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SCOTT COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2020

St. Clair CPA, PLLC
Carriere, MS

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TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	7
BASIC FINANCIAL STATEMENTS.....	17
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	19
Exhibit B Statement of Activities.....	20
Governmental Funds Financial Statements	
Exhibit C Balance Sheet	21
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	22
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances.....	23
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	24
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Net Position.....	25
Exhibit F Statement of Changes in Fiduciary Net Position.....	26
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION.....	53
Budgetary Comparison Schedule for the General Fund.....	55
Budgetary Comparison Schedule for the Major Special Revenue Fund – Vocational Fund.....	56
Schedule of the District’s Proportionate Share of the Net Pension Liability.....	57
Schedule of District Contributions (PERS).....	58
Schedule of the District’s Proportionate Share of the Net OPEB Liability.....	59
Schedule of District Contributions (OPEB).....	60
Notes to the Required Supplementary Information.....	61
SUPPLEMENTARY INFORMATION.....	65
Schedule of Expenditures of Federal Awards.....	67
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	69
OTHER INFORMATION.....	71
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	73
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	74
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	75
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ...	77
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	81

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Scott County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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) on pages 9-16, 55-56, 57, 58, 59 and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in

the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 2, 2021, on my consideration of the Scott County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Scott County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County School District's internal control over financial reporting and compliance.

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
July 2, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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SCOTT COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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

FINANCIAL HIGHLIGHTS

- Total net position for 2020 decreased \$2,090,509, including a prior period adjustment of (\$3,946), which represents a 7% decrease from fiscal year 2019. Total net position for 2019 decreased \$1,546,437, including a prior period adjustment of \$142,032, which represents a 5% decrease from fiscal year 2018.
- General revenues amounted to \$28,909,718 and \$28,110,246, or 80% and 81% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,454,677, or 20% of total revenues for 2020, and \$6,497,607, or 19% of total revenues for 2019.
- The District had \$38,450,958 and \$36,296,322 in expenses for fiscal years 2020 and 2019; only \$7,454,677 for 2020 and \$6,497,607 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,909,718 for 2020 and \$28,110,246 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$28,205,989 in revenues and \$28,358,430 in expenditures for 2020, and \$26,746,808 in revenues and \$26,897,977 in expenditures in 2019. The General Fund's fund balance decreased by \$191,658 from 2019 to 2020, including a prior period adjustment of (\$3,946), and increased by \$205,344 from 2018 to 2019, including a prior period adjustment of \$140,722.
- Capital assets, net of accumulated depreciation, decreased by \$553,152 for 2020 and increased by \$472,566 for 2019. The decrease for 2020 was due to the disposal of furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$530,295 for 2020 and decreased by \$859,216 for 2019. The decrease for 2020 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$72,705 for 2020 and decreased by \$4,506 for 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$34,125,350 as of June 30, 2020.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 3,537,263	\$ 3,779,828	(6.42) %
Restricted assets	2,007,101	2,182,195	(8.02) %
Capital assets, net	16,919,369	17,472,521	(3.17) %
Total assets	22,463,733	23,434,544	(4.14) %
 Deferred outflows of resources	 5,393,637	 4,410,466	 22.29 %
Current liabilities	375,455	638,078	(41.16) %
Long-term debt outstanding	5,479,947	6,010,242	(8.82) %
Net OPEB liability	3,742,930	3,443,089	8.71 %
Net pension liability	51,616,256	48,640,130	6.12 %
Total liabilities	61,214,588	58,731,539	4.23 %
 Deferred inflows of resources	 768,132	 1,148,312	 (33.11) %
 Net position:			
Net investment in capital assets	12,002,913	12,048,862	(0.38) %
Restricted	1,810,848	1,678,429	7.89 %
Unrestricted	(47,939,111)	(45,762,132)	(4.76) %
Total net position	\$ (34,125,350)	\$ (32,034,841)	(6.53) %

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)	\$ (47,939,111)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	50,733,681
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,794,570</u>

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

- Decrease in net capital assets in the amount of \$553,152.
- The principal retirement of \$603,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$36,364,395 and \$34,607,853, respectively. The total cost of all programs and services was \$38,450,958 for 2020 and \$36,296,322 for 2019.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 625,033	\$ 727,761	(14.12) %
Operating grants and contributions	6,829,644	5,769,846	18.37 %
General revenues:			
Property taxes	4,891,295	4,489,355	8.95 %
Grants and contributions not restricted	23,069,678	22,314,469	3.38 %
Investment earnings	29,219	34,133	(14.40) %
Sixteenth section sources	491,335	906,045	(45.77) %
Other	428,191	366,244	16.91 %
Total revenues	36,364,395	34,607,853	5.08 %
Expenses:			
Instruction	20,339,695	18,671,954	8.93 %
Support services	10,436,434	10,216,855	2.15 %
Non-instructional	1,973,889	2,270,704	(13.07) %
Sixteenth section	63,348	75,808	(16.44) %
Pension expense	5,351,969	4,795,592	11.60 %
OPEB expense	242,445	197,361	22.84 %
Interest on long-term liabilities	43,178	68,048	(36.55) %
Total expenses	38,450,958	36,296,322	5.94 %
Increase (Decrease) in net position	(2,086,563)	(1,688,469)	(23.58) %
Net Position, July 1, as previously reported	(32,034,841)	(30,488,404)	(5.07) %
Prior Period Adjustment	(3,946)	142,032	(102.78) %
Net Position, July 1, as restated	(32,038,787)	(30,346,372)	(5.58) %
Net Position, June 30	\$ (34,125,350)	\$ (32,034,841)	(6.53) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2020	2019	
Instruction	\$ 20,339,695	\$ 18,671,954	8.93 %
Support services	10,436,434	10,216,855	2.15 %
Non-instructional	1,973,889	2,270,704	(13.07) %
Sixteenth section	63,348	75,808	(16.44) %
Pension Expense	5,351,969	4,795,592	11.60 %
OPEB Expense	242,445	197,361	22.84 %
Interest on long-term liabilities	43,178	68,048	(36.55) %
Total expenses	\$ 38,450,958	\$ 36,296,322	5.94 %

