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OCEAN SPRINGS SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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Wolfe • McDuff & Oppie
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INDEPENDENT AUDITOR'S REPORT

To the Superintendent and School Board
Ocean Springs School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Ocean Springs School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

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



Independent Auditor's Report, Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 11 - 18, 61 - 62, and 63 - 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, on our consideration of the Ocean Springs School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ocean Springs School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ocean Springs School District's internal control over financial reporting and compliance.

Wolfe, McDuff & Oppie

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

The following discussion and analysis of Ocean Springs School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2021. 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 2021 decreased \$(2,183,098), including a prior period adjustment of \$(33,755), which represents a (13)% decrease from fiscal year 2020. Total net position for 2020 decreased \$(1,905,971) including a prior period adjustment of \$217,649, which represents a (12)% decrease from fiscal year 2019.
- ◆ General revenues amounted to \$50,297,003 and \$48,276,227, or 83% and 85% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,618,347, or 17% of total revenues for 2021, and \$8,595,208, or 15% of total revenues for 2020.
- ◆ The School District had \$63,064,693 and \$58,995,055 in expenses for fiscal years 2021 and 2020; only \$10,618,347 for 2021 and \$8,595,208 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$50,297,003 for 2021 and \$48,276,227 for 2020 were not adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$47,777,926 in revenues and \$46,101,546 in expenditures for 2021, and \$46,883,119 in revenues and \$46,918,682 in expenditures in 2020. The General Fund's fund balance decreased by \$(276,050), including a prior period adjustment of \$(3,315) from 2020 to 2021, and decreased by \$3,500, including a prior period adjustment of \$217,649 from 2019 to 2020.
- ◆ Capital assets, net of accumulated depreciation, decreased by \$(1,431,092) for 2021 and increased by \$1,460,405 for 2020. The decrease for 2021 was due to depreciation expense exceeding current year additions, as well as prior period adjustments.
- ◆ Long-term debt decreased by \$(3,707,775) for 2021 and decreased by \$(5,386,004) for 2020. This decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$107,920 for 2021 and increased by \$38,157 for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

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 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.

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the School District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19,554,115 as of June 30, 2021.

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

Table 1 presents a summary of the School District's net position at June 30, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	2021	2020	Percentage Change
Current assets	\$ 16,242,363	15,578,047	4 %
Restricted assets	720,694	1,522,165	(53)%
Capital assets, net	<u>64,882,259</u>	<u>66,313,351</u>	(2)%
Total Assets	<u>81,845,316</u>	<u>83,413,563</u>	(2)%
 Deferred Outflows of Resources	 <u>14,482,429</u>	 <u>9,381,299</u>	 54 %
 Current liabilities	1,559,393	1,642,366	(5)%
Long-term liabilities	17,985,484	21,585,339	(17)%
Net OPEB liability	4,399,004	4,753,929	(7)%
Net pension liability	<u>90,986,539</u>	<u>80,862,911</u>	13 %
Total Liabilities	<u>114,930,420</u>	<u>108,844,545</u>	6 %
 Deferred Inflows of Resources	 <u>951,440</u>	 <u>1,321,334</u>	 (28)%
 Net Position:			
Net investment in capital assets	47,444,691	46,663,987	2 %
Restricted	3,008,819	2,186,886	38 %
Unrestricted	<u>(70,007,625)</u>	<u>(66,221,890)</u>	(6)%
Total Net Position	<u>\$ (19,554,115)</u>	<u>(17,371,017)</u>	(13)%

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)	\$ (70,007,625)
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	<u>82,594,438</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 12,586,813</u>

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

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 \$(1,431,092).
- ◆ The principal retirement of \$4,007,775 of long-term debt.

Changes in net position

The School District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$60,915,350 and \$56,871,435, respectively. The total cost of all programs and services was \$63,064,693 for 2021 and \$58,995,055 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 778,675	1,440,907	(46)%
Operating grants and contributions	9,839,672	7,154,301	38 %
General revenues:			
Property taxes	19,601,543	18,763,589	4 %
Grants and contributions not restricted	30,264,683	28,744,610	5 %
Investment earnings	358,496	409,521	(12)%
Sixteenth section sources	4,245	455	833 %
Other	68,036	358,052	(81)%
Total Revenues	<u>60,915,350</u>	<u>56,871,435</u>	7 %
Expenses:			
Instruction	29,089,433	30,538,591	(5)%
Support Services	17,378,076	16,742,650	4 %
Non-instructional	6,242,474	2,038,425	206 %
Pension expense	9,794,414	8,730,408	12 %
OPEB Expense	159,932	328,360	(51)%
Interest on long-term liabilities	400,364	616,621	(35)%
Total Expenses	<u>63,064,693</u>	<u>58,995,055</u>	7 %
Increase (Decrease) in Net Position	<u>(2,149,343)</u>	<u>(2,123,620)</u>	(1)%
Net Position, July 1, as previously reported	(17,371,017)	(15,465,046)	(12)%
Prior Period Adjustment	<u>(33,755)</u>	<u>217,649</u>	(116)%
Net Position, July 1, as restated	<u>(17,404,772)</u>	<u>(15,247,397)</u>	(14)%
Net Position, June 30	<u>\$ (19,554,115)</u>	<u>(17,371,017)</u>	(13)%

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 29,089,433	30,538,591	(5)%
Support services	17,378,076	16,742,650	4 %
Non-instructional	6,242,474	2,038,425	206 %
Pension expense	9,794,414	8,730,408	12 %
OPEB expense	159,932	328,360	(51)%
Interest on long-term liabilities	400,364	616,621	(35)%
Total Expenses	\$ 63,064,693	58,995,055	7 %
	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (23,229,629)	(25,661,224)	9 %
Support services	(15,505,156)	(15,089,128)	(3)%
Non-instructional	(3,356,851)	25,894	(13,064)%
Pension expense	(9,794,414)	(8,730,408)	(12)%
OPEB expense	(159,932)	(328,360)	51 %
Interest on long-term liabilities	(400,364)	(616,621)	35 %
Total Net (Expense) Revenue	\$ (52,446,346)	(50,399,847)	(4)%

