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COVINGTON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2024

COVINGTON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Covington County School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Covington County School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Covington County School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Covington County School District, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Covington County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Covington County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would

influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Covington County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Covington County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Covington 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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2025, on our consideration of the Covington 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 Covington 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 Covington County School District's internal control over financial reporting and compliance.

Brown CPA, PLLC
Madison, Mississippi
August 8, 2025

Brown CPA, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The following discussion and analysis of Covington County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2024. 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 2024 decreased \$4,639,796, including an error correction of \$416,711, which represents a 59% decrease from fiscal year 2023. Total net position for 2023 increased \$6,346,558, including an error correction of (\$302,893), which represents a 411% increase from fiscal year 2022.
- General revenues amounted to \$27,656,104 and \$26,858,830, or 73% and 62% of all revenues for fiscal years 2024 and 2023, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,473,648, or 27% of total revenues for 2024, and \$16,492,959, or 38% of total revenues for 2023.
- The District had \$43,186,259 and \$36,702,338 in expenses for fiscal years 2024 and 2023; only \$10,473,648 for 2024 and \$16,492,959 for 2023 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$27,656,104 for 2024 were not adequate to provide for these programs. However, general revenues of \$26,858,830 for 2023 were adequate to provide for these programs.
- Among major funds, the General Fund had \$29,595,501 in revenues and \$31,908,019 in expenditures for 2024, and \$28,661,773 in revenues and \$27,159,397 in expenditures for 2023. The General Fund's fund balance decreased by \$723,781, including an error correction of \$17,393, from 2023 to 2024, and increased by \$2,246,522, including an error correction of \$11,174, from 2022 to 2023.
- Capital assets, including SBITA assets, net of accumulated depreciation and amortization, increased by \$3,665,853 for 2024 and increased by \$7,212,496 for 2023. The increase for 2024 was due primarily to the ongoing improvements to facilities during the fiscal year as well as the addition of buildings, mobile equipment, furniture and equipment, and subscription IT assets.
- Long-term debt, including SBITA liabilities and compensated absences, increased by \$2,225,752 for 2024 and increased by \$1,622,391 for 2023. The increase for 2024 was due primarily to the issuance of a three mill notes payable and subscription IT liabilities. The liability for compensated absences decreased by \$20,090 for 2024 and decreased by \$51,771 for 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,250,665 as of June 30, 2024.

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

Table 1 presents a summary of the District's net position at June 30, 2024 and June 30, 2023.

Table 1
Condensed Statement of Net Position

	June 30, 2024	June 30, 2023	Percentage Change	
Current assets	\$ 21,105,523	\$ 21,364,839	(1.21)	%
Restricted assets	17,940,312	17,275,331	3.85	%
Lease receivable	2,053,211	2,041,247	0.59	%
Capital assets, net	24,862,921	21,197,068	17.29	%
Total assets	65,961,967	61,878,485	6.60	%
 Deferred outflows of resources	 17,131,774	 11,120,165	 54.06	%
Current liabilities	2,157,491	2,002,952	7.72	%
Long-term debt outstanding	6,350,954	4,386,297	44.79	%
SBITA liability	990,651	729,556	35.79	%
Net OPEB liability	2,044,107	1,783,602	14.61	%
Net pension liability	65,410,284	53,141,398	23.09	%
Total liabilities	76,953,487	62,043,805	24.03	%
 Deferred inflows of resources	 2,889,589	 3,064,384	 (5.70)	%
 Net position:				
Net investment in capital assets	17,807,734	16,672,712	6.81	%
Restricted	21,978,632	20,907,702	5.12	%
Unrestricted	(36,535,701)	(29,689,953)	(23.06)	%
Total net position	\$ 3,250,665	\$ 7,890,461	(58.80)	%

Per GASB 100, prior period information should not be restated for change in accounting principle and changes to/within the reporting entity in RSI and SI. Prior period information can be restated for error corrections if applicable and practicable.

Error corrections that impacted the prior fiscal year(s) were made during the fiscal year ended June 30, 2024. The explanations for these corrections are disclosed in Note 11. Due to the immateriality of the result upon the affected funds, restatements to individually impacted line items of prior year(s) were not made to this schedule.

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

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)	\$ (36,535,701)
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>51,067,876</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u><u>\$ 14,532,175</u></u>

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

- Increase in net capital assets in the amount of \$3,665,853, including SBITA assets.
- The principal retirement of \$478,653 of long-term debt, including SBITA liabilities.
- Issuance installment purchases loans payable totaling \$2,111,000
- Issuance of SBITA liabilities totaling \$540,849.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2024 and June 30, 2023 were \$38,129,752 and \$43,351,789, respectively. The total cost of all programs and services was \$43,186,259 for 2024 and \$36,702,338 for 2023.

**Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2024 and June 30, 2023.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2024</u>	<u>Year Ended June 30, 2023</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 807,121	\$ 722,199	11.76 %
Operating grants and contributions	9,666,527	15,770,760	(38.71) %
General revenues:			
Property taxes	10,793,459	11,075,815	(2.55) %
Grants and contributions not restricted	15,419,137	14,885,892	3.58 %
Investment earnings	608,425	181,305	235.58 %
Sixteenth section sources	649,308	573,027	13.31 %
Other	185,775	142,791	30.10 %
Total revenues	38,129,752	43,351,789	(12.05) %
Expenses:			
Instruction	17,673,698	17,331,924	1.97 %
Support services	12,177,944	11,741,646	3.72 %
Non-instructional	2,205,475	1,978,181	11.49 %
Sixteenth section	1,323,292	68,763	1,824.42 %
Pension expense	9,762,856	5,713,582	70.87 %
OPEB expense	(95,667)	(202,036)	52.65 %
Interest on long-term liabilities	138,661	70,278	97.30 %
Total expenses	43,186,259	36,702,338	17.67 %
Increase (Decrease) in net position	(5,056,507)	6,649,451	(176.04) %
Net Position, July 1, as previously reported	7,890,461	1,543,903	411.07 %
Error correction	416,711	(302,893)	237.58 %
Net Position, July 1, as restated	8,307,172	1,241,010	569.39 %
Net Position, June 30	\$ 3,250,665	\$ 7,890,461	(58.80) %

Per GASB 100, prior period information should not be restated for change in accounting principle and changes to/within the reporting entity in RSI and SI. Prior period information can be restated for error corrections if applicable and practicable.

Error corrections that impacted the prior fiscal year(s) were made during the fiscal year ended June 30, 2024. The explanations for these corrections are disclosed in Note 11. Due to the immateriality of the result upon the affected funds, restatements to individually impacted line items of prior year(s) were not made to this schedule.

