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Union County School District

Audited Financial Statements
For the Year Ended June 30, 2021

Fortenberry & Ballard, PC
Certified Public Accountants

Union County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Union County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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.

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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 Union County School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 - 19 and 64 - 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2022, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Union County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 2, 2022

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following discussion and analysis of Union County 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 increased \$169,581, which represents a .86% increase from fiscal year 2020. Total net position for 2020 decreased \$783,291, including a prior period adjustment of \$108,401, which represents a 4.16% decrease from fiscal year 2019.
- General revenues amounted to \$22,455,405 and \$21,637,734, or 74.78% and 81.13% 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 \$7,571,510, or 25.22% of total revenues for 2021, and \$5,034,189, or 18.87% of total revenues for 2020.
- The District had \$29,857,334 and \$27,563,615 in expenses for fiscal years 2021 and 2020; only \$7,571,510 for 2021 and only \$5,034,189 for 2020 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$22,455,405 for 2021 were adequate to provide for these programs; however \$21,637,734 for 2020 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$23,094,497 in revenues and \$21,541,608 in expenditures for 2021, and \$22,895,606 in revenues and \$21,496,836 in expenditures for 2020. The General Fund's fund balance increased by \$1,120,916 from 2020 to 2021, and increased by \$890,181, which includes a prior period adjustment of \$108,401, from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$255,382 for 2021 and decreased by \$380,963 for 2020. The increase for 2021 was due primarily to the additions to improvements other than buildings, mobile equipment and furniture and equipment coupled with the increase accumulated depreciation.
- Long-term debt decreased by \$138,021 for 2021 and decreased by \$133,378 for 2020. This decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,973 for 2021 and increased by \$37,194 for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

supplementary information, and other information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison schedule, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19,447,062 as of June 30, 2021.

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

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 10,949,797	9,725,994	13%
Restricted assets	4,302,415	3,817,750	13%
Capital assets, net	12,454,081	12,198,699	2%
Total assets	27,706,293	25,742,443	8%
Deferred outflows of resources	7,321,449	4,029,633	82%
Current liabilities	1,314,092	1,339,431	(2)%
Long-term debt outstanding	6,719,726	6,866,720	(2)%
Net OPEB liability	2,220,817	2,426,398	(8)%
Net pension liability	42,740,637	38,113,010	12%
Total liabilities	52,995,272	48,745,559	9%
Deferred inflows of resources	1,479,532	643,160	130%
Net position:			
Net investment in capital assets	5,996,279	5,602,876	7%
Restricted	4,940,957	4,328,066	14%
Unrestricted	(30,384,298)	(29,547,585)	(3)%
Total net position (deficit)	\$ (19,447,062)	(19,616,643)	1%

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)	\$ (30,384,298)
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>39,119,537</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 8,735,239</u>

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

- Increase in net capital assets in the amount of \$255,382.
- The principal retirement of \$138,021 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$30,026,915 and \$26,671,923, respectively. The total cost of all programs and services was \$29,857,334 for 2021 and \$27,563,615 for 2020.

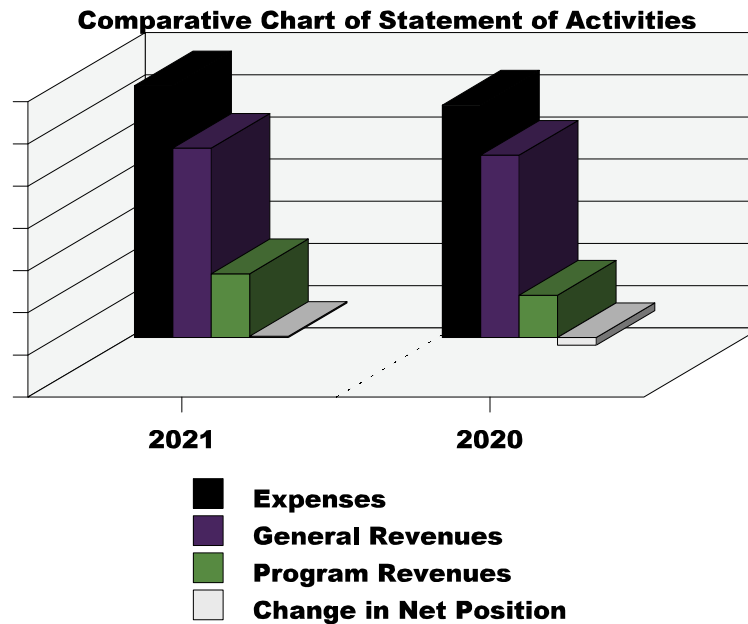
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,037,566	1,290,641	(20)%
Operating grants and contributions	6,533,944	3,743,548	75%
General Revenues:			
Property taxes	5,447,485	5,174,606	5%
Grants and contributions not restricted	16,297,497	15,798,467	3%
Unrestricted investment earnings	278,907	260,630	7%
Other	431,516	404,031	7%
Total revenues	<u>30,026,915</u>	<u>26,671,923</u>	13%
Expenses:			
Instruction	15,174,886	14,440,493	5%
Support services	8,455,224	7,183,890	18%
Non-instructional	1,550,529	1,518,626	2%
Pension expense	4,579,268	4,226,312	8%
OPEB expense	61,167	152,015	(60)%
Interest on long-term liabilities	36,260	42,279	(14)%
Total expenses	<u>29,857,334</u>	<u>27,563,615</u>	8%
Increase (Decrease) in net position	<u>169,581</u>	<u>(891,692)</u>	119%
Net position (Deficit), July 1, as previously reported	(19,616,643)	(18,833,352)	(4)%
Prior period adjustment		108,401	(100)%
Net position (Deficit), July 1, as restated	<u>(19,616,643)</u>	<u>(18,724,951)</u>	(5)%
Net Position (Deficit), June 30	<u>\$ (19,447,062)</u>	<u>(19,616,643)</u>	1%