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (17,020,625)	\$ (16,087,763)	(5.80) %
Support services	(8,364,755)	(8,897,391)	5.99 %
Non-instructional	73,234	279,564	(73.80) %
Sixteenth section	(46,543)	(32,124)	(44.89) %
Pension Expense	(5,351,969)	(4,795,592)	(11.60) %
OPEB Expense	(242,445)	(197,361)	(22.84) %
Interest on long-term liabilities	(43,178)	(68,048)	36.55 %
Total net (expense) revenue	\$ (30,996,281)	\$ (29,798,715)	(4.02) %

- Net cost of governmental activities (\$30,996,281 for 2020 and \$29,798,715 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$4,891,295 for 2020 and \$4,489,355 for 2019) and state and federal revenues (\$23,069,678 for 2020 and \$22,314,469 for 2019). In addition, there was \$491,335 and \$906,045 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$29,219 for 2020 and \$34,133 for 2019.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,181,232, a decrease of \$156,593, which includes a prior period adjustment of (\$3,946) and an increase in inventory of \$51,012. \$2,943,850, or 57% 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 \$2,237,382, or 43% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$191,658, which includes a prior period adjustment of (\$3,946). The fund balance of Other Governmental Funds showed a decrease in the amount of \$149,052, which includes an increase in inventory of \$51,012. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Vocational Fund	\$	(1,151)
Sixteenth Section Principal Fund		185,268

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$33,421,614, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$114,800 from 2019. Total accumulated depreciation as of June 30, 2020, was \$16,502,245, and total depreciation expense for the year was \$783,722, resulting in total net capital assets of \$16,919,369.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 127,250	\$ 127,250	0.00 %
Construction in Progress	0	1,631,929	(100.00) %
Buildings	11,145,627	9,819,005	13.51 %
Building improvements	4,011,235	4,202,225	(4.54) %
Improvements other than buildings	290,850	303,546	(4.18) %
Mobile equipment	1,158,154	1,188,552	(2.56) %
Furniture and equipment	186,253	200,014	(6.88) %
Total	\$ 16,919,369	\$ 17,472,521	(3.17) %

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

Debt Administration. At June 30, 2020, the District had \$5,479,947 in outstanding long-term debt, of which \$627,447 is due within one year. During the fiscal year, the District made principal payments totaling \$603,000 on outstanding long-term debt. The liability for compensated absences increased \$72,705 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,431,000	\$ 1,779,000	(19.56) %
Qualified zone academy bonds payable	3,800,000	4,055,000	(6.29) %
Compensated absences payable	248,947	176,242	41.25 %
Total	<u><u>\$ 5,479,947</u></u>	<u><u>\$ 6,010,242</u></u>	(8.82) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Scott County School District, 110 Commerce Loop, Forest, MS 39074.

BASIC FINANCIAL STATEMENTS

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SCOTT COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,464,635
Due from other governments	975,935
Inventories	96,693
Restricted assets (Note 4)	2,007,101
Non-depreciable capital assets (Note 5)	127,250
Depreciable capital assets, net (Note 5)	16,792,119
Total Assets	<u>22,463,733</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	4,815,028
Deferred outflow - OPEB (Note 8)	578,609
Total Deferred Outflows of Resources	<u>5,393,637</u>
Liabilities	
Accounts payable and accrued liabilities	358,617
Interest payable on long-term liabilities	12,323
Other payables	4,515
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	615,000
Non-capital related liabilities	12,447
Net OPEB liability (Note 8)	145,561
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,616,000
Non-capital related liabilities	236,500
Net OPEB liability (Note 8)	3,597,369
Net pension liability (Note 7)	51,616,256
Total Liabilities	<u>61,214,588</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	492,549
Deferred inflows - OPEB (Note 8)	275,583
Total Deferred Inflows of Resources	<u>768,132</u>
Net Position	
Net investment in capital assets	12,002,913
Restricted net position	
Expendable	
School-based activities	606,396
Debt service	78,209
Forestry improvements	212,053
Unemployment benefits	80,828
Non-expendable	
Sixteenth section	833,362
Unrestricted	<u>(47,939,111)</u>
Total Net Position	<u>\$ (34,125,350)</u>