- ◆ Net cost of governmental activities (\$(52,446,346) for 2021 and \$(50,399,847) for 2020) was financed by general revenue, which is primarily made up of property taxes (\$19,601,543 for 2021 and \$18,763,589 for 2020) and state and federal revenues (\$30,264,683 for 2021 and \$28,744,610 for 2020). In addition, there was \$4,245 and \$455 in Sixteenth Section sources for 2021 and 2020, respectively.
- ◆ Investment earnings amounted to \$358,496 for 2021 and \$409,521 for 2020.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$15,478,777, a decrease of \$(67,468), which includes a prior period adjustment of \$(3,315) and a decrease in inventory of \$(49,167). \$9,707,248 or 63% 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 \$5,771,529 or 37% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the School District. The decrease in fund balance in the General Fund for the fiscal year was \$(276,050), which includes a prior period adjustment of \$(3,315). The fund balance of Other Governmental Funds showed an increase in the amount of \$208,582, which includes a decrease in reserve for inventory of \$(49,167), due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

	<u>Major Fund</u>	<u>Increase/ (Decrease)</u>
ESSER FUNDS II Fund		\$ -

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the School District's total capital assets were \$104,319,535, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$250,679 from 2020. Total accumulated depreciation as of June 30, 2021, was \$39,437,276, and total depreciation expense for the year was \$1,979,708, resulting in total net capital assets of \$64,882,259.

OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

Table 4
Capital Assets, Net of Accumulated Depreciation

	2021	2020	Percentage Change
Land	\$ 2,055,028	2,055,028	- %
Construction in progress	225,514	161,560	40 %
Buildings	51,295,934	52,539,879	(2)%
Building improvements	5,974,623	6,053,984	(1)%
Improvements other than buildings	3,385,209	3,571,048	(5)%
Mobile equipment	709,984	730,976	(3)%
Furniture and equipment	442,556	268,427	65 %
Leased property under capital leases	793,411	932,449	(15)%
Total	<u>\$ 64,882,259</u>	<u>66,313,351</u>	(2)%

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

Debt Administration. At June 30, 2021, the School District had \$17,985,484 in outstanding long-term debt, of which \$4,059,923 is due within one year. The liability for compensated absences increased \$107,920 from the prior year.

Table 5
Outstanding Long-Term Debt

	2021	2020	Percentage Change
General obligation bonds payable	\$ 12,792,000	16,071,000	(20)%
Three mill note payable	3,860,000	4,150,000	(7)%
Obligations under capital lease	785,568	924,343	(15)%
Compensated absences payable	547,916	439,996	25 %
Total	<u>\$ 17,985,484</u>	<u>21,585,339</u>	(17)%

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

CURRENT ISSUES

The Ocean Springs School District is financially stable. The School District is proud of its community support of the public schools.

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

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Ocean Springs School District, 2300 Government Street, Ocean Springs MS 39564.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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OCEAN SPRINGS SCHOOL DISTRICT

STATEMENT OF NET POSITION June 30, 2021

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 14,443,539
Due from other governments	1,729,220
Inventories	69,604
Restricted assets	720,694
Capital assets, non-depreciable	
Land	2,055,028
Construction in process	225,514
Capital assets, net of accumulated depreciation	
Buildings	51,295,934
Building improvements	5,974,623
Improvements other than buildings	3,385,209
Mobile equipment	709,984
Furniture and equipment	442,556
Leased property under capital leases	793,411
Total Assets	81,845,316
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	12,633,972
Deferred outflows - OPEB	1,108,573
Deferred outflows - bond refundings	739,884
Total Deferred Outflows of Resources	14,482,429
LIABILITIES	
Accounts payable and accrued liabilities	1,484,280
Interest payable on long-term liabilities	75,113
Long-term liabilities, due within one year	
Capital related liabilities	4,059,923
Net OPEB liability	151,491
Long-term liabilities, due beyond one year	
Capital related liabilities	13,377,645
Non-capital related liabilities	547,916
Net pension liability	90,986,539
Net OPEB Liability	4,247,513
Total Liabilities	114,930,420
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - OPEB	951,440
Total Deferred Inflows of Resources	951,440
NET POSITION	
Net investment in capital assets	47,444,691
Restricted for:	
Expendable:	
Capital projects	883,772
School-based activities	1,659,573
Debt Service	363,807
Unemployment benefits	101,667
Unrestricted	(70,007,625)
Total Net Position	\$ (19,554,115)

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

OCEAN SPRINGS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 29,089,433	414,267	5,445,537	-	(23,229,629)
Support services	17,378,076	-	1,872,920	-	(15,505,156)
Non-instructional	6,242,474	364,408	2,521,215	-	(3,356,851)
Pension expense	9,794,414	-	-	-	(9,794,414)
OPEB expense	159,932	-	-	-	(159,932)
Interest on long-term liabilities	400,364	-	-	-	(400,364)
Total Governmental Activities	\$ 63,064,693	778,675	9,839,672	-	(52,446,346)
General Revenues:					
Taxes:					
General purpose levies					16,139,055
Debt purpose levies					3,462,488
Unrestricted grants and contributions:					
State					30,123,579
Federal					141,104
Unrestricted investment earnings					358,496
Sixteenth section sources					4,245
Other					68,036
Total General Revenues					50,297,003
Change in Net Position					(2,149,343)
Net position - Beginning, as originally reported					(17,371,017)
Prior period adjustments, Note 9					(33,755)
Net position - Beginning, as restated					(17,404,772)
Net position - Ending					\$ (19,554,115)

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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OCEAN SPRINGS SCHOOL DISTRICT