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021



Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2021	2020	
Instruction	\$ 15,174,886	14,440,493	5%
Support services	8,455,224	7,183,890	18%
Non-instructional	1,550,529	1,518,626	2%
Pension expense	4,579,268	4,226,312	8%
OPEB expense	61,167	152,015	(60)%
Interest on long-term liabilities	36,260	42,279	(14)%
Total expenses	\$ 29,857,334	27,563,615	8%

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

	Net (Expense) Revenue		
	2021	2020	Percentage Change
Instruction	\$ (11,406,733)	(11,559,840)	1%
Support services	(6,576,362)	(6,472,553)	(2)%
Non-instructional	373,966	(76,427)	(589)%
Pension expense	(4,579,268)	(4,226,312)	(8)%
OPEB expense	(61,167)	(152,015)	60%
Interest on long-term liabilities	(36,260)	(42,279)	14%
Total net (expense) revenue	\$ (22,285,824)	(22,529,426)	1%

- Net cost of governmental activities (\$22,285,824 for 2021 and \$22,529,426 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$5,447,485 for 2021 and \$5,174,606 for 2020) and state and federal revenues (\$16,297,497 for 2021 and \$15,798,467 for 2020).
- Investment earnings amounted to \$278,907 for 2021 and \$260,630 for 2020.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,964,186, an increase of \$1,728,781, which includes a decrease in inventory of \$33,274. \$6,103,308 or 44% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$7,860,878 or 56% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,120,916. The fund balance of Other Governmental Funds showed an increase in the amount of \$174,488, which includes a decrease in inventory of \$33,274. The increase (decrease) in the fund balance for the other major funds were as follows:

Major Fund		Increase (Decrease)
QSCB 2009 Sinking Fund	\$	232,634
QSCB 2012 Sinking Fund	\$	200,743

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$24,823,499, including land, building improvements, school buildings, improvements other than buildings, mobile equipment, buses, school vehicles, furniture and equipment and leased property under capital leases. This amount represents an increase of \$1,002,157 from 2020. Total accumulated depreciation as of June 30, 2021, was \$12,369,418, and total depreciation expense for the year was \$837,477, resulting in total net capital assets of \$12,454,081.

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 601,311	601,311	0%
Buildings	7,416,039	7,626,939	(3)%
Building improvements	1,715,361	1,880,683	(9)%
Improvements other than buildings	1,121,107	956,422	17%
Mobile equipment	809,893	630,162	29%
Furniture and equipment	461,183	110,917	316%
Leased property under capital leases	329,187	392,265	(16)%
Total	\$ <u>12,454,081</u>	<u>12,198,699</u>	<u>2%</u>

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

Debt Administration. At June 30, 2021, the District had \$6,719,726 in outstanding long-term debt, of which \$128,520 is due within one year. The liability for compensated absences decreased \$8,973 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 457,802	595,823	(23)%
Qualified school construction bonds payable	6,000,000	6,000,000	0%
Compensated absences payable	261,924	270,897	(3)%
Total	\$ <u>6,719,726</u>	<u>6,866,720</u>	<u>(2)%</u>

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

Union County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

CURRENT ISSUES

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

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

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

Enrollment for the 2020 - 2021 year decreased by 2% to 2,857 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Union County School District, 250 Carter Avenue, New Albany, MS 38652.

FINANCIAL STATEMENTS

UNION COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 9,966,834
<i>Cash with fiscal agents</i>	2,151
<i>Due from other governments</i>	910,097
<i>Accrued interest receivable</i>	25,100
<i>Inventories</i>	45,615
<i>Restricted assets</i>	4,302,415
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	601,311
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	7,416,039
<i>Building improvements</i>	1,715,361
<i>Improvements other than buildings</i>	1,121,107
<i>Mobile equipment</i>	809,893
<i>Furniture and equipment</i>	461,183
<i>Leased property under capital leases</i>	329,187
Total Assets	<u>27,706,293</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	6,831,404
Deferred outflows - OPEB	490,045
Total Deferred Outflows of Resources	<u>7,321,449</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	1,265,247
<i>Other payables</i>	22,779
<i>Interest payable on long-term liabilities</i>	26,066
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	128,520
<i>Net OPEB liability</i>	87,098
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	6,329,282
<i>Non-capital related liabilities</i>	261,924
<i>Net pension liability</i>	42,740,637
<i>Net OPEB liability</i>	2,133,719
Total Liabilities	<u>52,995,272</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	995,184
Deferred inflows - OPEB	484,348
Total Deferred Inflows of Resources	<u>1,479,532</u>
Net Position:	
Net Investment in Capital Assets	5,996,279
Restricted For:	
Expendable:	
School-based activities	577,024
Debt service	4,310,581
Unemployment benefits	53,352
Unrestricted	(30,384,298)
Total Net Position	<u>\$ (19,447,062)</u>

The accompanying notes are an integral part of this statement.

