



**Presentation of Annual
Audit Results
November 18, 2021**



Meeting Agenda

- Engagement Team
- Results of the 2021 Audit
- Financial Trends
- Comments, Recommendations, and Other Issues
- Questions

Engagement Team



CONSISTENTLY RANKED AS A TOP ACCOUNTING FIRM IN THE U.S.

100+ year
HISTORY
OF QUALITY SERVICE

Serve 565+
GOVERNMENT CLIENTS

GOVERNMENTAL PARTNERS & DIRECTORS **21**



125+

TEAM MEMBERS DEDICATED TO SERVING THE GOVERNMENTAL INDUSTRY



5 STATES | **12** OFFICES



220+

SINGLE AUDITS PERFORMED LAST YEAR COVERING OVER \$4 BILLION OF FEDERAL GRANTS



120,000+

HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

140+

CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE



NATIONALLY RECOGNIZED

Engagement Team Leaders

- Tim Lyons, Engagement Partner - Adrienne Berg, Sr. Associate - Christopher McKellar, QC Reviewer

Results of 2021 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and *Government Auditing Standards (GAS)*
 - Our audit was performed in accordance with GAAS and GAS.
 - We considered the internal control structure for the purpose of expressing our opinion on the District’s basic financial statements and not for the purpose of providing assurance on the internal control structure.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free from material misstatement.
 - The basic financial statements are the responsibility of the District’s management.

- Report on 2021 Basic Financial Statements
 - **Unmodified (“clean”) opinion on basic financial statements.**
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America (GAAP).
 - Our responsibility does not extend beyond financial information contained in our report.

- Report on Internal Controls Over Financial Reporting and on Compliance in Accordance with GAS
 - **No material weaknesses or significant deficiencies in internal control reported.**
 - **No instances of noncompliance reported.**

Results of 2021 Audit

- Single Audit Required by the Uniform Guidance
 - For the fiscal year ended June 30, 2021, the District was required to undergo a Single Audit as expenditures of federal awards exceeded the \$750,000 threshold required by the Uniform Guidance (approximately \$9,450,000).
 - The District’s major federal programs are identified in the “Summary of Audit Results” in the Compliance Section of the report – major programs for the year: Title I, Part A and Elementary and Secondary School Emergency Relief Fund (“ESSER”) from the first two (2) rounds of COVID-19 stimulus funding (CARES Act and Omnibus Spending Bill).
 - The District’s compliance with statutes, laws, regulations, and requirements applicable to its federal award programs are the responsibility of the District’s management.

- Report on Compliance and on Internal Controls Over Compliance Required by the Uniform Guidance
 - **Unmodified (“clean”) opinions on compliance for the District’s major programs.**
 - **No reportable instances of noncompliance nor material weaknesses in internal controls over compliance identified.**

Required Communications

□ Significant Accounting Policies

- The significant accounting policies used by the District are described in Note 1 to the basic financial statements.
- For the fiscal year ended June 30, 2021, the District was required to implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This new standard changed the definitions applied to fiduciary activities and as a result, the Pupil Activity Fund no longer qualified to be accounted for as a fiduciary (agency) fund. The Pupil Activity Fund has been consolidated with the Special Projects Fund as recommended by SCDOE with the ending balance of funds reported as restricted fund balance.
- In considering the policies used by the District, we noted they are in accordance with generally accepted accounting principles and similar government organizations with no significant new policies or qualitative aspects of its policies. The District is not involved in any controversial or emerging issues for which guidance is not available.

□ Management Judgment/Accounting Estimates

- The District uses various estimates as part of its financial reporting process – including the allowance for uncollectible accounts and the useful lives assigned to the District’s capital assets.
- Management’s estimates used in preparation of the financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management’s calculations in evaluating the District’s significant accounting estimates.