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 20,339,695	483,905	2,835,165	(17,020,625)
Support services	10,436,434		2,071,679	(8,364,755)
Non-instructional	1,973,889	124,323	1,922,800	73,234
Sixteenth section	63,348	16,805		(46,543)
Pension expense	5,351,969			(5,351,969)
OPEB expense	242,445			(242,445)
Interest on long-term liabilities	43,178			(43,178)
Total Governmental Activities	<u>38,450,958</u>	<u>625,033</u>	<u>6,829,644</u>	<u>(30,996,281)</u>
General Revenues				
Taxes				
General purpose levies				4,618,267
Debt purpose levies				273,028
Unrestricted grants and contributions				
State				22,447,335
Federal				622,343
Unrestricted investment earnings				29,219
Sixteenth section sources				491,335
Other				428,191
Total General Revenues				<u>28,909,718</u>
Changes in Net Position				<u>(2,086,563)</u>
Net Position - Beginning, as previously reported				(32,034,841)
Prior Period Adjustments (Note 10)				(3,946)
Net Position - Beginning - as restated				<u>(32,038,787)</u>
Net Position - Ending				<u>\$ (34,125,350)</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

Exhibit C

	Major Funds				
	General Fund	Vocational Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 2)	\$ 2,464,635		833,362	1,157,902	4,455,899
Cash with fiscal agent (Note 2)				15,837	15,837
Due from other governments	463,962	228,586		282,558	975,106
Due from other funds (Note 3)	342,837			5,000	347,837
Inventories				96,693	96,693
Total Assets	<u>3,271,434</u>	<u>228,586</u>	<u>833,362</u>	<u>1,557,990</u>	<u>5,891,372</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	227,917	5,624		125,076	358,617
Due to other funds (Note 3)		206,068		140,940	347,008
Other payables				4,515	4,515
Total Liabilities	<u>227,917</u>	<u>211,692</u>	<u>0</u>	<u>270,531</u>	<u>710,140</u>
Fund Balances					
Nonspendable					
Inventory				96,693	96,693
Permanent fund principal			833,362		833,362
Restricted					
Debt service				90,532	90,532
Capital projects				314,544	314,544
Forestry improvements				212,053	212,053
Unemployment benefits				80,828	80,828
Grant activities		16,894		492,809	509,703
Assigned					
School activities	99,667				99,667
Unassigned	2,943,850				2,943,850
Total Fund Balances	<u>3,043,517</u>	<u>16,894</u>	<u>833,362</u>	<u>1,287,459</u>	<u>5,181,232</u>
Total Liabilities and Fund Balances	<u>\$ 3,271,434</u>	<u>228,586</u>	<u>833,362</u>	<u>1,557,990</u>	<u>5,891,372</u>

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit C-1

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

June 30, 2020

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 5,181,232
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	127,250	
Buildings	21,758,018	
Building improvements	4,772,994	
Improvement other than buildings	921,420	
Mobile equipment	4,984,853	
Furniture and equipment	857,079	
Accumulated depreciation	<u>(16,502,245)</u>	16,919,369
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(51,616,256)
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	4,815,028	
Deferred inflows of resources related to pensions	<u>(492,549)</u>	4,322,479
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability		(3,742,930)
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	578,609	
Deferred inflows of resources related to OPEB	<u>(275,583)</u>	303,026
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Three mill notes payable	(1,431,000)	
Qualified zone academy bonds payable	(3,800,000)	
Compensated absences	(248,947)	
Accrued interest payable	<u>(12,323)</u>	<u>(5,492,270)</u>
Total Net Position - Governmental Activities		<u><u>\$ (34,125,350)</u></u>

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit D

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

For the Year Ended June 30, 2020

	Major Funds				
	General Fund	Vocational Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 4,716,315	463,419		751,341	5,931,075
State sources	22,846,216	678,704		445,106	23,970,026
Federal sources	331,471	81,074		5,526,693	5,939,238
Sixteenth section sources	311,987		189,971	22,098	524,056
Total Revenues	28,205,989	1,223,197	189,971	6,745,238	36,364,395
Expenditures					
Instruction	18,903,208	937,773		2,378,906	22,219,887
Support services	9,154,443	316,126		1,802,840	11,273,409
Noninstructional services				2,311,505	2,311,505
Sixteenth section	46,132		4,703	12,513	63,348
Facilities acquisition and construction				52,170	52,170
Debt service					
Principal (Note 6)	254,647			348,353	603,000
Interest				44,735	44,735
Total Expenditures	28,358,430	1,253,899	4,703	6,951,022	36,568,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,441)	(30,702)	185,268	(205,784)	(203,659)
Other Financing Sources (Uses)					
Operating transfers in (Note 3)	11,763	29,551		653,272	694,586
Operating transfers out (Note 3)	(47,034)			(647,552)	(694,586)
Total Other Financing Sources (Uses)	(35,271)	29,551	0	5,720	0
Net Change in Fund Balances	(187,712)	(1,151)	185,268	(200,064)	(203,659)
Fund Balances					
July 1, 2019, as previously reported	3,235,175	18,045	648,094	1,436,511	5,337,825
Prior period adjustments (Note 10)	(3,946)				(3,946)
July 1, 2019, as restated	3,231,229	18,045	648,094	1,436,511	5,333,879
Increase in reserve for inventory				51,012	51,012
June 30, 2020	\$ 3,043,517	16,894	833,362	1,287,459	5,181,232

