A190108	1,815,610
Special Education-Preschool Grants	84.173	H173A190113	64,851
Total Special Education Cluster (IDEA)			1,880,461
Title I Grants to Local Educational Agencies	84.010	ES010A180024	3,296,062
Career and Technical Education-Basic Grants to States	84.048	VO048A180024	108,175
Supporting Effective Instruction State Grants	84.367	ES367A180023	363,606
English Language Acquisition Grants	84.365	ES365A180024	18,909
Title IV Student Support & Academic Enrichment	84.424	ES424A190025	98,935
COVID-19 - Education Stabilization Fund (ESSER)	84.425	ES425D200031	32,084
Total Passed through Mississippi Department of Education			5,798,232
<i>Passed-through Mississippi Board for Community and Junior Colleges:</i>			
Adult Education - State Grant Program	84.002	N/A	196,230
Total Passed through Mississippi Board for Community and Junior Colleges			196,230
<i>Direct Program</i>			
Impact Aid	84.041		5,063
<b>Total U.S. Department of Education</b>			<b>5,999,525</b>
<b><u>Social Security Administration</u></b>			
<i>Passed-through Mississippi Department of Rehabilitation</i>			
Disabled Assistance	96.001	N/A	2,624
Total Passed through Mississippi Department of Rehabilitation			2,624
<b>Total Social Security Administration</b>			<b>2,624</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 11,077,853</b>

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



**PASCAGOULA-GAUTIER SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2020

**NOTE 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**A. Basis of Presentation**

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

**B. 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.

**C. Indirect Cost Rate**

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

**D. Donated Commodities**

Donated commodities of \$375,679 are included in the National School Lunch Program.

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Supplementary Information

### SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 75,085,993	57,505,295	2,615,447	5,303,404	9,661,847
Other	29,055,208	6,095,745	483,962	60,499	22,415,002
<b>Total</b>	<b>\$ 104,141,201</b>	<b>63,601,040</b>	<b>3,099,409</b>	<b>5,363,903</b>	<b>32,076,849</b>
Total number of students*	6,704				
Cost per student	\$ 15,534	9,487	462	800	4,785

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

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

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

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

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

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

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**OTHER INFORMATION  
(UNAUDITED)**

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# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Other Information (Unaudited)

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GENERAL FUND

Last Four Years

	2020	2019*	2018*	2017*
<b>REVENUES</b>				
Local sources	\$ 49,294,205	49,150,943	47,644,535	49,011,660
State sources	34,034,202	32,817,650	33,510,434	32,769,024
Federal sources	293,435	310,979	329,725	322,584
Sixteenth section	<u>21,504</u>	<u>28,621</u>	<u>5,956</u>	<u>16,557</u>
<b>Total Revenues</b>	<u>83,643,346</u>	<u>82,308,193</u>	<u>81,490,650</u>	<u>82,119,825</u>
<b>EXPENDITURES</b>				
Instruction	42,342,060	41,400,083	42,380,722	42,620,304
Support services	31,806,177	30,855,395	29,733,413	30,022,451
Noninstructional services	413	187	-	-
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>95,651</u>	<u>4,000</u>
<b>Total Expenditures</b>	<u>74,148,650</u>	<u>72,255,665</u>	<u>72,209,786</u>	<u>72,646,755</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>9,494,696</u>	<u>10,052,528</u>	<u>9,280,864</u>	<u>9,473,070</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	-	3,620,341	-	-
Sale of other property	-	-	-	4,516
Sale of transportation equipment	-	-	-	6,497
Insurance recovery	-	1,388	-	-
Operating transfers in (out)	(3,484,054)	(9,531,173)	(3,184,258)	(11,370,481)
Other financing sources (uses)	<u>(217,531)</u>	<u>-</u>	<u>7,299</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(3,701,585)</u>	<u>(5,909,444)</u>	<u>(3,176,959)</u>	<u>(11,359,468)</u>
<b>Net Change in Fund Balances</b>	<u>5,793,111</u>	<u>4,143,084</u>	<u>6,103,905</u>	<u>(1,886,398)</u>
<b>Fund Balance - Beginning, as originally reported</b>	36,265,656	32,122,572	26,018,667	27,905,065
Prior period adjustment	<u>431,614</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning, as restated</b>	<u>36,697,270</u>	<u>32,122,572</u>	<u>26,018,667</u>	<u>27,905,065</u>
<b>Fund Balance - Ending</b>	<u>\$ 42,490,381</u>	<u>36,265,656</u>	<u>32,122,572</u>	<u>26,018,667</u>