UNION COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	\$ 15,174,886	\$ 838,112	\$ 2,930,041	\$ (11,406,733)
<i>Support services</i>	8,455,224	--	1,878,862	(6,576,362)
<i>Noninstructional services</i>	1,550,529	199,454	1,725,041	373,966
<i>Pension expense</i>	4,579,268	--	--	(4,579,268)
<i>OPEB expense</i>	61,167	--	--	(61,167)
<i>Interest on long-term liabilities</i>	36,260	--	--	(36,260)
Total Governmental Activities	<u>\$ 29,857,334</u>	<u>\$ 1,037,566</u>	<u>\$ 6,533,944</u>	<u>(22,285,824)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				5,185,800
<i>Debt purpose levies</i>				261,685
Unrestricted grants and contributions:				
<i>State</i>				16,144,308
<i>Federal</i>				153,189
<i>Unrestricted investment earnings</i>				278,907
<i>Other</i>				431,516
Total General Revenues				<u>22,455,405</u>
Change in Net Position				<u>169,581</u>
Net Position (Deficit) - Beginning				(19,616,643)
Net Position (Deficit) - Ending				<u>\$ (19,447,062)</u>

The accompanying notes are an integral part of this statement.

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UNION COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

EXHIBIT C

	General Fund	QSCB 2009 Sinking Fund
	<hr/>	<hr/>
Assets:		
<i>Cash and cash equivalents</i>	\$ 9,198,162	\$ --
<i>Cash with fiscal agents</i>	2,151	23,987
<i>Investments</i>	--	2,219,821
<i>Due from other governments</i>	479,661	--
<i>Accrued interest receivable</i>	--	14,077
<i>Due from other funds</i>	480,316	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 10,160,290</u>	<u>\$ 2,257,885</u>
Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,140,348	\$ --
<i>Due to other funds</i>	--	--
<i>Other payables</i>	22,779	--
Total Liabilities	<u>1,163,127</u>	<u>--</u>
Fund Balances:		
Nonspendable:		
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Debt service	--	2,257,885
Ad valorem	37,000	--
Grant activities	--	--
Food service	--	--
Assigned to:		
Future building projects	2,266,762	--
Student activities	590,093	--
Unassigned	6,103,308	--
Total Fund Balances	<u>8,997,163</u>	<u>2,257,885</u>
Total Liabilities and Fund Balances	<u>\$ 10,160,290</u>	<u>\$ 2,257,885</u>

The accompanying notes are an integral part of this statement.

QSCB 2012 Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,192,617	\$ 10,390,779
18,662	--	44,800
1,616,000	--	3,835,821
--	430,436	910,097
11,023	--	25,100
--	--	480,316
--	45,615	45,615
<u>\$ 1,645,685</u>	<u>\$ 1,668,668</u>	<u>\$ 15,732,528</u>
\$ --	\$ 124,899	\$ 1,265,247
--	480,316	480,316
--	--	22,779
<u>--</u>	<u>605,215</u>	<u>1,768,342</u>
--	45,615	45,615
--	53,352	53,352
1,645,685	433,077	4,336,647
--	--	37,000
--	93,438	93,438
--	437,971	437,971
--	--	2,266,762
--	--	590,093
--	--	6,103,308
<u>1,645,685</u>	<u>1,063,453</u>	<u>13,964,186</u>
<u>\$ 1,645,685</u>	<u>\$ 1,668,668</u>	<u>\$ 15,732,528</u>

UNION COUNTY SCHOOL DISTRICT

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

Total fund balances for governmental funds	\$ 13,964,186
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,454,081
Liabilities due in one year are not recognized in the funds.	(215,618)
Payables for bond principal not due in the current period are not reported in the funds.	(6,000,000)
Payables for capital leases not due in the current period are not reported in the funds.	(329,282)
Payables for bond interest not due in the current period are not reported in the funds.	(26,066)
Payables for compensated absences not due in the current period are not reported in the funds.	(261,924)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(42,740,637)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(995,184)
Deferred Outflow of Resources related to the pension plan are not reported in the funds.	6,831,404
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(2,133,719)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(484,348)
Deferred Outflow of Resources related to the OPEB plan are not reported in the funds.	490,045
Net position of governmental activities	\$ <u>(19,447,062)</u>

The accompanying notes are an integral part of this statement.