BALANCE SHEET-GOVERNMENTAL FUNDS

Exhibit C

June 30, 2021

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>ESSER FUNDS II</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 12,212,825	-	2,230,714	14,443,539
Restricted assets	-	-	720,694	720,694
Due from other governments	727,481	265,396	736,343	1,729,220
Due from other funds	876,934	-	-	876,934
Inventories	-	-	69,604	69,604
Total Assets	<u>\$ 13,817,240</u>	<u>265,396</u>	<u>3,757,355</u>	<u>17,839,991</u>
LIABILITIES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 1,430,449	-	53,831	1,484,280
Due to other funds	-	265,396	611,538	876,934
Total Liabilities	<u>1,430,449</u>	<u>265,396</u>	<u>665,369</u>	<u>2,361,214</u>
FUND BALANCE				
Nonspendable:				
Inventory	-	-	69,604	69,604
Restricted:				
Debt service	-	-	438,920	438,920
Grant activities	-	-	1,589,969	1,589,969
Capital projects	-	-	883,772	883,772
Unemployment benefits	-	-	101,667	101,667
Committed:				
Self-funded insurance/contingency	2,184,385	-	-	2,184,385
Student based activities	-	-	8,054	8,054
Assigned:				
Student based activities	495,158	-	-	495,158
Unassigned	9,707,248	-	-	9,707,248
Total Fund Balance	<u>12,386,791</u>	<u>-</u>	<u>3,091,986</u>	<u>15,478,777</u>
Total Liabilities and Fund Balance	<u>\$ 13,817,240</u>	<u>265,396</u>	<u>3,757,355</u>	<u>17,839,991</u>

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

OCEAN SPRINGS SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2021

Exhibit C-1

Total fund balances for governmental funds	\$	15,478,777
<i>Amounts reported for governmental activities in the Statement of Net Position are different than those reported in the fund financial statements because of the following:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		64,882,259
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(90,986,539)
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	\$	12,633,972
Deferred inflows of resources related to pensions		12,633,972
		<u>-</u>
Net OPEB obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(4,399,004)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB		1,108,573
Deferred inflows of resources related to OPEB		157,133
		<u>(951,440)</u>
Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable		(12,792,000)
Three mill notes payable		(3,860,000)
Obligations under capital leases		(785,568)
Unamortized charges related to bond refunding		739,884
Accrued interest payable		(75,113)
Compensated absences		(547,916)
		<u>(17,320,713)</u>
Net position of governmental activities	\$	<u>(19,554,115)</u>

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

OCEAN SPRINGS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS For the Year Ended June 30, 2021

Exhibit D

	Major Funds		Other	Total
	General Fund	ESSER FUNDS II	Governmental Funds	Governmental Funds
REVENUES				
Local sources	\$ 16,949,823	-	3,801,152	20,750,975
State sources	30,559,491	-	1,537,577	32,097,068
Federal sources	264,367	285,717	7,457,203	8,007,287
Sixteenth section	<u>4,245</u>	<u>-</u>	<u>-</u>	<u>4,245</u>
Total Revenues	<u>47,777,926</u>	<u>285,717</u>	<u>12,795,932</u>	<u>60,859,575</u>
EXPENDITURES				
Instruction	29,195,231	281,552	6,000,403	35,477,186
Support services	16,742,390	-	2,245,320	18,987,710
Noninstructional services	-	-	2,161,932	2,161,932
Facilities acquisition and construction	-	-	207,743	207,743
Debt service				
Principal	138,776	-	3,869,000	4,007,776
Interest	25,149	-	388,501	413,650
Other	<u>-</u>	<u>-</u>	<u>1,735</u>	<u>1,735</u>
Total Expenditures	<u>46,101,546</u>	<u>281,552</u>	<u>14,874,634</u>	<u>61,257,732</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,676,380</u>	<u>4,165</u>	<u>(2,078,702)</u>	<u>(398,157)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	300,000	300,000
Insurance recovery	16,253	-	134,825	151,078
Operating transfers in	62,717	-	2,589,942	2,652,659
Operating transfers out	(2,037,829)	(4,165)	(610,665)	(2,652,659)
Other financing sources (uses)	<u>9,744</u>	<u>-</u>	<u>(77,651)</u>	<u>(67,907)</u>
Total Other Financing Sources (Uses)	<u>(1,949,115)</u>	<u>(4,165)</u>	<u>2,336,451</u>	<u>383,171</u>
Net Change in Fund Balances	<u>(272,735)</u>	<u>-</u>	<u>257,749</u>	<u>(14,986)</u>
Fund Balance - Beginning, as originally reported	12,662,841	-	2,883,404	15,546,245
Prior period adjustment, Note 9	<u>(3,315)</u>	<u>-</u>	<u>-</u>	<u>(3,315)</u>
Fund Balance - Beginning, as restated	<u>12,659,526</u>	<u>-</u>	<u>2,883,404</u>	<u>15,542,930</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>(49,167)</u>	<u>(49,167)</u>
Fund Balance - Ending	<u>\$ 12,386,791</u>	<u>-</u>	<u>3,091,986</u>	<u>15,478,777</u>

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

OCEAN SPRINGS SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021

Exhibit D-1

Net change in fund balances - total governmental funds \$ (14,986)

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

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

Capital outlay	\$ 606,453	
Depreciation expense	<u>(1,979,708)</u>	(1,373,255)

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

(27,397)

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:

Notes issued	(300,000)	
Payments of debt principal	4,007,776	
Accrued interest payable	<u>13,286</u>	3,721,062

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

Pension expense	(9,794,414)	
Contributions subsequent to the measurement date	<u>5,653,151</u>	(4,141,263)

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	(159,932)	
Contributions made subsequent to the measurement date	<u>151,491</u>	(8,441)

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

Change in compensated absences	(107,920)	
Change in inventory reserve	(49,167)	
Amortization of deferred charges, premium and discounts	<u>(147,976)</u>	<u>(305,063)</u>

Change in net position of governmental activities \$ (2,149,343)

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

NOTES TO BASIC FINANCIAL STATEMENTS

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OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The School District reports the following major governmental fund:

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.