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit D-1

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

		<u>Amount</u>
Net Change in Fund Balance - Governmental Funds		\$ (203,659)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	231,739	
Depreciation expense	<u>(783,722)</u>	(551,983)
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(1,169)
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	603,000	
Accrued interest payable	<u>1,557</u>	604,557
Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(5,351,969)	
Contributions made subsequent to the measurement date	<u>3,544,024</u>	(1,807,945)
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	(242,445)	
Contributions made subsequent to the measurement date	<u>137,774</u>	(104,671)
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	(72,705)	
Change in inventory reserve	<u>51,012</u>	(21,693)
Changes in Net Position of Governmental Activities		<u><u>\$ (2,086,563)</u></u>

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

SCOTT COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2020

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$ 4,017	1,393,879
Total Assets	<u>4,017</u>	<u>1,393,879</u>
Liabilities		
Accounts payable and accrued liabilities		1,160,581
Due to other funds (Note 3)		829
Due to student clubs		232,469
Total Liabilities	<u>0</u>	<u>1,393,879</u>
Net Position		
Reserved for endowments	<u>4,017</u>	
Total Net Position	<u>\$ 4,017</u>	

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

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

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 14
Total Additions	<u>14</u>
Deductions	
Scholarships awarded	500
Total Deductions	<u>500</u>
Changes in Net Position	<u>(486)</u>
Net Position	
July 1, 2019	<u>4,503</u>
June 30, 2020	<u>\$ 4,017</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14).

B. Government-wide and Fund Financial Statements

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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.

Vocational Fund - This is a special revenue fund that accounts for the local, state, and federal revenue received and expenditures incurred related to the District's vocational education program.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These funds account for the monies raised through school club activities and fundraisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts payable type transactions.

Scholarship Fund - This fund serves as a private-purpose trust fund used to report trust arrangements, other than those properly reported elsewhere, in which scholarships are provided to students of the school district.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate

section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as deferred outflows related to pensions and deferred outflows related to OPEB.

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 has incurred deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB.

See Note 18 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities 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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

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

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.

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,455,899 and \$1,397,896, respectively. The carrying amount of deposits reported in the government-wide financial statements consists of cash and cash equivalents of \$2,464,635 and a portion of restricted assets in the amount of \$1,991,264 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2020, none of the district's bank balance of \$7,763,268 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$15,837.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Vocational Fund	\$ 206,068
	Other governmental funds	135,940
	Fiduciary funds	829
Other governmental funds	Other governmental funds	5,000
Total		<u>\$ 347,837</u>

The primary purpose of the interfund receivables and payables was to close out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Vocational Fund	\$ 29,551
	Other governmental funds	17,483
Other governmental funds	General Fund	11,763
	Other governmental funds	635,789
Total		<u>\$ 694,586</u>

The primary purpose of the interfund transfers was to transfer funds to various governmental funds for operating purposes and to transfer indirect costs to the General Fund. These transfers were consistent with the activities of the fund making the transfer.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

Note 4 – Restricted Assets

The restricted assets represent the cash balance and cash with fiscal agent balance, totaling \$1,991,264 and \$15,837, respectively, which are legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds, unspent debt proceeds in Capital Project Funds, and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2019	Increases	Decreases	Completed Construction	Balance 6/30/2020
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 127,250				127,250
Construction-in-progress	1,631,929	52,170		(1,684,099)	0
Total non-depreciable capital assets	1,759,179	52,170	0	(1,684,099)	127,250
<u>Depreciable capital assets:</u>					
Buildings	20,073,919			1,684,099	21,758,018
Building improvements	4,772,994				4,772,994
Improvements other than buildings	921,420				921,420
Mobile equipment	4,848,653	136,200			4,984,853
Furniture and equipment	930,649	43,369	116,939		857,079
Total depreciable capital assets	31,547,635	179,569	116,939	1,684,099	33,294,364
<u>Less accumulated depreciation for:</u>					
Buildings	10,254,914	357,477			10,612,391
Building improvements	570,769	190,990			761,759
Improvements other than buildings	617,874	12,696			630,570
Mobile equipment	3,660,101	166,598			3,826,699
Furniture and equipment	730,635	55,961	115,770		670,826
Total accumulated depreciation	15,834,293	783,722	115,770	0	16,502,245
Total depreciable capital assets, net	15,713,342	(604,153)	1,169	1,684,099	16,792,119
Governmental activities capital assets, net	\$ 17,472,521	(551,983)	1,169	0	16,919,369

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 312,756
Support services	389,802
Non-instructional	81,164
Total depreciation expense - Governmental activities	\$ 783,722