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UNION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT D

	General Fund	QSCB 2009 Sinking Fund
Revenues:		
<i>Local sources</i>	\$ 6,547,744	\$ 45,951
<i>State sources</i>	16,397,530	--
<i>Federal sources</i>	149,223	--
Total Revenues	<u>23,094,497</u>	<u>45,951</u>
Expenditures:		
Instruction	14,391,802	--
Support services	6,947,192	--
Noninstructional services	109,978	--
Facilities acquisition and construction	25,500	--
Debt service:		
Principal	61,248	--
Interest	5,888	--
Total Expenditures	<u>21,541,608</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,552,889</u>	<u>45,951</u>
Other Financing Sources (Uses):		
Insurance recovery	15,133	--
Operating transfers in	100,000	209,883
Operating transfers out	(547,106)	--
Other financing uses	--	(23,200)
Total Other Financing Sources (Uses)	<u>(431,973)</u>	<u>186,683</u>
Net change in fund balances	<u>1,120,916</u>	<u>232,634</u>
Fund Balances:		
July 1, 2020	7,876,247	2,025,251
Increase (Decrease) in inventory	--	--
June 30, 2021	<u>\$ 8,997,163</u>	<u>\$ 2,257,885</u>

The accompanying notes are an integral part of this statement.

QSCB 2012 Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ 35,026	\$ 329,898	\$ 6,958,619
--	570,230	16,967,760
--	5,714,458	5,863,681
<u>35,026</u>	<u>6,614,586</u>	<u>29,790,060</u>
--	3,083,852	17,475,654
--	1,819,341	8,766,533
--	1,486,166	1,596,144
--	--	25,500
--	76,773	138,021
--	9,698	15,586
<u>--</u>	<u>6,475,830</u>	<u>28,017,438</u>
<u>35,026</u>	<u>138,756</u>	<u>1,772,622</u>
--	--	15,133
168,217	521,146	999,246
--	(452,140)	(999,246)
(2,500)	--	(25,700)
<u>165,717</u>	<u>69,006</u>	<u>(10,567)</u>
<u>200,743</u>	<u>207,762</u>	<u>1,762,055</u>
1,444,942	888,965	12,235,405
--	(33,274)	(33,274)
<u>\$ 1,645,685</u>	<u>\$ 1,063,453</u>	<u>\$ 13,964,186</u>

UNION COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021*

Net change in fund balances - total governmental funds \$ 1,762,055

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	879,475
The depreciation of capital assets used in governmental activities is not reported in the funds.	(837,477)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(8,338)
Donations of capital assets increase net position in the SOA but not in the funds.	221,722
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	138,021
(Increase) decrease in accrued interest from beginning of period to end of period.	5,026
Change in inventory affects fund balance in the funds but expense in the SOA.	(33,274)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	8,973
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NOL.	75,469
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	2,598,364
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(4,579,268)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(61,167)

Change in net position of governmental activities \$ 169,581

The accompanying notes are an integral part of this statement.

Union County School District

Notes to the Financial Statements
For the Year Ended June 30, 2021

Union County School District

Notes to the Financial Statements
For the 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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 funds:

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

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

QSCB 2012 Sinking Fund - This fund accounts for the sinking fund activities of the 2012 qualified school construction bonds.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Project 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.

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has two deferred inflow items which are presented as deferred inflow for pensions and deferred inflow for OPEB.

See Note 11 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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other Than Pensions (OPEB)

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

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

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

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the General Fund 1120 and Special Revenue Fund 1906 at fiscal year end of not less than 7% of revenues.

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, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$10,390,779.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$11,723,507 was exposed to custodial credit risk.

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$44,800.

Investments

As of June 30, 2021, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AA+	1-5 years	\$ <u>3,835,821</u>

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

The district has the following recurring fair value measurements as of June 30, 2021:

- U.S. government securities type of investments of \$3,835,821 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

Union County School District

Notes to the Financial Statements
For the 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

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 480,316

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 100,000
QSCB 2009 Sinking Fund	Other Governmental Funds	209,883
QSCB 2012 Sinking Fund	General Fund	168,217
Other Governmental Funds	General Fund	378,889
	Other Governmental Funds	142,257
Total		\$ 999,246

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

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$423,945, of the debt service funds that is restricted for future debt service requirements.

Also, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$23,987 and \$2,219,821 respectively, of the QSCB 2009 Sinking Fund. It also represents the cash with fiscal agents and investment balance, totaling \$18,662 and \$1,616,000 respectively, of the QSCB 2012 Sinking Fund.