Governmental activities

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

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2024	2023	
Instruction	\$ 17,673,698	\$ 17,331,924	1.97 %
Support services	12,177,944	11,741,646	3.72 %
Non-instructional	2,205,475	1,978,181	11.49 %
Sixteenth section	1,323,292	68,763	1,824.42 %
Pension Expense	9,762,856	5,713,582	70.87 %
OPEB Expense	(95,667)	(202,036)	52.65 %
Interest on long-term liabilities	138,661	70,278	97.30 %
Total expenses	\$ 43,186,259	\$ 36,702,338	17.67 %

	Net (Expense) Revenue		Percentage Change
	2024	2023	
Instruction	\$ (13,007,927)	\$ (11,660,272)	(11.56) %
Support services	(8,660,674)	(3,313,674)	(161.36) %
Non-instructional	15,087	347,049	(95.65) %
Sixteenth section	(1,253,247)	(658)	(190,363.07) %
Pension Expense	(9,762,856)	(5,713,582)	(70.87) %
OPEB Expense	95,667	202,036	(52.65) %
Interest on long-term liabilities	(138,661)	(70,278)	(97.30) %
Total net (expense) revenue	\$ (32,712,611)	\$ (20,209,379)	(61.87) %

- Net cost of governmental activities (\$32,712,611 for 2024 and \$20,209,379 for 2023) was financed by general revenue, which is primarily made up of property taxes (\$10,793,459 for 2024 and \$11,075,815 for 2023) and state and federal revenues (\$15,419,137 for 2024 and \$14,885,892 for 2023). In addition, there was \$649,308 and \$573,027 in Sixteenth Section sources for 2024 and 2023, respectively.
- Investment earnings amounted to \$608,425 for 2024 and \$181,305 for 2023.

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 \$36,826,926, an increase of \$204,460, which includes an error correction of \$70,088 and a decrease in inventory of \$16,501. \$14,505,400, or 39% 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 \$22,321,526, or 61% is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$723,781, which includes an error correction of \$17,393. The fund

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

balance of Other Governmental Funds showed an increase in the amount of \$386,081, which includes an error correction of (\$17,394) and a decrease in inventory of \$16,501. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER III Fund	\$ no increase or decrease
16th Section Principal Funds	\$ 542,160

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. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2024, the District's total capital assets were \$41,729,254, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and subscription IT assets. This amount represents an increase of \$5,174,005, including an error correction of \$459,390, from 2023. Total accumulated depreciation/amortization as of June 30, 2024, was \$16,866,333, including an error correction of \$51,604, and total depreciation/amortization expense for the year was \$1,594,651, resulting in total net capital assets of \$24,862,921.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Percentage Change</u>	
Land	\$ 113,504	\$ 113,504	-	%
Construction in Progress	2,645,890	10,434,124	(74.64)	%
Buildings	5,705,254	5,810,115	(1.80)	%
Building improvements	11,651,435	1,736,083	571.13	%
Improvements other than buildings	415,770	66,997	520.58	%
Mobile equipment	2,663,424	1,793,335	48.52	%
Furniture and equipment	646,658	442,807	46.04	%
Subscription IT assets	1,020,986	800,103	27.61	%
Total	\$ 24,862,921	\$ 21,197,068	17.29	%

An error correction was made to correct the acquisition and accumulated depreciation balances. The prior year information was not restated. It was not practicable to restate the prior year information in this table. Additional information on the District's capital assets can be found in Note 5 and Note 6 included in this report.

Debt Administration. At June 30, 2024, the District had \$7,341,605 in outstanding long-term debt, including compensated absences and subscription IT liabilities, of which \$3,529,756 is due within one year. Three mill note payable and subscription IT liabilities totaling \$2,651,849 were issued during the fiscal year, and the District made principal payments totaling \$478,653 on outstanding long-term debt. The liability for compensated absences decreased \$20,090 from the prior year.

Covington County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Table 5
Outstanding Long-Term Debt

	June 30, 2024	June 30, 2023	Percentage Change	
Three mill notes payable	\$ 2,111,000	\$ -	N/A	%
Subscription IT liabilities	990,651	729,556	35.79	%
Installment purchase loans payable	697,046	794,800	(12.30)	%
Qualified school construction bonds payable	3,000,000	3,000,000	-	%
Other loans payable	256,490	284,989	(10.00)	%
Compensated absences payable	286,418	306,508	(6.55)	%
Total	\$ 7,341,605	\$ 5,115,853	43.51	%

Additional information on the District's long-term debt can be found in Note 6 and Note 7 included in this report.

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Covington County School District, P.O. Box 1269, Collins, MS 39428.

FINANCIAL STATEMENTS

COVINGTON COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2024

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 19,819,636
Due from other governments	1,167,489
Accrued interest receivable	55,985
Lease receivable	2,053,211
Inventories	62,413
Restricted assets	17,940,312
Capital assets, non-depreciable:	
Land	113,504
Construction in progress	2,645,890
Capital assets, net of accumulated depreciation:	
Buildings	5,705,254
Building improvements	11,651,435
Improvements other than buildings	415,770
Mobile equipment	2,663,424
Furniture and equipment	646,658
Subscription IT assets	1,020,986
Total Assets	<u>65,961,967</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	16,390,195
Deferred outflows - OPEB	741,579
Total Deferred Outflows of Resources	<u>17,131,774</u>
Liabilities	
Accounts payable and accrued liabilities	2,072,170
Unearned revenue	55,620
Interest payable on long-term liabilities	29,701
Long-term liabilities, due within one year:	
Capital related liabilities	3,313,620
Non-capital related liabilities	14,321
SBITA liabilities	201,815
Net OPEB liability	82,965
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,750,916
Non-capital related liabilities	272,097
SBITA liabilities	788,836
Net pension liability	65,410,284
Net OPEB liability	1,961,142
Total Liabilities	<u>76,953,487</u>
Deferred Inflows of Resources	
Deferred inflows - OPEB	745,259
Deferred inflows - leases	2,144,330
Total Deferred Inflows of Resources	<u>2,889,589</u>
Net Position	
Net investment in capital assets	17,807,734
Restricted for:	
Expendable:	
School-based activities	2,854,832
Debt service	3,683,965
Forestry improvements	157,620
Unemployment benefits	58,743
Non-expendable:	
Sixteenth section	15,223,472
Unrestricted	<u>(36,535,701)</u>
Total Net Position	<u>\$ 3,250,665</u>

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

COVINGTON COUNTY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2024

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction	\$ 17,673,698	\$ 514,952	\$ 4,150,819	\$ (13,007,927)	
Support services	12,177,944	31,700	3,485,570	(8,660,674)	
Non-instructional	2,205,475	190,424	2,030,138	15,087	
Sixteenth section	1,323,292	70,045	-	(1,253,247)	
Pension expense	9,762,856	-	-	(9,762,856)	
OPEB expense	(95,667)	-	-	95,667	
Interest on long-term liabilities	138,661	-	-	(138,661)	
Total Governmental Activities	\$ 43,186,259	\$ 807,121	\$ 9,666,527	\$ (32,712,611)	
General Revenues:					
Taxes:					
General purpose levies				10,535,256	
Debt purpose levies				258,203	
Unrestricted grants and contributions:					
State				15,361,960	
Federal				57,177	
Unrestricted investment earnings				608,425	
Sixteenth section sources				649,308	
Other				185,775	
Total General Revenues					
Change in Net Position					
Net Position - Beginning, as previously reported					
Adjustment or restatement					
Net Position - Beginning, as restated					
Net Position - Ending					
				\$ 3,250,665	