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Three mill notes payable	\$ 1,779,000		348,000	1,431,000	355,000
B. Qualified zone academy bonds payable	4,055,000		255,000	3,800,000	260,000
C. Compensated absences payable	176,242	72,705		248,947	12,447
Total	\$ 6,010,242	\$ 72,705	\$ 603,000	\$ 5,479,947	\$ 627,447

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2016	1.0%-2.4%	10/21/2016	10/21/2026	\$ 1,300,000	\$ 736,000
2. Limited Tax Note, Series 2018	2.93%	6/1/2018	6/1/2023	1,200,000	695,000
Total				<u>\$ 2,500,000</u>	<u>\$ 1,431,000</u>

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

- Limited Tax Note, Series 2016 issued on October 21, 2016:

Year Ending June 30	Principal	Interest	Total
2021	\$ 95,000	\$ 15,505	\$ 110,505
2022	99,000	13,843	112,843
2023	101,000	11,962	112,962
2024	104,000	9,942	113,942
2025	109,000	7,758	116,758
2026 – 2027	228,000	8,144	236,144
Total	<u>\$ 736,000</u>	<u>\$ 67,154</u>	<u>\$ 803,154</u>

This debt will be retired from the 2016-17 Three Mill Note Fund (Debt Service Fund).

- Limited Tax Note, Series 2018 issued on June 1, 2018:

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Year Ending June 30	Principal	Interest	Total
2021	\$ 260,000	20,364	280,364
2022	260,000	12,745	272,745
2023	175,000	5,128	180,128
Total	<u>\$ 695,000</u>	<u>38,237</u>	<u>733,237</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 355,000	\$ 35,869	\$ 390,869
2022	359,000	26,588	385,588
2023	276,000	17,090	293,090
2024	104,000	9,942	113,942
2025	109,000	7,758	116,758
2026 – 2027	228,000	8,144	236,144
Total	<u>\$ 1,431,000</u>	<u>\$ 105,391</u>	<u>\$ 1,536,391</u>

B. Qualified zone academy bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2017	0.00%	4/14/2017	4/14/2033	\$ 4,350,000	3,800,000
Total				<u>\$ 4,350,000</u>	<u>3,800,000</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Year Ending June 30	Principal	Interest	Total
2021	\$ 260,000	\$ 0	\$ 260,000
2022	270,000	0	270,000
2023	275,000	0	275,000
2024	285,000	0	285,000
2025	295,000	0	295,000
2026 – 2030	1,508,000	0	1,508,000
2031 – 2033	907,000	0	907,000
Total	<u>\$ 3,800,000</u>	<u>\$ 0</u>	<u>\$ 3,800,000</u>

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

C. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

(55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$3,544,024, \$3,009,651 and \$2,941,248, respectively, which equaled the required contributions for each year.

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

At June 30, 2020, the school district reported a liability of \$51,616,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was 0.293408 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.000976 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$5,351,969. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,414	\$ 40,783
Net difference between projected and actual earnings on pension plan investments	0	451,766
Changes of assumptions	371,462	0
Changes in proportion and differences between District contributions and proportionate share of contributions	877,128	0
District contributions subsequent to the measurement date	3,544,024	0
Total	\$ <u>4,815,028</u>	\$ <u>492,549</u>

\$3,544,024 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2021	\$ 368,672
2022	368,672
2023	154,053
2024	(112,942)

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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:

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

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

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 67,851,357	\$ 51,616,256	\$ 38,215,638

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 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$137,774 for the year ended June 30, 2020.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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

At June 30, 2020, the District reported a liability of \$3,742,930 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 0.44110185 percent. This was a decrease of 0.00400045 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 \$242,445. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,659	\$ 53,576
Changes of assumptions	279,045	194,089
Net difference between projected and actual earnings on OPEB plan investments	71	0
Changes in proportion and differences between District contributions and proportionate share of contributions	156,060	29,718
District contributions subsequent to the measurement date	137,774	0
Total	\$ <u>578,609</u>	\$ <u>275,583</u>

\$137,774 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2021	\$ 28,942
2022	28,942
2023	28,942
2024	29,512
2025	34,280
Thereafter	14,634

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

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

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

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

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

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

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

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

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

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 4,157,742	\$ 3,742,930	\$ 3,388,020

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,468,402	\$ 3,742,930	\$ 4,053,925

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 161,192
2022	149,980
2023	145,027
2024	137,609
2025	136,397
2026 – 2030	603,315
2031 – 2035	409,623
2036 – 2040	231,035
2041 – 2045	111,328
Thereafter	124,787
Total	<u>\$ 2,210,293</u>

Note 10 – Prior Period Adjustments

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Exhibit B - Statement of Activities

Explanation	Amount
To record payment to MDE related to prior year at the governmental fund level	\$ (3,946)
Total	<u>\$ (3,946)</u>

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

Fund	Explanation	Amount
General Fund	To record payment to MDE related to prior year	\$ (3,946)
Total		<u>\$ (3,946)</u>

Note 11 – Contingencies

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

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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

Workers' Compensation Trust

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 56 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Property Trust

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Casualty Trust

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 13 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated April 14, 2017.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires principal payments be made by the school district on or before March 15. The following schedule reports the annual principal payments to be made by the school district:

Year Ending		Amount
June 30		
2021	\$	260,000
2022		270,000
2023		275,000
2024		285,000
2025		295,000
Thereafter		2,415,000
Total	\$	<u>3,800,000</u>

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

Note 14 – Trust Certificates

A trust agreement dated April 14, 2017, was executed by and between the school district and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates (Qualified Zone Academy Bonds) in the principal amount of \$4,350,000. Approximately \$4,263,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$87,000 was used to pay the cost of issuance.