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

Note 5 - Capital Assets

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

	Balance 7-1-2020	Additions	Deletions	Balance 6-30-2021
<u>Non-depreciable capital assets:</u>				
Land	\$ 601,311			601,311
Total non-depreciable capital assets	601,311	0	0	601,311
<u>Depreciable capital assets:</u>				
Buildings	13,098,212			13,098,212
Building improvements	4,133,059			4,133,059
Improvements other than buildings	1,330,840	247,222		1,578,062
Mobile equipment	3,032,705	283,475	81,627	3,234,553
Furniture and equipment	856,480	570,500	17,413	1,409,567
Leased property under capital leases	768,735			768,735
Total depreciable capital assets	23,220,031	1,101,197	99,040	24,222,188
<u>Less accumulated depreciation for:</u>				
Buildings	5,471,273	210,900		5,682,173
Building improvements	2,252,376	165,322		2,417,698
Improvements other than buildings	374,418	82,537		456,955
Mobile equipment	2,402,543	95,581	73,464	2,424,660
Furniture and equipment	745,563	220,059	17,238	948,384
Leased property under capital leases	376,470	63,078		439,548
Total accumulated depreciation	11,622,643	837,477	90,702	12,369,418
Total depreciable capital assets, net	11,597,388	263,720	8,338	11,852,770
Governmental activities capital assets, net	\$ 12,198,699	263,720	8,338	12,454,081

Depreciation expense was charged to the following governmental functions:

	Amount
Instructional	\$ 158,366
Support services	657,008
Non-instructional	22,103
Total depreciation expense	\$ 837,477

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

Note 6 - Long-term liabilities

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

	Balance 7-1-2020	Additions	Reductions	Balance 6-30-2021	Amounts due within one year
A. Obligations under capital leases	\$ 595,823		138,021	457,802	128,520
B. Qualified school construction bonds payable	6,000,000			6,000,000	
C. Compensated absences payable	270,897		8,973	261,924	
Total	\$ 6,866,720	0	146,994	6,719,726	128,520

A. Obligations under capital leases

The Union County School District has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$775,039. This lease qualifies as a capital lease for accounting purposes.

Also, the Union County School District has entered into a lease agreement as lessee for financing the acquisition of chrome books at a cost of \$195,366. This lease qualifies as a capital lease for accounting purposes.

In addition, the Union County School District has entered into a lease agreement as lessee for financing the acquisition of technology equipment at a cost of \$40,500. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Bus lease	2.00%	07-07-15	07-07-25	\$ 775,039	407,602
Chrome books lease	4.98%	07-15-18	10-25-21	195,366	50,200
Lightspeed relays	6.65%	08-15-18	09-01-20	40,500	0
Total				\$ 1,010,905	457,802

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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

1. Bus lease dated 07-07-15:

Year Ending		Interest and Maintenance Charges	
June 30	Principal		Total
2022	\$ 78,320	8,152	86,472
2023	79,886	6,585	86,471
2024	81,484	4,987	86,471
2024	83,113	3,358	86,471
2026	84,799	1,696	86,495
Total	\$ <u>407,602</u>	<u>24,778</u>	<u>432,380</u>

This debt will be retired from the Building and Buses Fund.

2. Chrome books lease dated 07-15-18:

Year Ending		Interest and Maintenance Charges	
June 30	Principal		Total
2022	\$ <u>50,200</u>	<u>2,558</u>	<u>52,758</u>

This debt will be retired from the District Maintenance Fund.

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

3. Lightspeed relay lease dated 08-15-18:

This debt was retired from the District Maintenance Fund during the year.

Total all leases:

Year Ending		Interest and Maintenance Charges	
June 30	Principal		Total
2022	\$ 128,520	10,710	139,230
2023	79,886	6,585	86,471
2024	81,484	4,987	86,471
2025	83,113	3,358	86,471
2026	84,799	1,696	86,495
Total	\$ <u>457,802</u>	<u>27,336</u>	<u>485,138</u>

The Union County 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 straight-line method is not considered material.

B. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, series 2009	0.69%	12-29-09	09-15-24	\$ 3,000,000	3,000,000
Qualified school construction bonds, series 2012	0.00%	10-01-12	10-01-25	<u>3,000,000</u>	<u>3,000,000</u>
Total				\$ <u>6,000,000</u>	<u>6,000,000</u>

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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

1. Qualified School Construction Bonds, Series 2009:

Year Ending June 30	Principal	Interest	Total
2022	\$	20,700	20,700
2023		20,700	20,700
2024		20,700	20,700
2025	<u>3,000,000</u>	<u>20,700</u>	<u>3,020,700</u>
Total	\$ <u><u>3,000,000</u></u>	<u><u>82,800</u></u>	<u><u>3,082,800</u></u>

2. Qualified School Construction Bonds, Series 2012:

Year Ending June 30	Principal	Interest	Total
2022	\$		0
2023			0
2024			0
2025			0
2026	<u>3,000,000</u>		<u>3,000,000</u>
Total	\$ <u><u>3,000,000</u></u>	<u><u>0</u></u>	<u><u>3,000,000</u></u>

Total Qualified School Construction Bonds for all issued:

Year Ending June 30	Principal	Interest	Total
2022	\$	20,700	20,700
2023		20,700	20,700
2024		20,700	20,700
2025	3,000,000	20,700	3,020,700
2026	<u>3,000,000</u>		<u>3,000,000</u>
Total	\$ <u><u>6,000,000</u></u>	<u><u>82,800</u></u>	<u><u>6,082,800</u></u>

C. Compensated absences payable

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

Union County School District

Notes to the Financial Statements
For the 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, 2021 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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

for the fiscal years ending June 30, 2021, 2020, and 2019, were \$2,598,364, \$2,558,019, and \$2,222,298, respectively, which equaled the required contributions for each year.