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

COVINGTON COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2024

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	ESSER III Fund	16th Section Principal Fund		
Assets					
Cash and cash equivalents	\$ 15,858,162		- \$ 6,120,816	\$ 3,961,474	\$ 25,940,452
Cash with fiscal agents	-	-	151,361	241,936	393,297
Investments	-	-	8,828,199	2,598,000	11,426,199
Due from other governments	154,110	562,430	-	450,949	1,167,489
Accrued interest receivable	-	-	35,211	20,774	55,985
Lease receivable	2,053,211	-	-	-	2,053,211
Due from other funds	1,032,763	-	-	-	1,032,763
Inventories	-	-	-	62,413	62,413
Total Assets	\$ 19,098,246	\$ 562,430	\$ 15,135,587	\$ 7,335,546	\$ 42,131,809
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,135,323	\$ -	\$ (87,885)	\$ 24,732	\$ 2,072,170
Due to other funds	-	562,430	-	470,333	1,032,763
Unavailable revenue - federal programs	-	-	-	55,620	55,620
Total Liabilities	2,135,323	562,430	(87,885)	550,685	3,160,553
Deferred Inflows of Resources					
Leases	2,144,330	-	-	-	2,144,330
Total Deferred Inflows of Resources	2,144,330	-	-	-	2,144,330
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	62,413	62,413
Permanent fund principal	-	-	15,223,472	-	15,223,472
Restricted:					
Debt service	-	-	-	3,713,666	3,713,666
Forestry improvement purposes	-	-	-	157,620	157,620
Grant activities	-	-	-	1,485,256	1,485,256
Unemployment benefits	-	-	-	58,743	58,743
Food service	-	-	-	1,307,163	1,307,163
Assigned:					
Other purposes	313,193	-	-	-	313,193
Unassigned					
Total Fund Balances	14,505,400	-	-	-	14,505,400
Total Liabilities, Deferred Inflows of Resources and Fund Balances	14,818,593	-	15,223,472	6,784,861	36,826,926
Resources and Fund Balances	\$ 19,098,246	\$ 562,430	\$ 15,135,587	\$ 7,335,546	\$ 42,131,809

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

**COVINGTON COUNTY SCHOOL DISTRICT
Governmental Funds**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Exhibit C-1

Total fund balances for governmental funds \$ 36,826,926

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

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

Land	\$ 113,504
Construction in progress	2,645,890
Buildings	14,362,768
Building improvements	14,024,243
Improvements other than buildings	599,910
Mobile equipment	6,519,094
Furniture and equipment	2,176,421
Accumulated depreciation	(16,599,895)
Subscription IT assets	1,287,424
Accumulated amortization	(266,438) 24,862,921

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

Net pension liability (65,410,284)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions 16,390,195 (49,020,089)

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

Net OPEB liability **(2,044,107)**

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	741,579
Deferred inflows of resources related to OPEB	(745,259) (2,047,787)

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

Other bonds payable	(3,000,000)
Notes payable	(2,111,000)
Installment purchase loans payable	(697,046)
Other loans payable	(256,490)
SBITA liabilities	(990,651)
Compensated absences	(286,418)
Accrued interest payable	(29,701)
	(7,371,306)

Net Position of governmental activities

\$ 3,250,665

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

COVINGTON COUNTY SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	ESSER III Fund	16th Section Principal Fund		
Revenues:					
Local sources	\$ 11,157,525	-	15,363	648,129	\$ 11,821,017
State sources	17,763,927	-	-	846,802	18,610,729
Federal sources	57,708	1,445,689	-	4,990,331	6,493,728
Sixteenth section sources	616,341	-	478,306	77,931	1,172,578
Total Revenues	29,595,501	1,445,689	493,669	6,563,193	38,098,052
Expenditures:					
Instruction	16,052,936	210,806	-	2,935,297	19,199,039
Support services	12,252,376	447,951	-	1,709,838	14,410,165
Noninstructional services	-	-	-	2,315,460	2,315,460
Sixteenth section	1,295,601	-	-	27,691	1,323,292
Facilities acquisition and construction	1,838,529	905,449	-	-	2,743,978
Debt service:			-		
Principal	346,306	22,889	-	109,458	478,653
Interest	77,921	3,068	-	32,302	113,291
Other	44,350	-	-	2,500	46,850
Total Expenditures	31,908,019	1,590,163	-	7,132,546	40,630,728
Excess (Deficiency) of Revenues over (under) Expenditures	(2,312,518)	(144,474)	493,669	(569,353)	(2,532,676)
Other Financing Sources (Uses):					
Notes issued	2,111,000	-	-	-	2,111,000
SBITA issued	413,768	127,081	-	-	540,849
Insurance recovery	31,700	-	-	-	31,700
Payments held by escrow agent	-	-	-	137,225	137,225
Payment to QSCB debt escrow agent	-	-	-	(137,225)	(137,225)
Operating transfers in	22,054	17,393	-	1,057,870	1,097,317
Operating transfers out	(1,007,178)	-	(21,598)	(68,541)	(1,097,317)
Total Other Financing Sources (Uses)	1,571,344	144,474	(21,598)	989,329	2,683,549
Net Change in Fund Balances	(741,174)	-	472,071	419,976	150,873
Fund Balances:					
July 1, 2023, as previously reported	15,542,374	-	14,681,312	6,398,780	36,622,466
Adjustment or restatement	17,393	-	70,089	(17,394)	70,088
July 1, 2023, as restated	15,559,767	-	14,751,401	6,381,386	36,692,554
Increase (Decrease) in inventory				(16,501)	(16,501)
June 30, 2024	\$ 14,818,593	\$ -	\$ 15,223,472	\$ 6,784,861	\$ 36,826,926

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

**COVINGTON COUNTY SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2024**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 150,873

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

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

Capital outlay	\$ 4,422,631
Depreciation expense	(1,355,643)
SBITA outlay	540,849
Amortization expense	<u>(239,008)</u>
	3,368,829

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (122,245)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Notes issued	(2,111,000)
SBITAs issued	(540,849)
Payments of debt principal	126,253
Payments of SBITAs principal	352,400
Accrued interest payable	<u>21,480</u>
	(2,151,716)

4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

Pension expense	(9,762,856)
Contributions subsequent to the measurement date	<u>3,274,773</u>
	(6,488,083)

5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

OPEB expense	95,667
Contributions subsequent to the measurement date	<u>86,579</u>
	182,246

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

Change in compensated absences	20,090
Change in inventory	<u>(16,501)</u>
	3,589

Change in Net Position of governmental activities \$ (5,056,507)

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

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 (5) member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

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.

ESSER III Fund – This is a special revenue fund that is used to account for federal sources received and expenditures incurred related to the District's Elementary and Secondary School Emergency Relief (ESSER) program.

16th Section Principal Fund – This is a permanent fund that accounts for the non-expendable revenues associated with earnings on sixteenth section lands and the investment earnings of these non-expendable resources.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

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

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

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under 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 purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the district as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Right to use leased property asset	**	**
Right to use Subscription IT asset	***	***

(**) A capitalization threshold amount has not been set for right to use property assets. Right to use leased property assets will be amortized in a rational and systematic manner over the shorter of the lease term or the useful life of the underlying asset.

(***) A capitalization threshold amount has not been set for right to use subscription IT assets. Right to use subscription IT assets will be amortized in a rational and systematic manner over the shorter of the subscription term or the useful of the underlying IT asset.

The term 'depreciation' includes the amortization of intangible assets.

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.

Deferred outflows of resources related to pensions

Deferred outflows of resources related to OPEB (Other post-employment benefits)

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.

Deferred inflows of resources related to OPEB (Other post-employment benefits)

Deferred inflows of resources related to leases

See Notes 6, 9, 10, and 16 for further details.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

8. Compensated Absences

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

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

9. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as the lessee, the school district uses the Federal prime borrowing rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

When acting as the lessor, the school district uses 4% to calculate the present value of lease payments involving the leasing of 16th section school lands. See Note 6 for details.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs. GASB 96 was implemented during fiscal year 2023. See Note 6 for details.