ESSER FUNDS II Fund – This is the fund used to track ESSER FUNDS II Grant Fund activity. This grant was funded through federal sources.

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

D. Encumbrances

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

E. Use of Estimates

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

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

Investments for the School District are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports \$12,633,972 deferred outflows related to its pension plan, \$1,108,573 related to its OPEB plan and \$739,884 related to bond refunding.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports \$- of deferred inflows related to its pension plan and \$951,440 related to its OPEB plan.

See Note 13 for further details.

8. *Compensated Absences*

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

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

9. *Long-term Liabilities and Bond Discounts/Premiums*

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

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

10. *Pensions*

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Fund Balances

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

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

- ◆ *Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- ◆ *Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ *Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the School District's highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.
- ◆ *Assigned fund balance* includes amounts that are constrained by the School District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent pursuant to authorization established by DGA Fund Balance Policy.
- ◆ *Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Accounting Standards Update

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

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

NOTE 2. CASH AND CASH EQUIVALENTS

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

A. Deposits

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

B. Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds was \$15,164,233, respectively.

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 3. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities		
General fund	Other governmental funds	\$ 611,538
	ESSER FUNDS II Fund	<u>265,396</u>
Total		\$ <u>876,934</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Governmental Activities		
General fund	Other governmental funds	\$ 2,037,829
ESSER Funds II Fund	General Fund	4,165
Other governmental funds	General Fund	58,552
	Other governmental funds	<u>552,113</u>
Total		\$ <u>2,652,659</u>

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

NOTE 4. RESTRICTED ASSETS

The restricted assets represent the cash balance, totaling \$300,000, of the unspent three mill note proceeds.

Also, the restricted assets represent the cash balance, totaling \$420,694 of the debt services funds that are restricted for future debt service requirements.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 5. CAPITAL ASSETS

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

	Primary Government			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 2,055,028	-	-	2,055,028
Construction in progress	<u>161,560</u>	<u>63,954</u>	<u>-</u>	<u>225,514</u>
Total non-depreciable capital assets	<u>2,216,588</u>	<u>63,954</u>	<u>-</u>	<u>2,280,542</u>
Depreciable capital assets:				
Buildings	82,064,949	-	-	82,064,949
Buildings improvements	8,338,225	143,789	-	8,482,014
Improvements other than buildings	4,156,588	-	-	4,146,604
Mobile equipment	3,814,777	116,537	(253,891)	3,676,287
Furniture and equipment	2,409,359	282,173	(207,627)	2,673,920
Leased property under capital lease	<u>1,068,370</u>	<u>-</u>	<u>-</u>	<u>995,219</u>
Total depreciable capital assets	<u>101,852,268</u>	<u>542,499</u>	<u>(461,518)</u>	<u>102,038,993</u>
Total governmental activities capital assets	<u>104,068,856</u>	<u>606,453</u>	<u>(461,518)</u>	<u>104,319,535</u>
Less accumulated depreciation for:				
Buildings	29,525,070	1,243,945	-	30,769,015
Buildings improvements	2,284,241	223,150	-	2,507,391
Improvements other than buildings	585,540	166,080	-	761,395
Mobile equipment	3,083,801	106,844	(228,502)	2,966,303
Furniture and equipment	2,140,932	142,764	(205,619)	2,231,364
Leased property under capital leases	<u>135,921</u>	<u>96,925</u>	<u>-</u>	<u>201,808</u>
Total accumulated depreciation	<u>37,755,505</u>	<u>1,979,708</u>	<u>(434,121)</u>	<u>39,437,276</u>
Total depreciable capital assets, net	<u>64,096,763</u>	<u>(1,437,209)</u>	<u>(27,397)</u>	<u>62,601,717</u>
Governmental activities capital assets, net	<u><u>\$ 66,313,351</u></u>	<u><u>(1,373,255)</u></u>	<u><u>(27,397)</u></u>	<u><u>64,882,259</u></u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 1,667,897
Support services	278,091
Non-instructional	<u>33,720</u>
Total depreciation expense	<u><u>\$ 1,979,708</u></u>

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

Governmental activities:	Spent to June 30, 2021	Remaining Commitment
OSMS Canopy	\$ 63,954	27,500
Field House	<u>161,560</u>	<u>7,700</u>
Total construction-in-progress	<u><u>\$ 225,514</u></u>	<u><u>35,200</u></u>

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 5. CAPITAL ASSETS (Continued)

Construction projects included in governmental activities were funded by the three mill construction fund and insurance proceeds.

NOTE 6. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustment</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:						
A. General Obligation Bonds	\$ 1,150,000	-	(750,000)	-	400,000	400,000
General obligation refunding bonds payable premium	14,921,000	-	(2,529,000)	-	12,392,000	2,634,000
B. Three Mill Notes Payable	4,150,000	300,000	(590,000)	-	3,860,000	905,000
C. Obligation under capital leases	924,343	-	(138,775)	-	785,568	120,923
D. Compensated absences	<u>439,996</u>	<u>107,920</u>	<u>-</u>	<u>-</u>	<u>547,916</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 21,585,339</u>	<u>407,920</u>	<u>(4,007,775)</u>	<u>-</u>	<u>17,985,484</u>	<u>4,059,923</u>

A. General Obligation Bonds Payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Bonds, Series 2010	4%	9/1/2010	9/1/2021	\$ 4,000,000	400,000
General Obligation Refunding Bonds, Series 2016	1.2%-1.95%	8/16/2016	5/1/2026	<u>18,253,000</u>	<u>12,392,000</u>
Total				<u>\$ 22,253,000</u>	<u>12,792,000</u>

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 6. LONG-TERM LIABILITIES (Continued)

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

General obligation bond issue of 2010:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 400,000	5,250	405,250
Total	\$ 400,000	5,250	405,250

General obligation refunding bond issue of 2016:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 2,634,000	220,718	2,854,718
2023	2,587,000	177,257	2,764,257
2024	2,641,000	133,278	2,774,278
2025	2,595,000	85,740	2,680,740
2026	1,935,000	37,732	1,972,732
Total	\$ 12,392,000	654,725	13,046,725

Total all issues:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 3,034,000	225,968	3,259,968
2023	2,587,000	177,257	2,764,257
2024	2,641,000	133,278	2,774,278
2025	2,595,000	85,740	2,680,740
2026	1,935,000	37,732	1,972,732
Total	\$ 12,792,000	659,975	13,451,975

This debt will be retired from the general obligation bond funds.