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

At June 30, 2021, the school district reported a liability of \$42,740,637 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 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 0.220781 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.004131 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 District recognized pension expense of \$4,579,268. At June 30, 2021 the 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 experience	\$ 370,651	\$
Net difference between projected and actual earnings on pension plan investments	1,789,706	
Changes of assumptions	234,617	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,838,066	995,184
District contributions subsequent to the measurement date	2,598,364	
Total	<u>\$ 6,831,404</u>	<u>\$ 995,184</u>

\$2,598,364 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:

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

Year Ending June 30:		
2022	\$	621,264
2023		1,095,998
2024		954,874
2025		565,720
Total	\$	<u>3,237,856</u>

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

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

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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%	0.00%
Total	100%	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 55,322,502	\$ 42,740,637	\$ 32,355,542

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

Union County School District

Notes to the Financial Statements
For the Year Ended June 30, 2021

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.

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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 \$75,469 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 \$2,220,817 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 0.28537575 percent. This was a decrease of 0.00057371 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 \$61,167. 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
Difference between expected and actual experience	\$	2,831	\$	386,482
Changes in assumptions		344,802		93,849
Net difference between projected and actual earnings on OPEB plan investments		71		
Changes in proportion and differences between District contributions and proportionate share of contributions		66,872		4,017
District contributions subsequent to the measurement date		75,469		
Total	\$	<u>490,045</u>	\$	<u>484,348</u>

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

\$75,469 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 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:

Year Ending June 30:		
2022	\$	(19,282)
2023		(19,282)
2024		(13,628)
2025		1,234
2026		(18,814)
Total	\$	<u>(69,772)</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 percent
Salary increases	3.00 - 18.25 percent, 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	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

Mortality rates were based on the PubS.H-2010(B) Retiree Table projected 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 percent. 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 is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 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 percent) or 1-percentage point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 2,454,154	\$ 2,220,817	\$ 2,020,677

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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

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	\$	2,050,585	\$ 2,220,817	\$ 2,413,682

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 - Risk Management

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

Note 10 - Contingencies

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

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

Note 11 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$30,384,298) 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 \$2,598,364 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 \$4,233,040 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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

unrestricted net position amount of (\$30,384,298) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$995,184 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 3 years.

The unrestricted net position amount of (\$30,384,298) 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 \$75,469 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 \$414,576 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 (\$30,384,298) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$484,348 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.

Note 12 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated March 20, 1996, creating the New Albany, South Tippah and Union County (NASTUC) Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany School District, South Tippah School District and Union County School District.

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

The New Albany School District has been designated as the lead school district for the NASTUC Alternative School Consortium and the operations of the consortium are included in its financial statements.

Note 13 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 4, 1969, creating the New Albany-Union County Vocational Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

the Mississippi Department of Education. The consortium includes the New Albany School District and the Union County School District.

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

The New Albany School District has been designated as the fiscal agent for the New Albany-Union County Vocational Center, and the operations of the consortium are included in its financial statements.

Note 14 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The school district did not apply for any subsidies for the year ended June 30, 2021.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2021 was \$3,878,470. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

1. Qualified School Construction Bonds, Series 2009:

Year Ending June 30	Amount
2022	\$ 209,000
2023	209,000
2024	209,000
2025	209,000
Total	<u>\$ 836,000</u>

2. Qualified School Construction Bonds, Series 2012:

Year Ending June 30	Amount
2022	\$ 200,000
2023	200,000
2024	200,000
2025	200,000
2026	200,000
2027-2028	400,000
Total	<u>\$ 1,400,000</u>

Note 16 - Insurance Loss Recoveries

The Union County School District received \$15,133 in insurance loss recoveries related to bus accident and winter storm damage during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services revenues and non-instructional expense function.

Note 17 - Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

Note 18 - 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

Union County School District

Notes to the Financial Statements For the Year Ended June 30, 2021

of Net Position date require disclosure in the accompanying notes. Management of the Union County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,550,966	6,769,470	6,547,744	218,504	(221,726)
State sources	15,895,271	16,397,530	16,397,530	502,259	-
Federal sources	190,500	149,224	149,223	(41,276)	(1)
Total Revenues	<u>22,636,737</u>	<u>23,316,224</u>	<u>23,094,497</u>	<u>679,487</u>	<u>(221,727)</u>
Expenditures:					
Instruction	14,880,260	14,391,805	14,391,802	488,455	3
Support services	6,814,047	6,897,506	6,947,192	(83,459)	(49,686)
Noninstructional services	156,850	109,978	109,978	46,872	-
Facilities acquisition and construction	-	296,907	25,500	(296,907)	271,407
Debt service:					
Principal	61,248	61,248	61,248	-	-
Interest	5,888	5,888	5,888	-	-
Total Expenditures	<u>21,918,293</u>	<u>21,763,332</u>	<u>21,541,608</u>	<u>154,961</u>	<u>221,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>718,444</u>	<u>1,552,892</u>	<u>1,552,889</u>	<u>834,448</u>	<u>(3)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	15,133	15,133	15,133	-
Operating transfers in	2,395,440	2,467,443	100,000	72,003	(2,367,443)
Operating transfers out	(2,960,050)	(2,914,549)	(547,106)	45,501	2,367,443
Other financing uses	(100)	-	-	100	-
Total Other Financing Sources (Uses)	<u>(564,710)</u>	<u>(431,973)</u>	<u>(431,973)</u>	<u>132,737</u>	<u>-</u>
Net Change in Fund Balances	<u>153,734</u>	<u>1,120,919</u>	<u>1,120,916</u>	<u>967,185</u>	<u>(3)</u>
Fund Balances:					
July 1, 2020	<u>7,174,039</u>	<u>7,876,247</u>	<u>7,876,247</u>	<u>702,208</u>	<u>-</u>
June 30, 2021	<u>\$ 7,327,773</u>	<u>8,997,166</u>	<u>8,997,163</u>	<u>1,669,393</u>	<u>(3)</u>