11. 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 7 for details.

12. 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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

benefit terms. Investments are reported at fair value. See Note 9 for details.

13. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state. See Note 10 for details.

14. 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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable 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 official action of the school board to approve committed fund balances and to detail the action in its official minutes. 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 district management pursuant to authorization established by school board policy.

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

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

15. Accounting Standards Update

GASB 100, Accounting Changes and Error Corrections, was implemented during the 2024 fiscal year. This Statement is an amendment of GASB Statement 62 Codification of Accounting and Financial Reporting Guidance. The purpose of the standard is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$25,940,452.

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents was \$393,297.

Investments

As of June 30, 2024, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	1 to 5 years	\$ 2,598,000
Fidelity Investment Bonds	Various	Various	<u>\$ 8,828,199</u>
Total			<u>\$ 11,426,199</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, 2024:

U.S. Treasury SLGS Deposit, Fidelity Investment Bonds, and certificates of deposit of \$2,598,000 and \$8,828,199, respectively, 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. As of June 30, 2024, the district did not have any investments to which this would apply.

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

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	ESSER III Fund	\$ 562,430
	Other Governmental Funds	470,333
Total		\$ 1,032,763

The inter-fund balances primarily represent loans created by the existence of negative fund cash balances in a pooled bank account due to the General Fund at June 30, 2024. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from other governments. All balances are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
16th Section Principal Fund	General Fund	\$ 21,598
Other Governmental Funds	General Fund	456
Other Governmental Funds	ESSER III Fund	17,393
General Fund	Other Governmental Funds	1,007,178
Other Governmental Funds	Other Governmental Funds	50,692
Total		\$ 1,097,317

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds and transfers of indirect costs from other governmental funds to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agent balance, and investment balance, totaling \$6,120,816, \$151,361, and \$8,828,199, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$241,936 and \$2,598,000, respectively, of the 3-Mill Notes Fund (Debt Service Fund), which will be used for the retirement of the Qualified School Construction Bonds (QSCB). Total restricted assets on the Statement of Net Position is \$17,940,312.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Note 5 – Capital Assets

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

The term depreciation includes amortization of intangible assets.

	Balance 7/1/2023	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2024
Governmental Activities:						
Non-depreciable capital assets:						
Land	\$ 113,504	\$ -	\$ -	\$ -	\$ -	\$ 113,504
Construction in progress	10,434,124	2,684,645	- (10,472,879)	- (10,472,879)	- (10,472,879)	2,645,890
Total non-depreciable capital assets	10,547,628	2,684,645	- (10,472,879)	- (10,472,879)	- (10,472,879)	2,759,394
Depreciable capital assets:						
Buildings	14,303,435	59,333	- (10,472,879)	1	14,362,768	
Building improvements	3,551,363	- (10,472,879)	1	14,024,243		
Improvements other than buildings	213,909	- (10,472,879)	386,001	599,910		
Mobile equipment	5,263,519	1,202,585	- (10,472,879)	52,990	6,519,094	
Furniture and equipment	1,784,863	476,068	87,596	- (10,472,879)	3,086	2,176,421
Total depreciable capital assets	25,117,089	1,737,986	87,596	10,472,879	442,078	37,682,436
Less accumulated depreciation for:						
Buildings	8,493,320	164,199	- (10,472,879)	(5)	8,657,514	
Building improvements	1,815,280	557,528	- (10,472,879)	(5)	2,372,808	
Improvements other than buildings	146,912	21,758	- (10,472,879)	(5)	15,470	184,140
Mobile equipment	3,470,184	337,796	- (10,472,879)	(5)	47,690	3,855,670
Furniture and equipment	1,342,056	274,362	87,596	- (10,472,879)	(11,551)	1,529,763
Total accumulated depreciation	15,267,752	1,355,643	87,596	- (10,472,879)	51,604	16,599,895
Total depreciable capital assets, net	9,849,337	382,343	12,492	10,472,879	390,474	21,082,541
Governmental activities capital assets, net	\$ 20,396,965	\$ 3,066,988	\$ 12,492	\$ -	\$ 390,474	\$ 23,841,935
Subscription IT assets, net (Note 6)	800,103					1,020,986
Total capital assets, net, as reported in the statement of net position	\$ 21,197,068					24,862,921

Error corrections were made to prior year capital assets to record capital assets not recorded in the prior year and to correctly present accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	\$ 857,966
Support services	438,838
Non-instructional	58,839
Total depreciation expense - Governmental Activities	\$ 1,355,643

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

Governmental Activities:	Spent to June 30, 2024	Remaining Commitment
Entegrity Energy - Phase 2 Project	\$ 2,645,890	538,389
Total	\$ 2,645,890	538,389

Construction projects included in governmental activities are funded with ESSER Federal grant funding and District Maintenance Fund.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Note 6 – Intangible Right-to-Use Subscription Based IT Assets and Leases

A summary of subscription IT asset activity during the year ended June 30, 2024 is as follows:

	Balance 7/1/2023	Additions	Deductions	Remeasurements	Balance 6/30/2024
Subscription IT Assets	\$ 890,532	540,849	161,269	17,312	1,287,424
Total Accumulated Amortization	90,429	239,008	51,516	(11,483)	266,438
Subscription IT Assets, Net	<u>800,103</u>	<u>301,841</u>	<u>109,753</u>	<u>28,795</u>	<u>1,020,986</u>
Total Subscription IT Assets, Net	<u><u>800,103</u></u>	<u><u>301,841</u></u>	<u><u>109,753</u></u>	<u><u>28,795</u></u>	<u><u>1,020,986</u></u>

Amortization expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	\$ 19,415
Support services	<u>219,593</u>
Total amortization expense - Governmental Activities	<u><u>239,008</u></u>

A summary of subscription IT liabilities during the year ended June 30, 2024 is as follows:

	Balance 7/1/2023	Additions	Deductions	Adjustments	Balance 6/30/2024	Amounts due within one year
Subscription IT Liabilities	\$ 729,556	540,849	352,400	72,646	990,651	201,815
Total	<u>\$ 729,556</u>	<u>540,849</u>	<u>352,400</u>	<u>72,646</u>	<u>990,651</u>	<u>201,815</u>

Subscription Based IT Arrangements

The school district has non-cancellable SBITAs of various IT software. For subscriptions that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the subscription arrangement. For all other subscription-based information technology arrangements, other than short term, the school district recognized a subscription payable and an intangible right-to-use subscription asset.

At subscription commencement, the school district initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the subscription made to the vendor at the inception of the arrangement, plus capitalized implementation costs, less vendor incentives. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

The school district generally uses U. S. Treasury rate at subscription inception as the discount rate for subscriptions unless the rate that the lessor charges is known.

The subscription term includes the noncancelable period of the subscription plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or to terminate for which it is reasonably certain NOT to be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

The school district has the following subscription IT arrangements:

For purposes of this note disclosure, subscription-based IT assets and liabilities are grouped into one category:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Subscription-based IT liabilities	1.85-3.25%	7/1/2022	4/30/2029	\$ 1,431,381	\$ 990,651
Total				\$ 1,431,381	\$ 990,651

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

Year Ending June 30	Interest and Maintenance Charges			Amount
	Principal			
2025	\$ 201,815		27,385	229,200
2026	207,370		21,830	229,200
2027	213,085		16,115	229,200
2028	218,966		10,234	229,200
2029	149,415		4,182	153,597
Total	\$ 990,651		79,746	1,070,397

Leases

As Lessor:

Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall ensure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 188 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed.