The amount of bonded indebtedness that can be incurred by the Ocean Springs School District is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2021, the amount of outstanding bonded indebtedness was equal to 5.5% of property assessments as of October 1, 2020.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 6. LONG-TERM LIABILITIES (Continued)

B. Three Mill Notes Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three Mill Note, Series 2019	2.65 %	5/16/2019	5/16/2027	\$ 4,650,000	3,560,000
Three Mill Note, Series 2021	0.81 %	6/22/2021	6/22/2022	300,000	300,000
Total				<u>\$ 4,950,000</u>	<u>3,860,000</u>

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

Three Mill Note Payable Issue Date 2019:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 605,000	94,340	699,340
2023	620,000	78,308	698,308
2024	640,000	61,878	701,878
2025	660,000	44,918	704,918
2026	680,000	27,428	707,428
2027	355,000	9,408	364,408
Total	<u>\$ 3,560,000</u>	<u>316,280</u>	<u>3,876,280</u>

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

Three Mill Note Payable Issue Date 2021:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 300,000	2,430	302,430
Total	<u>\$ 300,000</u>	<u>2,430</u>	<u>302,430</u>

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

Total Three Mill Note Payable For All Issues:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 905,000	96,770	1,001,770
2023	620,000	78,308	698,308
2024	640,000	61,878	701,878
2025	660,000	44,918	704,918
2026	680,000	27,428	707,428
2027 - 2031	355,000	9,408	364,408
Total	<u>\$ 3,860,000</u>	<u>318,710</u>	<u>4,178,710</u>

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 6. LONG-TERM LIABILITIES (Continued)

C. Obligations Under Capital Leases

The Ocean Springs School District has entered into capital lease agreements as lessee for financing the acquisition of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2017 Copier lease	6.01 %	8/1/2017	8/1/2021	\$ 73,151	-
2018 Copier lease	5.14 %	7/1/2018	6/1/2022	56,270	14,019
2020 Bus lease	2.63 %	7/1/2018	7/8/2028	852,200	681,081
2020 Band equipment lease	2.86 %	10/22/2019	11/1/2023	150,752	90,468
Total				\$ 1,132,373	785,568

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

Obligations Under Capital Leases			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest and Maintenance Charges	Total
2022	\$ 120,923	20,896	141,819
2023	109,795	17,645	127,440
2024	112,773	14,678	127,451
2025	83,888	11,627	95,515
2026	86,094	9,421	95,515
2027 - 2031	272,095	14,437	286,532
Total	\$ 785,568	88,704	874,272

The Ocean Springs School District uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straightline method is not considered material.

This debt will be retired from the District Maintenance Fund.

D. Compensated Absences Payable

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The School District's contributions to PERS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$5,653,151, \$5,456,940 and \$4,714,972, respectively, which equaled the required contributions for each year.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2021, the School District reported a liability of \$90,986,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2021 net pension liability was 0.47 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.01 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$9,794,414. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 789,773	-
Net difference between projected and actual earnings on pension plan investments	3,737,379	-
Changes of assumptions	508,979	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,944,690	-
School District contributions subsequent to the measurement date	5,653,151	-
Total	<u><u>\$ 12,633,972</u></u>	<u><u>-</u></u>

\$5,653,151 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, 2022. 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,	Amount
2022	\$ 1,355,964
2023	2,328,745
2024	2,091,806
2025	1,204,306
Total	<u><u>\$ 6,980,821</u></u>

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00-18.25%, including inflation
Investment rate of return	7.75%, 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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Domestic equity	27.00 %	4.90
International equity	22.00	4.75
Global equity	12.00	5.00
Fixed Income	20.00	0.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash	1.00	-
Total	<u>100.00 %</u>	

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 117,770,894	90,986,539	68,878,683

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.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$151,491 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$4,399,004 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the District's proportion was 0.56527361 percent. This was an increase of 0.00502615 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$159,932. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,608	765,544
Changes of assumption	682,986	185,896
Net difference between projected and actual earnings on OPEB plan investments	141	-
Changes in proportion and differences between District contributions and proportionate share of contributions	268,347	-
District contributions subsequent to the measurement date	151,491	-
Total	\$ 1,108,573	951,440

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

\$151,491 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 581
2023	581
2024	8,692
2025	22,255
2026	<u>(26,467)</u>
Total	\$ <u>5,642</u>

Actuarial assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00-18.25%, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, Net of OPEB Plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2030

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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, 2020 was 2.19%. Since the Prior Measurement Date, the Discount Rate has changed from 3.50 to 2.19%.

The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position was projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19%) or 1-percentage-point higher (3.19%) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB Liability	\$ 4,861,200	4,399,004	4,002,567

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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	\$ 4,061,807	4,399,004	4,781,033

OPEB plan fiduciary net position

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

NOTE 9. PRIOR PERIOD ADJUSTMENTS

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct the overstatement of fixed assets	\$ (30,440)
To correct the understatement of expenditures	(3,315)
Total	\$ (33,755)

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct the understatement of expenditures	\$ (3,315)
Total		\$ (3,315)

NOTE 10. CONTINGENCIES

A. Federal Grants

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

B. Litigation

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 11. RISK MANAGEMENT

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

NOTE 12. INSURANCE LOSS RECOVERIES

The Ocean Springs School District received \$151,078 in insurance loss recoveries related to automobile accidents, damage to an awning related to landscapers, and Hurricane Zeta damages during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional charges for services.