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

Union County School District

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

PERS

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 42,740,637	38,113,010	35,568,611	34,958,665	36,757,804	31,376,241	24,115,022
District's proportion of the net pension liability	0.220781%	0.216650%	0.213844%	0.210298%	0.205782%	0.202977%	0.198671%
District's covered payroll	14,701,259	12,771,828	13,655,968	13,490,737	13,164,400	12,680,844	12,139,835
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	298.41%	260.46%	259.13%	279.22%	247.43%	198.64%
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 notes to the required supplementary information are an integral part of this schedule.

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

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

Union County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,598,364	2,558,019	2,222,298	2,150,815	2,124,791	2,073,393	1,997,233
Contributions in relation to the contractually required contribution	2,598,364	2,558,019	2,222,298	2,150,815	2,124,791	2,073,393	1,997,233
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered payroll	14,933,126	14,701,259	14,109,829	13,655,968	13,490,737	13,164,400	12,680,844
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Union County School DistrictSchedule of the District's Proportionate Share of the Net OPEB Liability
OPEB

Last 10 Fiscal Years*

	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 2,220,817	2,426,398	2,162,640	2,144,272
District's proportion of the net OPEB liability	0.28537575%	0.28594946%	0.27957334%	0.27329183%
District's covered-employee payroll	13,753,273	13,094,844	12,644,912	12,278,250 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

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

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

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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

Union County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2021	2020	2019	2018
Actuarially determined contribution	\$ 75,469	88,566	97,258	91,414 **
Contributions in relation to the actuarially determined contribution	75,469	88,566	97,258	91,414 **
Contribution deficiency (excess)	\$ -	-	-	-
District's covered-employee payroll	13,816,452	14,701,270	14,109,829	13,655,968
Contributions as a percentage of covered-employee payroll	0.55%	0.60%	0.69%	0.67%

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

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

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Union County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

Union County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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

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

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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

Union County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

OPEB Schedules

(1) Changes of assumptions

2017:

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

2018:

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

2019:

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

2020:

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

(2) 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 coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.*

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 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

Union County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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

SUPPLEMENTARY INFORMATION

UNION COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	215MS326N1099	10.555	\$ 135,122
Summer Food Service Program for Children	215MS326N1099	10.559	1,725,121
Total Child Nutrition Cluster			1,860,243
State Administrative Expenses for Child Nutrition	205MS907N2533	10.560	3,966
Total passed-through the Mississippi Department of Education			1,864,209
Total U.S. Department of Agriculture			1,864,209
<u>U. S. Department of Treasury</u>			
Passed-through the Mississippi Department of Education			
COVID-19 - Coronavirus Relief Fund	N/A	21.019	1,810,526
Total passed-through the Mississippi Department of Education			1,810,526
Total U.S. Department of Treasury			1,810,526
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A200024	84.010	745,543
Rehabilitation Services Vocational Rehabilitation Grants to States	N/A	84.126	532
Supporting Effective Instruction State Grants	ES367A200023	84.367	159,381
Student Support and Academic Enrichment Program	ES424A200025	84.424	34,757
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	S425D200031	84.425D	565,588
Subtotal			1,505,801
Special Education Cluster:			
Special Education - Grants to States	H027A200108	84.027	650,205
Special Education - Preschool Grants	H173A200113	84.173	26,506
Total Special Education Cluster			676,711
Total passed-through the Mississippi Department of Education			2,182,512
Total U.S. Department of Education			2,182,512
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	2005MS5ADM	93.778	52,674
Total passed-through the Mississippi Department of Education			52,674
Total U.S. Department of Health and Human Services			52,674
Total for All Federal Awards			\$ 5,909,921

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Union County School District

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$135,122 are included in the National School Lunch Program.