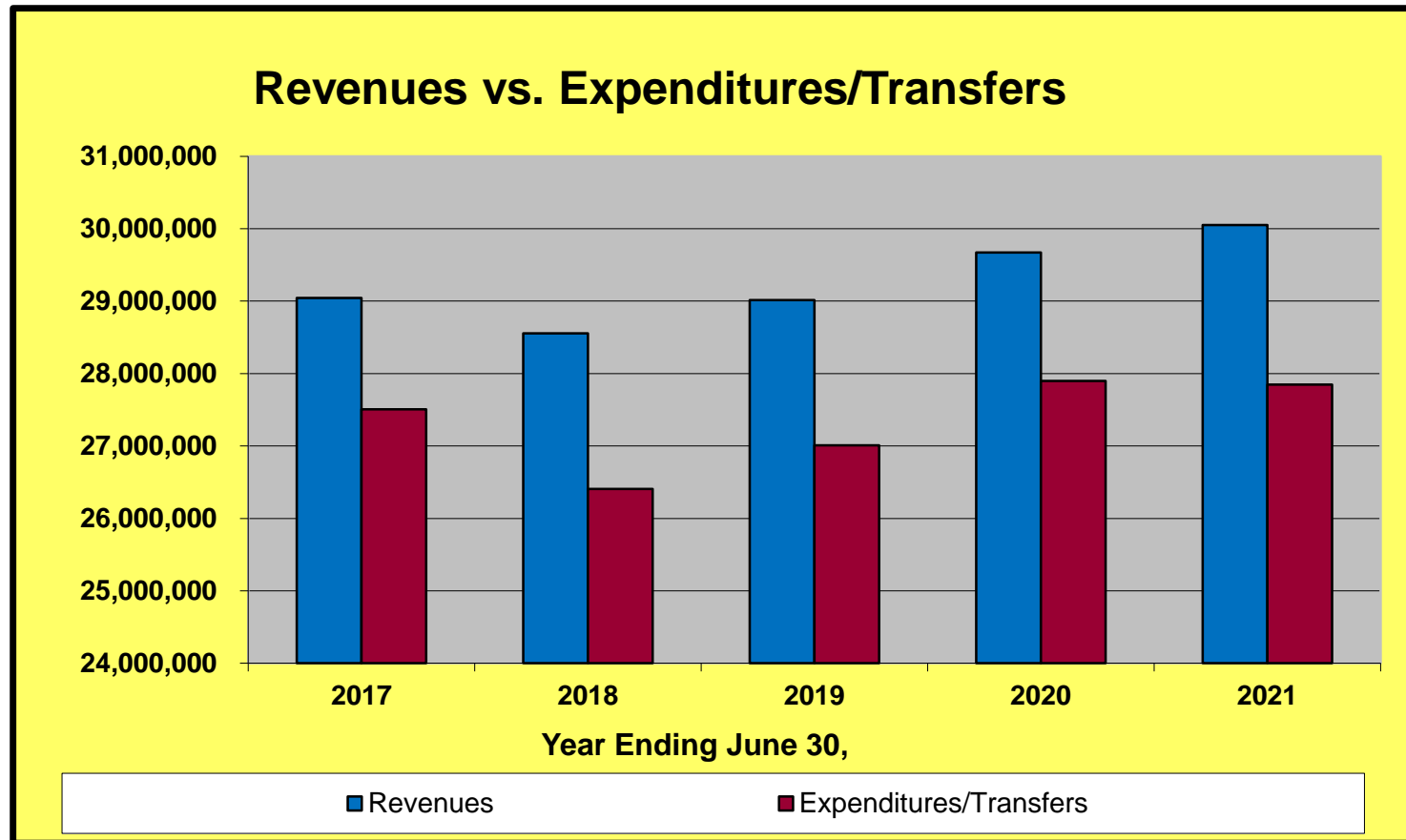
Required Communications (Continued)

- Financial Statement Disclosures
 - The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit.
- Relationship with Management
 - We received full cooperation from the District’s management and staff.
 - There were no disagreements with management on accounting issues or financial reporting matters.
- Audit Adjustments
 - We had no passed audit adjustments for the current year.
 - Adjustments posted to the District’s financial statements have been provided to management.
- Representation from Management
 - We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