NOTE 13. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(70,007,625) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$5,653,151 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, 2022. The \$6,980,821 balance of deferred outflow of resources, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(70,007,625) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$151,491 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$957,082 balance of deferred outflow of resources, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of \$(70,007,625) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$951,440 balance of deferred inflow of resources at June 30, 2021 will be recognized as a revenue and will increase the unrestricted net position over the next 5 years.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021

NOTE 14. 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 Ocean Springs School District evaluated the activity of the School District through November 17, 2021, (the date the financial statements were available to be issued), and determined that there were no such events to disclose.

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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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OCEAN SPRINGS SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 16,947,450	16,949,816	16,949,823	2,366	7
State sources	29,801,110	30,559,490	30,559,491	758,380	1
Federal sources	252,700	264,368	264,367	11,668	(1)
Sixteenth section sources	-	4,245	4,245	4,245	-
Total Revenues	<u>47,001,260</u>	<u>47,777,919</u>	<u>47,777,926</u>	<u>776,659</u>	<u>7</u>
EXPENDITURES					
Instruction	31,900,858	29,195,240	29,195,231	2,705,618	9
Support services	16,978,319	16,729,879	16,742,390	248,440	(12,511)
Facilities acquisition and construction	-	12,500	-	(12,500)	12,500
Debt service:					
Principal	336,022	138,773	138,776	197,249	(3)
Interest	<u>10,007</u>	<u>25,149</u>	<u>25,149</u>	<u>(15,142)</u>	<u>-</u>
Total Expenditures	<u>49,225,206</u>	<u>46,101,541</u>	<u>46,101,546</u>	<u>3,123,665</u>	<u>(5)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,223,946)</u>	<u>1,676,378</u>	<u>1,676,380</u>	<u>3,900,324</u>	<u>2</u>
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	663,245	-	-	(663,245)	-
Insurance recovery	-	16,253	16,253	16,253	-
Operating transfers in	7,248,634	7,188,533	62,717	(60,101)	(7,125,816)
Operating transfers out	(8,485,758)	(9,163,645)	(2,037,829)	(677,887)	7,125,816
Other financing Sources (uses)	<u>-</u>	<u>9,744</u>	<u>9,744</u>	<u>9,744</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(573,879)</u>	<u>(1,949,115)</u>	<u>(1,949,115)</u>	<u>(1,375,236)</u>	<u>-</u>
Net Change in Fund Balances	<u>(2,797,825)</u>	<u>(272,737)</u>	<u>(272,735)</u>	<u>2,525,088</u>	<u>2</u>
Fund Balance - Beginning, as originally reported	12,662,841	12,662,841	12,662,841	-	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(3,315)</u>	<u>-</u>	<u>(3,315)</u>
Fund Balance - Beginning, as restated	<u>12,662,841</u>	<u>12,662,841</u>	<u>12,659,526</u>	<u>-</u>	<u>(3,315)</u>
Fund Balance - Ending	<u>\$ 9,865,016</u>	<u>12,390,104</u>	<u>12,386,791</u>	<u>2,525,088</u>	<u>(3,313)</u>

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

OCEAN SPRINGS SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

BUDGETARY COMPARISON SCHEDULE-ESSER FUNDS II GRANT FUND

For the Year Ended June 30, 2021

	Budgeted Amounts			Variances Positive (Negative)	
	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Federal sources	\$ -	285,717	285,717	285,717	-
Total Revenues	-	285,717	285,717	285,717	-
EXPENDITURES					
Instruction	-	281,552	281,552	(281,552)	-
Total Expenditures	-	281,552	281,552	(281,552)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	4,165	4,165	4,165	-
OTHER FINANCING SOURCES (USES)					
Operating transfers out	-	(4,165)	(4,165)	(4,165)	-
Total Other Financing Sources (Uses)	-	(4,165)	(4,165)	(4,165)	-
Fund Balance - Beginning	-	-	-	-	-
Fund Balance - Ending	\$ -	-	-	-	-

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

OCEAN SPRINGS SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

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

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 7 Years Shown)**

	2021	2020	2019	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.47 %	0.46 %	0.46 %	0.45 %	0.44 %	0.43 %	0.43 %
School District's proportionate share (amount) of the net pension liability	\$90,986,539	80,862,911	75,915,375	74,036,949	78,902,222	66,469,520	52,194,127
School District's covered payroll	\$31,361,724	29,936,330	29,146,470	28,571,251	28,249,448	27,070,959	26,389,187
School District's proportionate share (amount) of the net pension liability as a percentage of its covered payroll	290.12 %	270.12 %	260.46 %	259.13 %	279.31 %	245.54 %	197.79 %
Plan fiduciary net position as a percentage of the total pension liability	58.97 %	61.59 %	62.54 %	61.49 %	57.47 %	61.70 %	67.21 %

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-PERS

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 7 Years Shown)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,653,151	5,456,940	4,714,972	4,590,569	4,499,972	4,449,288	4,263,676
Contributions in relation to the contractually required contribution	<u>(5,653,151)</u>	<u>(5,456,940)</u>	<u>(4,714,972)</u>	<u>(4,590,569)</u>	<u>(4,499,972)</u>	<u>(4,449,288)</u>	<u>(4,263,676)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District's covered payroll	\$32,489,374	\$31,361,724	29,936,330	29,146,470	28,571,251	28,249,448	27,070,959
Contributions as a percentage of covered payroll	17.40 %	17.40 %	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

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

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

OCEAN SPRINGS SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

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

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years (Only 4 Years Shown)**