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

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

Note 15 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated April 12, 1994, creating the consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Scott County School District, Enterprise School District, Forest Municipal School District, Kemper County School District, Newton Municipal School District, Philadelphia School District, and Newton County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the consortium, and the operations of the consortium are included in its financial statements.

Note 16 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 16, 1994, creating the Forest Scott County Career and Technology Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Scott County School District and the Forest Municipal School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Forest Scott County Career and Technology Center, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Forest Scott County Career and Technology Center.

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:	
Forest Municipal School District	\$ <u>189,646</u>
Total tuition from other LEA's within the state	<u>189,646</u>
Ad valorem	<u>273,773</u>
Total local sources	<u>463,419</u>
State sources	678,704
Federal sources	<u>81,074</u>
Total Revenues	<u>1,223,197</u>

Expenditures

Salaries	800,091
Employee benefits	278,281
Purchased professional and technical services	7,542
Purchased property services	39,154
Other purchased services	27,356
Supplies	35,628
Property	63,892
Other	<u>1,955</u>
Total Expenditures	<u>1,253,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,702)</u>

Other Financing Sources/Uses:

Transfers in	<u>29,551</u>
Total Other Financing Sources/Uses	<u>29,551</u>
Net Change in Fund Balance	<u>(1,151)</u>

Fund Balance:

July 1, 2019	<u>18,045</u>
June 30, 2020	\$ <u><u>16,894</u></u>

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

Note 17 – Mississippi Public School Consortium for Educational Access

The school district entered into a cooperative agreement dated June 15, 2018, creating the Mississippi Public School Consortium for Educational Access. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Scott County School District, Aberdeen School District, Booneville School District, Coahoma Agriculture High School, Holmes County Consolidated School District, Pontotoc County School District, Quitman County School District and the South Panola School District. The agreement shall end on May 31, 2021.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional education center. Any such agreement should designate the fiscal agent, provide the method of financing for the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Mississippi Public School Consortium for Educational Access, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Mississippi Public School Consortium for Educational Access.

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

Revenues

Local sources:

Contributions and donations	\$ 133,000
Interest income	174
Total Revenues	<u>133,174</u>

Expenditures

Purchased professional and technical services	175,191
Total Expenditures	<u>175,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(42,017)</u>

Other Financing Sources/Uses

Net Change in Fund Balance	<u>-</u> <u>(42,017)</u>
----------------------------	-----------------------------

Fund Balance:

July 1, 2019	<u>90,019</u>
June 30, 2020	\$ <u><u>48,002</u></u>

Note 18 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$47,939,111) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,544,024 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 \$1,271,004 balance of deferred

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

outflow of resources related to pensions at June 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$47,939,111) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$492,549 balance of deferred inflow of resources related to pensions at June 30, 2020, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$47,939,111) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$137,774 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$440,835 balance of deferred outflow of resources related to OPEB at June 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$47,939,111) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$275,583 balance of deferred inflow of resources related to OPEB at June 30, 2020, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 19 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. At the time of my audit, the OSA report has not been released.

Note 20 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through July 2, 2021, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 4,805,435	4,716,315	4,716,315	(89,120)	0
State sources	22,972,560	22,846,216	22,846,216	(126,344)	0
Federal sources	351,500	331,471	331,471	(20,029)	0
Sixteenth section sources	408,000	311,987	311,987	(96,013)	0
Total Revenues	<u>28,537,495</u>	<u>28,205,989</u>	<u>28,205,989</u>	<u>(331,506)</u>	<u>0</u>
Expenditures					
Instruction	18,988,206	0	18,903,208	18,988,206	(18,903,208)
Support services	9,189,564	0	9,154,443	9,189,564	(9,154,443)
Sixteenth section	28,000	0	46,132	28,000	(46,132)
Debt service					
Principal	0	254,647	254,647	(254,647)	0
Total Expenditures	<u>28,205,770</u>	<u>254,647</u>	<u>28,358,430</u>	<u>27,951,123</u>	<u>(28,103,783)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>331,725</u>	<u>27,951,342</u>	<u>(152,441)</u>	<u>27,619,617</u>	<u>(28,103,783)</u>
Other Financing Sources (Uses)					
Payment to QZAB debt escrow agent	(255,000)	0	0	255,000	0
Operating transfers in	3,793,508	4,050,680	11,763	257,172	(4,038,917)
Operating transfers out	(3,858,408)	(4,085,931)	(47,034)	(227,523)	4,038,897
Total Other Financing Sources (Uses)	<u>(319,900)</u>	<u>(35,251)</u>	<u>(35,271)</u>	<u>284,649</u>	<u>(20)</u>
Net Change in Fund Balances			<u>(187,712)</u>		
Fund Balances					
July 1, 2019, as previously reported			3,235,175		
Prior period adjustments			(3,946)		
July 1, 2019, as restated			<u>3,231,229</u>		
June 30, 2020			<u>\$ 3,043,517</u>		