The total amount of inflows recognized in the reporting period from these leases is \$191,879. As of June 30, 2024, the School District recognized a lease receivable of \$2,053,211 and deferred inflow of resources of \$2,144,330 related to the Sixteenth section land leases. At lease inception, the district's lease receivable is measured at the present value of the lease payments expected to be received during the lease term and the deferred inflow is recorded in an amount equal to lease receivable plus any lease prepayments to be applied to future periods.

**Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024**

The following are the future principal and interest payments to be received on the leases:

Year Ending June 30	Lease Principal			Interest	Total
2025	\$ 175,501			82,128	257,629
2026	156,179			75,108	231,287
2027	135,953			68,861	204,814
2028	105,675			63,423	169,098
2029	97,542			59,196	156,738
2030 - 2034	451,371			237,500	688,871
2035 - 2039	283,610			162,155	445,765
2040 - 2044	205,977			111,421	317,398
2045 - 2049	115,146			76,563	191,709
2050 - 2054	55,523			60,745	116,268
2055 - 2059	58,584			49,644	108,228
2060 - 2064	18,205			40,545	58,750
2065 - 2069	15,042			37,633	52,675
2070 - 2074	18,301			34,374	52,675
Thereafter	160,602			91,775	252,377
Total	\$ 2,053,211			1,251,071	3,304,282

Note 7 – Long-term Liabilities

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

	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024	Amounts due within one year
A. Three mill notes payable	\$ -	\$ 2,111,000	\$ -	\$ 2,111,000	\$ 182,000
B. Installment purchases loans payable	794,800	-	97,754	697,046	103,121
C. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	3,000,000
D. Other loans payable	284,989	-	28,499	256,490	28,499
E. Compensated absences payable	306,508	-	20,090	286,418	14,321
Total	\$ 4,386,297	\$ 2,111,000	\$ 146,343	\$ 6,350,954	\$ 3,327,941

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2024	4.49%	2/16/2024	1/1/2034	\$ 2,111,000	\$ 2,111,000
Total				\$ 2,111,000	\$ 2,111,000

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

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Year Ending June 30		Principal	Interest	Amount
2025	\$ 182,000	82,936	264,936	
2026	179,000	86,612	265,612	
2027	187,000	78,575	265,575	
2028	195,000	70,179	265,179	
2029	204,000	61,423	265,423	
2030 - 2034	1,164,000	161,415	1,325,415	
Total	\$ 2,111,000	541,140	2,652,140	

This debt will be retired from the limited tax note debt service fund.

B. Installment purchases loans payable

The school district retired the installment purchase agreement during the FY 2023 fiscal year. The school district has entered into a new installment purchase agreement for financing the acquisition of buses at a cost of \$794,800.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment purchase agreement	4.71%	12/9/2022	12/9/2029	\$ 794,800	\$ 697,046
Total				\$ 794,800	\$ 697,046

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

Year Ending June 30		Principal	Interest	Amount
2025	\$ 103,121	32,796	135,917	
2026	107,978	27,939	135,917	
2027	113,063	22,854	135,917	
2028	118,388	17,529	135,917	
2029	123,965	11,952	135,917	
2030	130,531	6,114	136,645	
Total	\$ 697,046	119,184	816,230	

This debt will be retired from the EEF Buildings and Buses Fund (Special Revenue Fund).

C. Qualified school construction bonds payable

As more fully explained in Note 13, 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 2010	0.84%	1/15/2010	9/15/2024	\$ 3,000,000	\$ 3,000,000
Total				\$ 3,000,000	\$ 3,000,000

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

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

Year Ending		Principal	Interest	Amount
June 30				
2025	\$ 3,000,000	25,200	3,025,200	
Total	\$ 3,000,000	25,200	3,025,200	

This debt will be retired from the 3-Mill Notes Fund (Debt Service Fund).

D. Other loans payable

The school district has issued debt instruments granted under the authority of EFRL Fund with the Mississippi Department of Education.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MDE Educational					
Facilities Revolving Loan	0.00%	5/1/2023	5/1/2033	\$ 284,989	\$ 256,490
Total				\$ 284,989	\$ 256,490

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

1. Other loan issue of 5/1/2023:

Year Ending		Principal	Interest	Amount
June 30				
2025	\$ 28,499	0	28,499	
2026	28,499	0	28,499	
2027	28,499	0	28,499	
2028	28,499	0	28,499	
2029	28,499	0	28,499	
2030 - 2033	113,995	0	113,995	
Total	\$ 256,490	0	256,490	

This debt will be retired from the district maintenance fund.

E. Compensated absences payable

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

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Note 9 – 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, 2024 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2024, 2023 and 2022 were \$3,274,773, \$3,354,402 and \$3,092,576, 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, 2024, the school district reported a liability of \$65,410,284 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2024 net pension liability was 0.260067 percent, which was based on a measurement date of June 30, 2023. This was an increase of 0.001894 percent from its proportionate share used to calculate the June 30, 2023 net pension liability, which was based on a measurement date of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$9,762,856. At June 30, 2024 the District reported deferred outflows of resources and deferred inflows of resources related to

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,630,377	\$
Net difference between projected and actual earnings on pension plan investments	2,733,364	
Changes of assumptions	7,636,301	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,115,380	
District contributions subsequent to the measurement date	3,274,773	
Total	\$ 16,390,195	\$ 0

\$3,274,773 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2025	\$ 5,015,556	
2026	3,279,528	
2027	4,800,888	
2028	<u>19,450</u>	
Total	<u>13,115,422</u>	

Actuarial assumptions. The total pension liability as of June 30, 2023 was determined by actuarial valuation prepared as of June 30, 2022, by the new actuarial assumptions adopted by the Board subsequent to June 30, 2022 valuation based on the experience investigation for the four-year period ending June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.75 %
International Equity	22.00	4.75
Global Equity	12.00	4.95
Fixed Income	20.00	1.75
Real Estate	10.00	3.25
Private Equity	8.00	6.00
Cash Equivalents	1.00	0.25
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 7.00 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 phased in to 22.40 percent over three fiscal years (17.40 percent for FYE 2024, 19.40 percent for FYE 2025, 21.40 percent for FYE 2026, and 22.40 percent for FYE 2027). 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 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 84,348,219	\$ 65,410,284	\$ 49,869,603

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

Note 10 – 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/>.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$86,579 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$2,044,107 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the District's proportion was 0.36938904 percent. This was an increase of 0.00737165 percent from the proportionate share as of the measurement date of June 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB expense of (\$95,667). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 335,069	\$ 577,104
Changes of assumptions	182,611	153,777
Net difference between projected and actual earnings on OPEB plan investments	126	

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Changes in proportion and differences between District contributions and proportionate share of contributions	137,194	14,378
District contributions subsequent to the measurement date	86,579	
Total	<u>\$ 741,579</u>	<u>\$ 745,259</u>

\$86,579 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, 2025. 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:	
2025	\$ (46,098)
2026	(71,729)
2027	(50,212)
2028	11,365
2029	41,663
Thereafter	<u>24,752</u>
Total	<u><u>\$ (90,259)</u></u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.66%
Prior Measurement Date	3.37%
Year FNP is projected to be depleted	
Measurement Date	2023
Prior Measurement Date	2022
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.66%
Prior Measurement Date	3.37%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2024 decreasing to an ultimate rate of 4.50% by 2029 FYE
Pre-Medicare	