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.56527361 %	0.56024746 %	0.54343190 %	0.51978458 %
District's proportionate share of the net OPEB liability	\$ 4,399,004	4,753,929	4,203,715	4,078,275
District's covered-employee payroll	\$ 31,361,724	29,936,330	29,146,470	28,571,251
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	14.03 %	15.88 %	14.42 %	14.27 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.13 %	0.12 %	0.13 %	0.00 %

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-OPEB

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years (Only 4 Years Shown)**

	2021	2020	2019	2018
Actuarially determined contribution	\$ 151,491	175,432	190,552	173,863
Contributions in relation to the actuarially determined contribution	(151,491)	(175,432)	(190,552)	(173,863)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered-employee payroll	\$ 32,489,374	31,361,724	29,936,330	29,146,470
Contributions as a percentage of covered-employee payroll	0.47 %	0.56 %	0.64 %	0.60 %

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 1. BUDGETARY COMPARISON SCHEDULE

A. Basis of Presentation

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

B. Budget Amendments and Revisions

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

NOTE 2. PENSION SCHEDULES

A. Changes of Assumptions

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 2. PENSION SCHEDULES (continued)

A. Changes of assumptions (continued)

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

2019:

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

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

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

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

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

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

B. Changes in Benefit Provisions

2016:

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 2. PENSION SCHEDULES (continued)

C. Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NOTE 3. OPEB SCHEDULES

A. Changes of Assumptions

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

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

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

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

B. Changes in Benefit Provisions

2017: None.

2018: None.

2019: None.

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 3. OPEB SCHEDULES (Continued)

C. Method and assumptions used in calculations of actuarially determined contributions

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75 percent
Salary increases, including wage inflation	3.00 percent to 18.25 percent
Initial health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	7.00 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	4.75 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50 percent

SUPPLEMENTARY INFORMATION

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OCEAN SPRINGS SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Mississippi Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	215MS326N1099	\$ 29,464
National School Lunch Program	10.555	215MS326N1099	129,264
Summer Food Service Program for Children	10.559	215MS326N1099	2,484,825
Total Child Nutrition Cluster			<u>2,643,553</u>
Total Passed through Mississippi Department of Education			<u>2,643,553</u>
Total U.S. Department of Agriculture			<u>2,643,553</u>
<u>U.S. Department of Defense</u>			
<i>Direct Program:</i>			
Reserve Officers' Training Corps	12.xxx	N/A	109,044
Total U.S. Department of Defense			<u>109,044</u>
<u>U.S. Department of the Treasury</u>			
<i>Passed-through Mississippi Department of Education</i>			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	1,890,387
Total Passed through Mississippi Department of Education			<u>1,890,387</u>
Total U.S. Department of the Treasury			<u>1,890,387</u>
<u>Federal Communications Commission</u>			
<i>Administered through the Universal Service Administrative Company:</i>			
The schools and libraries program of the universal service fund	32.xxx	N/A	49,939
Total Federal Communications Commission			<u>49,939</u>
<u>U.S. Department of Education</u>			
<i>Passed-through Mississippi Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education-Grants to States	84.027	H027A200108	1,227,656
Special Education-Preschool Grants	84.173	H173A200113	44,679
Total Special Education Cluster (IDEA)			1,272,335
Title I Grants to Local Educational Agencies	84.010	S010A200024	925,361
Career and Technical Education-Basic Grants to States	84.048	VO048A200024	55,777
English language acquisition grant	84.365	S365A200024	32,669
Supporting Effective Instruction State Grants	84.367	S367A200023	251,549
Title IVA Student Support & Academic Enrichment	84.424	S424A200025	79,485
COVID-19 - Elementary & Secondary School Emergency Relief Funds II	84.425D	S425D200031	593,691
Total Passed through Mississippi Department of Education			<u>3,210,867</u>
<i>Passed-through Mississippi Department of Rehabilitation Services</i>			
Rehabilitation services - vocational rehabilitation grants to states	84.126	H126A200034	13,026
Total Passed through Mississippi Department of Education			<u>13,026</u>
<i>Direct Program</i>			
Impact Aid	84.041	N/A	64,537
Total U.S. Department of Education			<u>3,288,430</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-through Mississippi Department of Education</i>			
Medical Assistance Program	93.778	1805MS5ADM	14,428
Total Passed through Mississippi Department of Education			<u>14,428</u>
Total U.S. Department of Health and Human Services			<u>14,428</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed-through Mississippi Emergency Management Agency</i>			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	11,506
Total Passed through Mississippi Emergency Management Agency			<u>11,506</u>
Total U.S. Department of Homeland Security			<u>11,506</u>
Total Expenditures of Federal Awards			<u>\$ 8,007,287</u>

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

OCEAN SPRINGS SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Ocean Springs School District under programs of the federal government for the year ended June 30, 2021. 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 Ocean Springs School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Ocean Springs School District.

B. Summary of Significant Accounting Policies

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

C. Indirect Cost Rate

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

D. Donated Commodities

Donated commodities of \$159,703 are included in the Summer Food Service Program for Children.