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

SCOTT COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Vocational Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 470,045	463,419	463,419	(6,626)	0
State sources	744,219	678,704	678,704	(65,515)	0
Federal sources	82,700	81,074	81,074	(1,626)	0
Total Revenues	<u>1,296,964</u>	<u>1,223,197</u>	<u>1,223,197</u>	<u>(73,767)</u>	<u>0</u>
Expenditures					
Instruction	973,426	937,773	937,773	35,653	0
Support services	351,775	316,126	316,126	35,649	0
Total Expenditures	<u>1,325,201</u>	<u>1,253,899</u>	<u>1,253,899</u>	<u>71,302</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,237)</u>	<u>(30,702)</u>	<u>(30,702)</u>	<u>(2,465)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	28,237	29,551	29,551	1,314	0
Total Other Financing Sources (Uses)	<u>28,237</u>	<u>29,551</u>	<u>29,551</u>	<u>1,314</u>	<u>0</u>
Net Change in Fund Balances			<u>(1,151)</u>		
Fund Balances					
July 1, 2019			<u>18,045</u>		
June 30, 2020			<u>\$ 16,894</u>		

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

SCOTT COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.293408%	0.292432%	0.292806%	0.278867%	0.267573%	0.260010%
District's proportionate share of the net pension liability	\$ 51,616,256	48,640,130	48,674,295	49,812,610	41,736,676	31,559,239
District's covered payroll	\$ 19,108,895	18,674,590	18,783,702	17,839,810	16,716,438	15,887,962
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	249.67%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,544,024	3,009,651	2,941,248	2,958,433	2,809,770	2,632,839
Contributions in relation to the contractually required contribution	3,544,024	3,009,651	2,941,248	2,958,433	2,809,770	2,632,839
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 20,367,954	19,108,895	18,674,590	18,783,702	17,839,810	16,716,438
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.44110185%	0.44510230%	0.43651597%
District's proportionate share of the net OPEB liability	<u>\$ 3,742,930</u>	<u>3,443,089</u>	<u>3,424,944</u>
Covered employee payroll	<u>\$ 19,108,895</u>	<u>18,674,590</u>	<u>18,783,695</u>
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	<u>19.59%</u>	<u>18.44%</u>	<u>18.23%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.12%</u>	<u>0.13%</u>	<u>0.00%</u>

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

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

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

SCOTT COUNY SCHOOL DISTRICT
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 137,774	150,028	\$ 146,010
Contributions in relation to the actuarially determined contribution	137,774	150,028	146,010
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 20,367,954	19,108,895	18,674,590
Contributions as a percentage of covered employee payroll	0.68%	0.79%	0.78%

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

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

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

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SUPPLEMENTARY INFORMATION

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SCOTT COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 543,545
National school lunch program	10.555	205MS326N1099	1,524,500
Summer food service program for children	10.559	205MS326N1099	4,532
COVID-19 - Summer food service program for children	10.559	205MS326N1099	363,930
Total child nutrition cluster			<u>2,436,507</u>
Total passed-through Mississippi Department of Education			<u>2,436,507</u>
Total U.S. Department of Agriculture			<u>2,436,507</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A190024	1,671,950
Career and technical education - basic grants to states	84.048	VO48A190024	81,074
Rural education	84.358	S358B190024	54,400
English language acquisition grants	84.365	S365A190024	36,470
Supporting effective instruction - state grants	84.367	S367A190023	23,585
Student support and academic enrichment program	84.424	S424A190025	64,222
COVID-19 - Education Stabilization Fund (ESSER)	84.425	S425D200031	38,415
Total			<u>1,970,116</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108	993,367
Special education - preschool grants	84.173	H173A190113	24,120
Total special education cluster			<u>1,017,487</u>
Total passed-through Mississippi Department of Education			<u>2,987,603</u>
Total U.S. Department of Education			<u>2,987,603</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department Human Services:			
Child care and development block grant	93.575	N/A	293,989
Total			<u>293,989</u>
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	23,889
Total passed-through Mississippi Department of Education			<u>23,889</u>
Total U.S. Department of Health and Human Services			<u>317,878</u>
Total for All Federal Awards			<u>\$ 5,741,988</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2020

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$202,581 are included in the National School Lunch Program.

(5) Other Items

As allowed by federal regulations, the school district elected to transfer program funds. The district expended \$188,381 from its Supporting Effective Instruction - State Grants CFDA # 84.367 and \$22,808 from Student Support and Academic Enrichment Program CFDA # 84.424 on allowable activities of the Title I - Grants to Local Educational Agencies CFDA # 84.010. These amounts are reflected in the expenditures of Title I - Grants to Local Educational Agencies.