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2023 valuation were based on the results of the last actuarial experience study, dated April 21, 2023.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

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, 2023 valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 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, 2023 was 3.66 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.37% to 3.66%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2023, the trust has \$1,067,750. 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, 2022 and the June 30, 2023 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2023 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.66 percent) or 1-percentage-point higher (4.66 percent) than the current discount rate:

	1% Decrease (2.66%)	Current Discount Rate (3.66%)	1% Increase (4.66%)
Net OPEB liability	\$ 2,239,004	\$ 2,044,107	\$ 1,875,130

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,904,662	\$ 2,044,107	\$ 2,200,284

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 11 –Adjustments and Restatements of Beginning Balances

Correction of Error in Previously Issued Financial Statements

The General Fund increased by \$17,393 to correct the balance of transfers in/out. The Other Governmental Funds decreased by \$17,394 to correct the balance of transfers in/out. An adjustment was made to 16th section to remove advance loans paid off in the prior year. Also, other corrections were made to the 16th section fund to correct a revenue or expenditure from a prior period. Prior year balances for capital asset acquisitions and accumulated depreciation were also corrected.

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Adjustments to and Restatements of Beginning Balances

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	Funds		Government-Wide	
	General Fund	16th Section Principal Fund	Other Governmental Funds	Governmental Activities
June 30, 2023., as previously reported	\$ 15,542,374	14,681,312	6,398,780	7,890,461
Error correction	17,393	70,089	(17,394)	416,711
June 30, 2023, as adjusted or restated	<u>\$ 15,559,767</u>	<u>14,751,401</u>	<u>6,381,386</u>	<u>8,307,172</u>

Note 12 – Risk Management

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

Note 13 – 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 received 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. For the year ended June 30, 2024, the district received no subsidy payments.

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, 2024, was \$2,839,936, which includes accrued interest of \$20,774. 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.

Year Ending	
June 30	Amount
2025	\$ 243,200
Total	<u>\$ 243,200</u>

Covington County School District
Notes to the Financial Statements
For the Year Ended June 30, 2024

Note 14 – 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 15 - Insurance loss recovery

The Covington County School District received \$31,700 in insurance loss recoveries during the year related to bus damages from an accident during the 2023-2024 fiscal year. These amounts were reported as charges for services and allocated to support services.

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$36,535,701) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$3,274,773 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The \$13,115,422 balance of deferred outflow of resources related to pensions, at June 30, 2024, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$36,535,701) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$86,579 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. The \$655,000 balance of deferred outflow of resources related to OPEB, at June 30, 2024, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$36,535,701) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$745,259 balance of deferred inflow of resources related to OPEB, at June 30, 2024, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$36,535,701) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from leases. The \$2,144,330 balance of deferred inflow of resources related to leases at June 30, 2024, will be recognized as revenue and will increase the unrestricted net position over the next 69 years.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Covington County School District evaluated the activity of the district through August 8, 2025, (the date the financial statements were available to be issued), and determined that there were no subsequent events that has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Covington County School District
Required Supplementary Information**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2024

	Variances Positive (Negative)				
	Budgeted Amounts		Actual	Original to Final	Final to Actual
	Original	Final	(GAAP Basis)		
Revenues:					
Local sources	\$ 12,125,000	10,995,907	\$ 11,157,525	\$ (1,129,093)	161,618
State sources	17,261,136	17,748,268	17,763,927	487,132	15,659
Federal sources	51,300	57,260	57,708	5,960	448
Sixteenth section sources	225,067	641,527	616,341	416,460	(25,186)
Total Revenues	29,662,503	29,442,962	29,595,501	(219,541)	152,539
Expenditures:					
Instruction	16,190,065	15,862,112	16,052,936	327,953	(190,824)
Support services	11,807,932	12,134,477	12,252,376	(326,545)	(117,899)
Sixteenth section	88,102	2,278,788	1,295,601	(2,190,686)	983,187
Facilities acquisition and construction	-	-	1,838,529	-	(1,838,529)
Debt service:					
Principal	246,582	28,499	346,306	218,083	(317,807)
Interest	-	-	77,921	-	(77,921)
Other	-	-	44,350	-	(44,350)
Total Expenditures	28,332,681	30,303,876	31,908,019	(1,971,195)	(1,604,143)
Excess (Deficiency) of Revenues over (under) Expenditures	1,329,822	(860,914)	(2,312,518)	(2,190,736)	(1,451,604)
Other Financing Sources (Uses):					
Notes issued	-	-	2,111,000	-	2,111,000
SBITA issued	-	-	413,768	-	413,768
Insurance recovery	-	31,700	31,700	31,700	-
Operating transfers in	4,902,401	4,567,893	22,054	(334,508)	(4,545,839)
Operating transfers out	(5,435,846)	(5,365,928)	(1,007,178)	69,918	4,358,750
Other financing uses	(1,000)	-	-	1,000	-
Total Other Financing Sources (Uses)	(534,445)	(766,335)	1,571,344	(231,890)	2,337,679
Net Change in Fund Balances	795,377	(1,627,249)	(741,174)	(2,422,626)	886,075
Fund Balances:					
July 1, 2023, as previously reported	15,542,374	15,531,218	15,542,374	(11,156)	11,156
Accounting changes or error corrections	50		17,393	(50)	17,393
July 1, 2023, as restated	15,542,424	15,531,218	15,559,767	(11,206)	28,549
June 30, 2024	\$ 16,337,801	\$ 13,903,969	\$ 14,818,593	\$ (2,433,832)	\$ 914,624

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

**Covington County School District
Required Supplementary Information**

**Budgetary Comparison Schedule
ESSER III Fund
For the Year Ended June 30, 2024**

	Variances Positive (Negative)				
	Budgeted Amounts		Actual	Original to Final	Final to Actual
	Original	Final	(GAAP Basis)		
Revenues:					
Federal sources	\$ 7,600,000	\$ 2,676,501	\$ 1,445,689	\$ (4,923,499)	\$ (1,230,812)
Total Revenues	7,600,000	2,676,501	1,445,689	(4,923,499)	(1,230,812)
Expenditures:					
Instruction	328,847	606,216	210,806	(277,369)	395,410
Support services	338,427	495,539	447,951	(157,112)	47,588
Facilities acquisition and construction	7,437,344	1,592,139	905,449	5,845,205	686,690
Debt service:					
Principal	-	-	22,889	-	(22,889)
Interest	-	-	3,068	-	(3,068)
Total Expenditures	8,104,618	2,693,894	1,590,163	5,410,724	1,103,731
Excess (Deficiency) of Revenues over (under) Expenditures	(504,618)	(17,393)	(144,474)	487,225	(127,081)
Other Financing Sources (Uses):					
SBITA issued	-	-	127,081	-	127,081
Operating transfers in	-	17,393	17,393	17,393	-
Operating transfers out	(795,410)	-		795,410	-
Total Other Financing Sources (Uses)	(795,410)	17,393	144,474	812,803	127,081
Net Change in Fund Balances	(1,300,028)	-	-	1,300,028	-
Fund Balances:					
July 1, 2023,	-	8,425	-	8,425	(8,425)
Accounting changes or error corrections	-	(8,425)	-	(8,425)	8,425
July 1, 2023, as restated	-	-	-	-	-
June 30, 2024	\$ (1,300,028)	\$ -	\$ -	\$ 1,300,028	\$ -

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

Covington County School District

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

PERS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.260067%	0.258173%	0.246836%	0.246203%	0.234922%	0.238159%	0.237052%	0.238523%	0.235816%	0.233243%
District's proportionate share of the net pension liability	\$ 65,410,283	53,141,398	36,483,439	47,662,040	41,327,415	39,612,917	39,406,088	42,606,164	36,452,503	28,311,430
District's covered payroll	19,278,172	17,773,425	16,412,080	16,394,086	15,299,879	15,208,724	15,207,022	15,258,863	14,732,425	14,252,362
District's proportionate share of the net pension liability as a percentage of its covered payroll	339.30%	298.99%	222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	55.70%	59.93%	70.44%	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. GASB Statement No.68 was implemented in FYE 6/30/15 and the District has compiled a full 10-year trend.