OCEAN SPRINGS SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

<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	\$ 44,482,252	36,497,637	1,576,036	2,808,427	3,600,152
Other	16,775,480	5,884,735	189,528	45,868	10,655,349
Total	\$ 61,257,732	42,382,372	1,765,564	2,854,295	14,255,501
Total number of students*	5,460				
Cost per student	\$ 11,219	7,762	323	523	2,611

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

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

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

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

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

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

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**OTHER INFORMATION
(UNAUDITED)**

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OCEAN SPRINGS SCHOOL DISTRICT

Other Information

(Unaudited)

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

Last Four Years

	2021	2020*	2019*	2018*
REVENUES				
Local sources	\$ 16,949,823	16,651,534	16,224,761	15,426,886
State sources	30,559,491	29,984,135	28,288,468	27,745,328
Federal sources	264,367	246,995	267,773	213,624
Sixteenth section	<u>4,245</u>	<u>455</u>	<u>2,198</u>	<u>-</u>
Total Revenues	<u>47,777,926</u>	<u>46,883,119</u>	<u>44,783,200</u>	<u>43,385,838</u>
EXPENDITURES				
Instruction	29,195,231	28,783,862	26,759,108	26,259,553
Support services	16,742,390	17,636,549	16,300,558	15,109,803
Noninstructional services	-	-	-	70,663
Facilities acquisition and construction	-	334,349	20,326	873,547
Debt service				
Principal	138,776	160,113	31,240	16,677
Interest	<u>25,149</u>	<u>3,809</u>	<u>5,241</u>	<u>3,943</u>
Total Expenditures	<u>46,101,546</u>	<u>46,918,682</u>	<u>43,116,473</u>	<u>42,334,186</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,676,380</u>	<u>(35,563)</u>	<u>1,666,727</u>	<u>1,051,652</u>
OTHER FINANCING SOURCES (USES)				
Capital leases issued	-	1,002,952	56,270	73,151
Insurance recovery	16,253	-	1,551	1,522
Operating transfers in	62,717	56,556	48,937	33,357
Operating transfers out	(2,037,829)	(1,246,569)	(1,437,970)	(1,207,696)
Other financing sources (uses)	<u>9,744</u>	<u>1,475</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,949,115)</u>	<u>(185,586)</u>	<u>(1,331,212)</u>	<u>(1,099,666)</u>
Net Change in Fund Balances	<u>(272,735)</u>	<u>(221,149)</u>	<u>335,515</u>	<u>(48,014)</u>
Fund Balance - Beginning, as originally reported	12,662,841	12,666,341	12,330,826	12,378,840
Prior period adjustment	<u>(3,315)</u>	<u>217,649</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning, as restated	<u>12,659,526</u>	<u>12,883,990</u>	<u>12,330,826</u>	<u>12,378,840</u>
Fund Balance - Ending	<u>\$ 12,386,791</u>	<u>12,662,841</u>	<u>12,666,341</u>	<u>12,330,826</u>

*Source - Prior Year Audit Reports

OCEAN SPRINGS SCHOOL DISTRICT

Other Information

(Unaudited)

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

Last Four Years

	2021	2020*	2019*	2018*
REVENUES				
Local sources	\$ 20,750,975	20,959,505	20,646,242	20,181,893
State sources	32,097,068	31,514,541	29,485,758	28,931,128
Federal sources	8,007,287	4,384,369	4,253,662	3,947,466
Sixteenth section	4,245	455	2,198	-
Total Revenues	<u>60,859,575</u>	<u>56,858,870</u>	<u>54,387,860</u>	<u>53,060,487</u>
EXPENDITURES				
Instruction	35,477,186	33,073,848	30,940,193	29,913,315
Support services	18,987,710	18,846,741	17,523,015	16,330,923
Noninstructional services	2,161,932	2,383,016	2,081,023	2,009,344
Debt service				
Principal	4,007,776	6,427,113	3,169,240	3,150,677
Interest	413,650	452,719	418,045	484,700
Other	1,735	4,688	39,124	14,481
Facilities acquisition and construction	207,743	2,117,269	3,082,454	1,155,127
Total Expenditures	<u>61,257,732</u>	<u>63,305,394</u>	<u>57,253,094</u>	<u>53,058,567</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(398,157)</u>	<u>(6,446,524)</u>	<u>(2,865,234)</u>	<u>1,920</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	300,000	-	4,650,000	525,000
Capital leases issued	-	1,002,952	56,270	73,151
Insurance recovery	151,078	-	108,474	1,522
Payment held by QSCB escrow agent	-	-	274,712	283,011
Payment to QSCB debt escrow agent	-	-	(274,712)	(283,011)
Operating transfers in	2,652,659	1,815,981	1,743,871	1,415,711
Operating transfers out	(2,652,659)	(1,815,981)	(1,743,871)	(1,415,711)
Other financing sources (uses)	(67,907)	1,520	-	-
Total Other Financing Sources (Uses)	<u>383,171</u>	<u>1,004,472</u>	<u>4,814,744</u>	<u>599,673</u>
Net Change in Fund Balances	<u>(14,986)</u>	<u>(5,442,052)</u>	<u>1,949,510</u>	<u>601,593</u>
Fund Balance - Beginning, as originally reported	15,546,245	20,713,015	18,768,344	18,152,408
Prior period adjustment	(3,315)	217,649	-	-
Fund Balance - Beginning, as restated	<u>15,542,930</u>	<u>20,930,664</u>	<u>18,768,344</u>	<u>18,152,408</u>
Increase (Decrease) in reserve for inventory	(49,167)	57,633	(4,839)	14,343
Fund Balance - Ending	<u>\$ 15,478,777</u>	<u>15,546,245</u>	<u>20,713,015</u>	<u>18,768,344</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

To the Superintendent and School Board
Ocean Springs School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Ocean Springs School Districts basic financial statements and have issued our report thereon dated November 17, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Membership in:

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



Purpose of this Report

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

Walfe, McDuff & Oppie

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



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

To the Superintendent and School Board
Ocean Springs School District

Report on Compliance for Each Major Federal Program

We have audited the Ocean Springs School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Ocean Springs School District's major federal programs for the year ended June 30, 2021. Ocean Springs School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Ocean Springs 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, 2021.

Report on Internal Control over Compliance

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

Membership in:

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



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

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

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

Wolfe, McDuff & Oppie

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

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

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

Superintendent and School Board
Ocean Springs School District

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

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Wolfe, McDuff & Oppie

Pascagoula, Mississippi
November 17, 2021

Membership in:

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



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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OCEAN SPRINGS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
COVID-19 - Coronavirus Relief Fund	21.019
Title I - Grants to Local Educational Agencies	84.010

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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