UNION COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2021

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	20,763,747	16,090,809	1,006,232	1,522,973	2,143,733
Other	7,253,691	4,151,681	271,398	147,331	2,683,281
Total \$	<u>28,017,438</u>	<u>20,242,490</u>	<u>1,277,630</u>	<u>1,670,304</u>	<u>4,827,014</u>
Total number of students *	<u>2,857</u>				
Cost per student \$	<u>9,807</u>	<u>7,085</u>	<u>447</u>	<u>585</u>	<u>1,690</u>

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

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

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

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

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

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

OTHER INFORMATION

UNION COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 6,547,744	6,483,065	6,320,405	6,093,360
State sources	16,397,530	16,224,440	15,596,200	14,826,152
Federal sources	149,223	188,101	167,852	377,352
Total Revenues	<u>23,094,497</u>	<u>22,895,606</u>	<u>22,084,457</u>	<u>21,296,864</u>
Expenditures:				
Instruction	14,391,802	14,260,733	13,105,505	12,693,275
Support services	6,947,192	6,795,039	6,905,029	6,626,047
Noninstructional services	109,978	134,110	702,062	681,046
Facilities acquisition and construction	25,500	239,818	-	120,614
Debt service:				
Principal	61,248	58,092	66,326	43,345
Interest	5,888	9,044	811	2,796
Total Expenditures	<u>21,541,608</u>	<u>21,496,836</u>	<u>20,779,733</u>	<u>20,167,123</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,552,889</u>	<u>1,398,770</u>	<u>1,304,724</u>	<u>1,129,741</u>
Other Financing Sources (Uses):				
Capital leases issued	-	-	235,866	-
Insurance recovery	15,133	-	-	7,815
Sale of other property	-	-	-	110,350
Operating transfers in	100,000	-	60,044	117,007
Other financing sources	-	4,862	-	-
Operating transfers out	(547,106)	(621,852)	(539,640)	(511,501)
Total Other Financing Sources (Uses)	<u>(431,973)</u>	<u>(616,990)</u>	<u>(243,730)</u>	<u>(276,329)</u>
Net Change in Fund Balances	1,120,916	781,780	1,060,994	853,412
Fund Balances:				
Beginning of period, as previously reported	7,876,247	6,986,066	5,925,072	5,071,660
Prior period adjustment	-	108,401	-	-
Beginning of period, as restated	<u>7,876,247</u>	<u>7,094,467</u>	<u>5,925,072</u>	<u>5,071,660</u>
End of period	<u>\$ 8,997,163</u>	<u>7,876,247</u>	<u>6,986,066</u>	<u>5,925,072</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

UNION COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 6,958,619	7,125,043	7,034,737	6,755,105
State sources	16,967,760	16,764,320	16,102,313	15,574,990
Federal sources	5,863,681	2,777,698	3,186,045	2,938,315
Total Revenues	<u>29,790,060</u>	<u>26,667,061</u>	<u>26,323,095</u>	<u>25,268,410</u>
Expenditures:				
Instruction	17,475,654	16,129,893	14,961,250	14,067,942
Support services	8,766,533	7,421,368	7,622,468	7,300,937
Noninstructional services	1,596,144	1,630,407	2,187,803	2,145,049
Facilities acquisition and construction	25,500	239,818	-	120,614
Debt service:				
Principal	138,021	133,378	140,144	794,011
Interest	15,586	40,929	34,164	56,780
Other	-	5,000	5,000	5,422
Total Expenditures	<u>28,017,438</u>	<u>25,600,793</u>	<u>24,950,829</u>	<u>24,490,755</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,772,622</u>	<u>1,066,268</u>	<u>1,372,266</u>	<u>777,655</u>
Other Financing Sources (Uses):				
Capital leases issued	-	-	235,866	-
Insurance recovery	15,133	-	-	7,815
Sale of other property	-	-	-	110,350
Operating transfers in	999,246	959,340	1,039,052	846,028
Other financing sources	-	4,862	-	-
Operating transfers out	(999,246)	(959,340)	(1,039,052)	(846,028)
Other financing uses	(25,700)	-	-	-
Total Other Financing Sources (Uses)	<u>(10,567)</u>	<u>4,862</u>	<u>235,866</u>	<u>118,165</u>
Net Change in Fund Balances	1,762,055	1,071,130	1,608,132	895,820
Fund Balances:				
Beginning of period, as previously reported	12,235,405	11,005,827	9,390,697	8,509,602
Prior period adjustment	-	108,401	-	-
Beginning of period, as restated	<u>12,235,405</u>	<u>11,114,228</u>	<u>9,390,697</u>	<u>8,509,602</u>
Increase (decrease) in inventory	<u>(33,274)</u>	<u>50,047</u>	<u>6,998</u>	<u>(14,725)</u>
End of period	<u>\$ 13,964,186</u>	<u>12,235,405</u>	<u>11,005,827</u>	<u>9,390,697</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Union County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Union County School District's basic financial statements, and have issued our report thereon dated February 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Union County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 2, 2022

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Union County School District

Report on Compliance for Each Major Federal Program

We have audited Union County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Union County School District's major federal program for the year ended June 30, 2021. The Union County School District's major federal program is identified in the summary of the 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 Union County School District's major federal program 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 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 on the school district's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Union County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 2, 2022

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2021, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated February 2, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure 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.

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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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 2, 2022

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Union County 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 control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
21.019	COVID-19 - Coronavirus Relief Fund

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

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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