Covington County School District

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,274,773	3,354,402	3,092,576	2,855,702	2,852,571	2,409,731	2,395,374	2,395,106	2,403,271	2,320,357
Contributions in relation to the contractually required contribution	3,274,773	3,354,402	3,092,576	2,855,702	2,852,571	2,409,731	2,395,374	2,395,106	2,403,271	2,320,357
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>								
District's covered payroll	\$ 18,820,534	19,278,172	17,773,425	16,412,080	16,394,086	15,299,879	15,208,724	15,207,022	15,258,863	14,732,425
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	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. GASB Statement No.68 was implemented in FYE 6/30/15 and the District has compiled a full 10-year trend.

Covington County School District

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

OPEB

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.36938904%	0.36201739%	0.35071508%	0.35426214%	0.34698810%	0.34175895%	0.32968772%
District's proportionate share of the net OPEB liability	\$ 2,044,107	1,783,602	2,257,490	2,756,896	2,944,336	2,643,676	2,586,760
District's covered - employee payroll	19,659,069	17,789,375	16,673,689	17,073,154	15,890,063	15,457,525	14,811,963
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	10.40%	10.03%	13.54%	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.19%	0.21%	0.16%	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.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Covington County School District

Schedule of District Contributions

OPEB

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 86,579	89,631	72,686	90,737	109,945	118,018	110,277
Contributions in relation to the actuarially determined contribution	86,579	89,631	72,686	90,737	109,945	118,018	110,277
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered - employee payroll	\$ 18,820,534	19,278,172	17,773,425	16,412,080	16,394,086	15,299,879	15,208,724
Contributions as a percentage of covered - employee payroll	0.46%	0.46%	0.41%	0.55%	0.67%	0.77%	0.73%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/18, 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).

Covington County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2024

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

Covington County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2024

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%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

Covington County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2024

2023:

The investment rate of return assumption was changed from 7.55% to 7.00%.

The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.

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

The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.

For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.

The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.

The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

(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, 2021 valuation for the June 30, 2023 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	26.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

Covington County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2024

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

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

2023: The discount rate was changed from 3.37% for the prior Measurement Date to 3.66% for the current Measurement Date. Withdrawal rates, disability rates, service retirement rates and salary merit rates were adjusted to reflect actual experience more closely.

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

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

2023: The schedule of monthly retiree contributions was increased as of January 1, 2024. In addition, the in-network medical deductible was increased for the Base Family coverage beginning January 1, 2024.

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2022 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2023:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%

Covington County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2024

Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.50%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2029
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.37%

SUPPLEMENTARY INFORMATION

COVINGTON COUNTY SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition Cluster:			
School Breakfast Program	10.553	245MS326N1099	522,266
National School Lunch Program	10.555	245MS326N1099	1,948,002
Total Child Nutrition Cluster			<u>2,470,268</u>
Total Passed-through Mississippi Department of Education			<u>2,470,268</u>
Total U.S. Department of Agriculture			<u>2,470,268</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	76,261
Total U.S. Department of Justice			<u>76,261</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A230024	1,546,310
Career and Technical Education - Basic Grants to States	84.048	V048A230024	34,195
Rural Education	84.358	S358A230024	80,125
Title III, LEP	84.365	S365A230024	3,353
Supporting Effective Instruction State Grants	84.367	S367A230023	176,775
Student Support and Academic Enrichment Program	84.424	S424A230025	117,186
Subtotal			<u>1,957,944</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A230108	750,784
IDEA, Part B ARP Grant	84.027X	H027X210108	895
Subtotal			<u>751,679</u>
Special Education - Preschool Grants	84.173	H173A230113	24,581
IDEA, Preschool ARP Grant	84.173X	H173X210113	569
Subtotal			<u>25,150</u>
Total Special Education Cluster			<u>776,829</u>
Elementary & Secondary School Emergency Relief Homeless Children & Youth ARP	84.425W	S425W210031	11,299
Elementary & Secondary School Emergency Relief Fund III ARP	84.425U	S425U210031	1,428,296
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			<u>1,439,595</u>
Total passed-through Mississippi Department of Education			<u>4,174,368</u>
Total U.S. Department of Education			<u>4,174,368</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medicaid Cluster			
Medical assistance program	93.778	2105MS5ADM	57,177
Total Medicaid Cluster			<u>57,177</u>
Total passed-through Mississippi Department of Education			<u>57,177</u>
Total U.S. Department of Health and Human Services			<u>57,177</u>
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	96.001	N/A	532
Total passed-through Mississippi Department of Rehabilitation Services			<u>532</u>
Total U.S. Department of Social Security Administration			<u>532</u>
Total for All Federal Awards			<u>\$ 6,778,606</u>

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

Covington County School District
Notes to the Supplementary Information
For the Year Ended June 30, 2024

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 Covington County School District under programs of the federal government for the year ended June 30, 2024. 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 Covington County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Covington County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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 Covington County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

**Covington County School District
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2024**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 25,872,683	19,256,547	1,339,231	1,933,184	3,343,721
Other	14,758,045	2,745,528	640,414	48,589	11,323,514
Total	\$ 40,630,728	22,002,075	1,979,645	1,981,773	14,667,235
Total number of students *	2,503				
Cost per student	\$ 16,233	8,790	791	792	5,860