\*Source - Prior Year Audit Reports

# PASCAGOULA-GAUTIER SCHOOL DISTRICT

## Other Information (Unaudited)

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- ALL GOVERNMENTAL FUNDS

Last Four Years

	2020	2019*	2018*	2017*
<b>REVENUES</b>				
Local sources	\$ 53,058,597	52,826,503	51,296,952	50,013,139
State sources	35,543,423	34,376,850	34,930,554	33,879,291
Federal sources	11,077,857	10,842,395	10,279,032	10,255,746
Sixteenth section	<u>35,132</u>	<u>32,843</u>	<u>10,149</u>	<u>20,727</u>
<b>Total Revenues</b>	<u>99,715,009</u>	<u>98,078,591</u>	<u>96,516,687</u>	<u>94,168,903</u>
<b>EXPENDITURES</b>				
Instruction	50,821,600	48,646,477	48,763,715	48,817,314
Support services	35,881,985	34,645,270	35,195,696	37,220,427
Noninstructional services	4,991,636	5,305,944	5,099,364	5,105,328
Debt service				
Principal	3,671,473	2,450,000	2,350,000	-
Interest	536,590	487,630	527,864	-
Other	-	-	-	56,117
Facilities acquisition and construction	<u>8,237,917</u>	<u>11,803,757</u>	<u>5,001,982</u>	<u>2,998,930</u>
<b>Total Expenditures</b>	<u>104,141,201</u>	<u>103,339,078</u>	<u>96,938,621</u>	<u>94,198,116</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(4,426,192)</u>	<u>(5,260,487)</u>	<u>(421,934)</u>	<u>(29,213)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	-	3,620,341	-	22,500,000
Insurance recovery	-	1,388	-	-
Sale of other property	-	-	-	4,516
Sale of transportation equipment	-	-	-	6,497
Operating transfers in	3,855,375	11,718,125	31,023,916	14,399,991
Operating transfers out	(3,855,375)	(11,718,125)	(31,023,916)	(14,399,991)
Other financing sources (uses)	<u>(217,531)</u>	<u>-</u>	<u>7,299</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(217,531)</u>	<u>3,621,729</u>	<u>7,299</u>	<u>22,511,013</u>
<b>Net Change in Fund Balances</b>	<u>(4,643,723)</u>	<u>(1,638,758)</u>	<u>(414,635)</u>	<u>22,481,800</u>
<b>Fund Balance - Beginning, as originally reported</b>	58,595,347	60,320,337	60,688,616	38,197,287
Prior period adjustment	<u>447,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning, as restated</b>	<u>59,043,327</u>	<u>60,320,337</u>	<u>60,688,616</u>	<u>38,197,287</u>
Increase (Decrease) in reserve for inventory	<u>95,595</u>	<u>(86,232)</u>	<u>46,356</u>	<u>9,529</u>
<b>Fund Balance - Ending</b>	<u>\$ 54,495,199</u>	<u>58,595,347</u>	<u>60,320,337</u>	<u>60,688,616</u>

\*Source - Prior Year Audit Reports

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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**Wolfe • McDuff & Oppie**  
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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  
Pascagoula-Gautier 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 Pascagoula-Gautier School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pascagoula-Gautier School Districts basic financial statements and have issued our report thereon dated February 17, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Pascagoula-Gautier School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pascagoula-Gautier School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pascagoula-Gautier 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 Pascagoula-Gautier 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 determination of financial statement amounts. 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*.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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**Report on Internal Control over Financial Reporting and on Compliance and Other Matters**  
**Page 2**

**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.

*Wolfe, McDuff + Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
February 17, 2021



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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  
Pascagoula-Gautier School District

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

We have audited the Pascagoula-Gautier School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Pascagoula-Gautier School District's major federal programs for the year ended June 30, 2020. Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier School District's internal control over compliance.

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center





Single Audit Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance  
Page 2

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

Our consideration of 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.

*Wolfe, McDuff & Oppie*

Wolfe, McDuff & Oppie, P.A.  
Pascagoula, Mississippi  
February 17, 2021

**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  
Pascagoula-Gautier School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pascagoula-Gautier School District as of and for the year ended June 30, 2020, which collectively comprise Pascagoula-Gautier School District's basic financial statements and have issued our report thereon dated February 17, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 did not disclose any instances of noncompliance with other state laws and regulations.

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.

*Wolfe, McDuff & Oppie*

Pascagoula, Mississippi  
February 17, 2021

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**PASCAGOULA-GAUTIER 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 controls 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>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program for Children	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

- |   |           |
|---|-----------|
| 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        |

**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.