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

SCOTT COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2020

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 28,337,482	21,855,707	1,217,574	1,943,988	3,320,213
Other	8,230,572	3,589,707	401,955	29,971	4,208,939
Total	<u>36,568,054</u>	<u>25,445,414</u>	<u>1,619,529</u>	<u>1,973,959</u>	<u>7,529,152</u>
Total number of students	<u>3,962</u>				
Cost per student	<u>\$ 9,229</u>	<u>6,422</u>	<u>409</u>	<u>498</u>	<u>1,900</u>

Notes to the schedule.

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

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

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

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

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

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

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OTHER INFORMATION

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

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 4,716,315	4,362,230	4,053,120	3,734,983
State sources	22,846,216	21,523,281	21,565,437	21,081,489
Federal sources	331,471	380,645	365,529	390,458
Sixteenth section sources	311,987	480,652	336,016	742,443
Total Revenues	<u>28,205,989</u>	<u>26,746,808</u>	<u>26,320,102</u>	<u>25,949,373</u>
Expenditures				
Instruction	18,903,208	17,394,886	16,889,727	16,944,273
Support services	9,154,443	9,104,939	9,163,226	9,615,259
Sixteenth section	46,132	27,584	21,513	30,187
Debt service				
Principal	254,647	366,710	175,538	78,716
Interest	0	3,858	5,722	7,543
Total Expenditures	<u>28,358,430</u>	<u>26,897,977</u>	<u>26,255,726</u>	<u>26,675,978</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(152,441)</u>	<u>(151,169)</u>	<u>64,376</u>	<u>(726,605)</u>
Other Financing Sources (Uses)				
Operating transfers in	11,763	259,069	86,842	145,865
Operating transfers out	(47,034)	(43,278)	(47,372)	(41,615)
Total Other Financing Sources (Uses)	<u>(35,271)</u>	<u>215,791</u>	<u>39,470</u>	<u>104,250</u>
Net Change in Fund Balances	<u>(187,712)</u>	<u>64,622</u>	<u>103,846</u>	<u>(622,355)</u>
Fund Balances				
July 1, as previously reported	3,235,175	3,029,831	2,922,678	3,545,033
Prior period adjustments	(3,946)	140,722	3,307	0
July 1, as restated	<u>3,231,229</u>	<u>3,170,553</u>	<u>2,925,985</u>	<u>3,545,033</u>
June 30	<u>\$ 3,043,517</u>	<u>3,235,175</u>	<u>3,029,831</u>	<u>2,922,678</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 5,931,075	5,560,327	4,951,634	4,559,671
Intermediate sources	0	0	0	200,000
State sources	23,970,026	22,505,592	22,756,203	21,972,399
Federal sources	5,939,238	5,578,723	5,381,999	5,381,846
Sixteenth section sources	524,056	963,211	504,708	833,600
Total Revenues	<u>36,364,395</u>	<u>34,607,853</u>	<u>33,594,544</u>	<u>32,947,516</u>
Expenditures				
Instruction	22,219,887	20,281,357	19,866,816	19,527,866
Support services	11,273,409	10,849,272	10,982,834	11,006,445
Noninstructional services	2,311,505	2,565,341	2,430,452	2,448,635
Sixteenth section	63,348	75,808	58,460	78,647
Facilities acquisition and construction	52,170	1,112,428	2,791,276	1,991,217
Debt service				
Principal	603,000	854,710	408,538	78,716
Interest	44,735	58,894	27,927	7,543
Other	0	14,718	0	104,801
Total Expenditures	<u>36,568,054</u>	<u>35,812,528</u>	<u>36,566,303</u>	<u>35,243,870</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(203,659)</u>	<u>(1,204,675)</u>	<u>(2,971,759)</u>	<u>(2,296,354)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	1,200,000	5,650,000
Operating transfers in	694,586	610,680	171,745	187,480
Other financing sources	0	0	149,935	0
Operating transfers out	(694,586)	(610,680)	(171,745)	(187,480)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>1,349,935</u>	<u>5,650,000</u>
Net Change in Fund Balances	<u>(203,659)</u>	<u>(1,204,675)</u>	<u>(1,621,824)</u>	<u>3,353,646</u>
Fund Balances				
July 1, as previously reported	5,337,825	6,388,334	7,978,163	4,652,959
Prior period adjustments	(3,946)	142,032	21,427	0
July 1, as restated	<u>5,333,879</u>	<u>6,530,366</u>	<u>7,999,590</u>	<u>4,652,959</u>
Increase (Decrease) in reserve for inventory	<u>51,012</u>	<u>12,134</u>	<u>10,568</u>	<u>(28,442)</u>
June 30	<u>\$ 5,181,232</u>	<u>5,337,825</u>	<u>6,388,334</u>	<u>7,978,163</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Scott County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Scott County School District's basic financial statements, and have issued my report thereon dated July 2, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

St. Clair CPA, PLLC

St. Clair CPA, PLLC

Carriere, MS

July 2, 2021



ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Scott County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
July 2, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal program identified as major program: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – grants to local educational agencies
84.027 & 84.173	Special Education Cluster

- | | | |
|-----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year federal award audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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