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

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

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

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

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

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

OTHER INFORMATION

Covington County School District
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2024	2023*	2022*	2021*
Revenues:				
Local sources	\$ 11,157,525	\$ 11,363,841	\$ 10,116,689	\$ 9,727,677
State sources	17,763,927	16,653,885	15,158,624	14,480,798
Federal sources	57,708	27,987	72,251	83,867
Sixteenth section sources	616,341	616,060	499,430	405,010
Total Revenues	<u>29,595,501</u>	<u>28,661,773</u>	<u>25,846,994</u>	<u>24,697,352</u>
Expenditures:				
Instruction	16,052,936	16,758,687	14,872,312	13,761,566
Support services	12,252,376	10,292,180	8,856,330	8,088,803
Sixteenth section	1,295,601	36,079	79,261	100,742
Facilities acquisition and construction	1,838,529	-	-	-
Debt service:				
Principal	346,306	62,107	-	-
Interest	77,921	10,344	-	17,087
Other	44,350	-	-	-
Total Expenditures	<u>31,908,019</u>	<u>27,159,397</u>	<u>23,807,903</u>	<u>21,968,198</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,312,518)</u>	<u>1,502,376</u>	<u>2,039,091</u>	<u>2,729,154</u>
Other Financing Sources (Uses):				
Notes issued	2,111,000	-	-	-
Proceeds of loans	-	794,800	-	-
SBITA issued	413,768	354,684	-	-
Insurance recovery	31,700	3,778	107,913	2,826
Sale of transportation equipment	-	-	20,226	-
Operating transfers in	22,054	464,437	116,102	158,328
Other financing sources	-	432	-	-
Operating transfers out	(1,007,178)	(885,159)	(748,696)	(860,259)
Other financing uses	-	-	-	(91,772)
Total Other Financing Sources (Uses)	<u>1,571,344</u>	<u>732,972</u>	<u>(504,455)</u>	<u>(790,877)</u>
Net Change in Fund Balances	<u>(741,174)</u>	<u>2,235,348</u>	<u>1,534,636</u>	<u>1,938,277</u>
Fund Balances:				
Beginning of period, as previously reported	15,542,374	13,295,852	11,761,154	9,725,092
Accounting changes or error corrections	17,393	11,174	62	-
Fund reclassification	-	-	-	97,785
Beginning of period, as restated	<u>15,559,767</u>	<u>13,307,026</u>	<u>11,761,216</u>	<u>9,822,877</u>
End of Period	<u>\$ 14,818,593</u>	<u>\$ 15,542,374</u>	<u>\$ 13,295,852</u>	<u>\$ 11,761,154</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Covington County School District
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2024	2023*	2022*	2021*
Revenues:				
Local sources	\$ 11,821,017	\$ 11,907,296	\$ 10,299,401	\$ 10,258,609
State sources	18,610,729	17,395,980	15,888,100	15,271,275
Federal sources	6,493,728	13,274,686	11,578,456	7,498,730
Sixteenth section sources	1,172,578	769,617	650,814	797,121
Total Revenues	38,098,052	43,347,579	38,416,771	33,825,735
Expenditures:				
Instruction	19,199,039	20,140,479	19,040,619	18,032,548
Support services	14,410,165	13,385,733	11,040,897	10,889,038
Noninstructional services	2,315,460	2,118,218	1,924,086	2,133,324
Sixteenth section	1,323,292	68,763	161,111	137,468
Facilities acquisition and construction	2,743,978	6,126,381	4,307,743	-
Debt service:				
Principal	478,653	291,669	131,729	128,364
Interest	113,291	37,801	31,300	51,752
Other	46,850	2,500	2,500	2,500
Total Expenditures	40,630,728	42,171,544	36,639,985	31,374,994
Excess (Deficiency) of Revenues over (under) Expenditures	(2,532,676)	1,176,035	1,776,786	2,450,741
Other Financing Sources (Uses):				
Notes issued	2,111,000	-	-	-
Proceeds of loans	-	1,079,789	-	-
SBITA issued	540,849	886,042	-	-
Insurance recovery	31,700	3,778	107,913	2,826
Payment held by QSCB debt escrow agent	137,225	220,060	222,338	222,628
Payment to QSCB debt escrow agent	(137,225)	(220,060)	(222,338)	(222,628)
Sale of transportation equipment	-	-	20,226	-
Operating transfers in	1,097,317	1,349,596	877,537	1,062,408
Other financing sources	-	432	-	-
Operating transfers out	(1,097,317)	(1,349,596)	(877,537)	(1,062,408)
Other financing uses	-	-	-	(91,772)
Total Other Financing Sources (Uses)	2,683,549	1,970,041	128,139	(88,946)
Net Change in Fund Balances	150,873	3,146,076	1,904,925	2,361,795
Fund Balances:				
Beginning of period, as previously reported	36,622,466	33,768,523	31,848,727	29,369,930
Accounting changes or error corrections	70,088	(302,893)	36	71,220
Fund reclassification	-	-	-	97,785
Beginning of period, as restated	36,692,554	33,465,630	31,848,763	29,538,935
Increase (Decrease) in inventory	(16,501)	10,760	14,835	(52,003)
End of Period	\$ 36,826,926	\$ 36,622,466	\$ 33,768,523	\$ 31,848,727

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Covington 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 Covington County School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Covington County School District's basic financial statements, and have issued our report thereon dated August 8, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Covington 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 statement. 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.

Brown CPA, PLLC
Madison, Mississippi
August 8, 2025

Brown CPA, PLLC

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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Superintendent and School Board
Covington County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Covington County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Covington County School District's major federal programs for the year ended June 30, 2024. The Covington County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Covington County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Covington County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Covington County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Covington County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Covington County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Covington County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Covington County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Covington County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Covington County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Brown CPA, PLLC
Madison, Mississippi
August 8, 2025

Brown CPA, PLLC

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

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

Superintendent and School Board
Covington County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Covington County School District as of and for the year ended June 30, 2024, which collectively comprise Covington County School District's basic financial statements and have issued our report thereon dated August 8, 2025. 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

State Legal Finding 1: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budgeted Expenditures and Budget Approvals.

Internal Control Deficiency: The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

Applicable State Law: *Section 37-61-19, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendents of school and the school board of all school districts to limit the expenditure of

school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund.”

Finding Detail: During the review of School District’s budget expenditures for fiscal year 2024, the auditor noted the following exceptions:

- The original 2023-2024 budget included the following eleven funds reflecting a negative fund balance at year-end:
 - 16th Section Interest Fund (1843) – **(\$6,650);**
 - School Food Service Fund (2110) – **(\$515,735);**
 - Summer Feeding FY23 Fund (2133) – **(\$25,788);**
 - Title I-A Basic Fund (2211) – **(\$196,155);**
 - Title I 1003(A) School Improvement Fund (2213) – **(\$9,664);**
 - Title V Rural Grant Fund (2311) – **(\$17,577);**
 - EEF Buildings and Buses Fund (2410) – **(\$20,889);**
 - Title II Fund (2511) – **(\$50,316);**
 - Title III Fund (2560) – **(\$11,385);**
 - ESSER III Fund (2598) – **(\$1,300,028); and**
 - Educator in Residence State Grant Fund (2901) – **(\$76,711); and**

The presentation of negative fund balances in the original budgets presented to the Board was likely a lack of attention to appropriate budgeting practices. Although the funds were not negative at fiscal year ended June 30, 2024, the approval of the fund budgets with ending deficit fund balances could result in violation of state law.

Recommendation: We recommend the Covington County School District strengthen internal controls and ensure compliance by implementing sound budgeting practices that will prevent projected negative fund balances from being presented to the School Board. A thorough review of such budgets should be made prior to giving presentation to the Board for approval.

District’s Response: The state law requiring public school districts to present a balanced budget has historically been the touchstone on which the Covington County School District operates. The district has implemented procedures to prevent these in future budgets.

Repeat Finding: Yes.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

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

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

Brown CPA, PLLC
Madison, Mississippi
August 8, 2025

Brown CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Covington County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	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 federal 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 federal programs:	

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.425U	<u>COVID-19 Education Stabilization Funds (ESSER)</u> Education Stabilization Fund ARP III (ESSER)
84.425W	Education Stabilization Fund ARP Homeless Children & Youth

8. Dollar threshold used to distinguish between type A and type B programs:	\$750,000
9. Auditee qualified as low-risk auditee?	No
10. Prior fiscal year audit finding(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b).	None Reported

Covington County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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