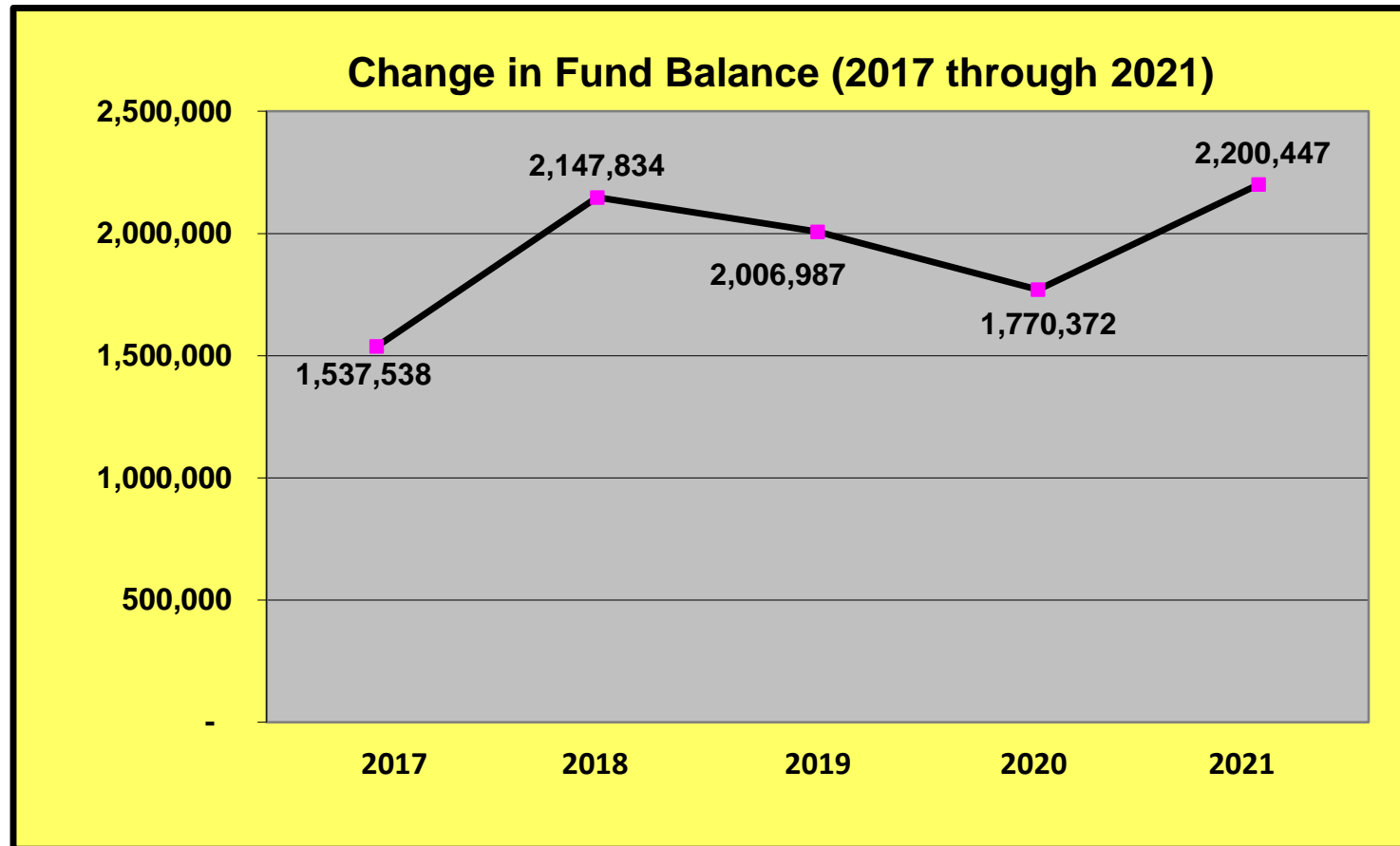
Required Communications (Continued)

- Consultation with Other Accountants
 - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
- Significant Issues Discussed with Management
 - There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.
- Information in Documents Containing Audited Financial Statements
 - Our responsibility for other information in documents containing the District’s basic financial statements and our report thereon does not extend beyond the information identified in our report. If the District intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers’ proof for our review and approval before printing. The District must also provide us with a copy of the final reproduced material for our approval before it is distributed.
- Auditor Independence
 - In accordance with AICPA professional standards, Mauldin & Jenkins is independent with regard to the District and its financial reporting process.
 - There were no fees paid to Mauldin & Jenkins for management advisory services during fiscal year 2021 that might effect our independence as auditors.

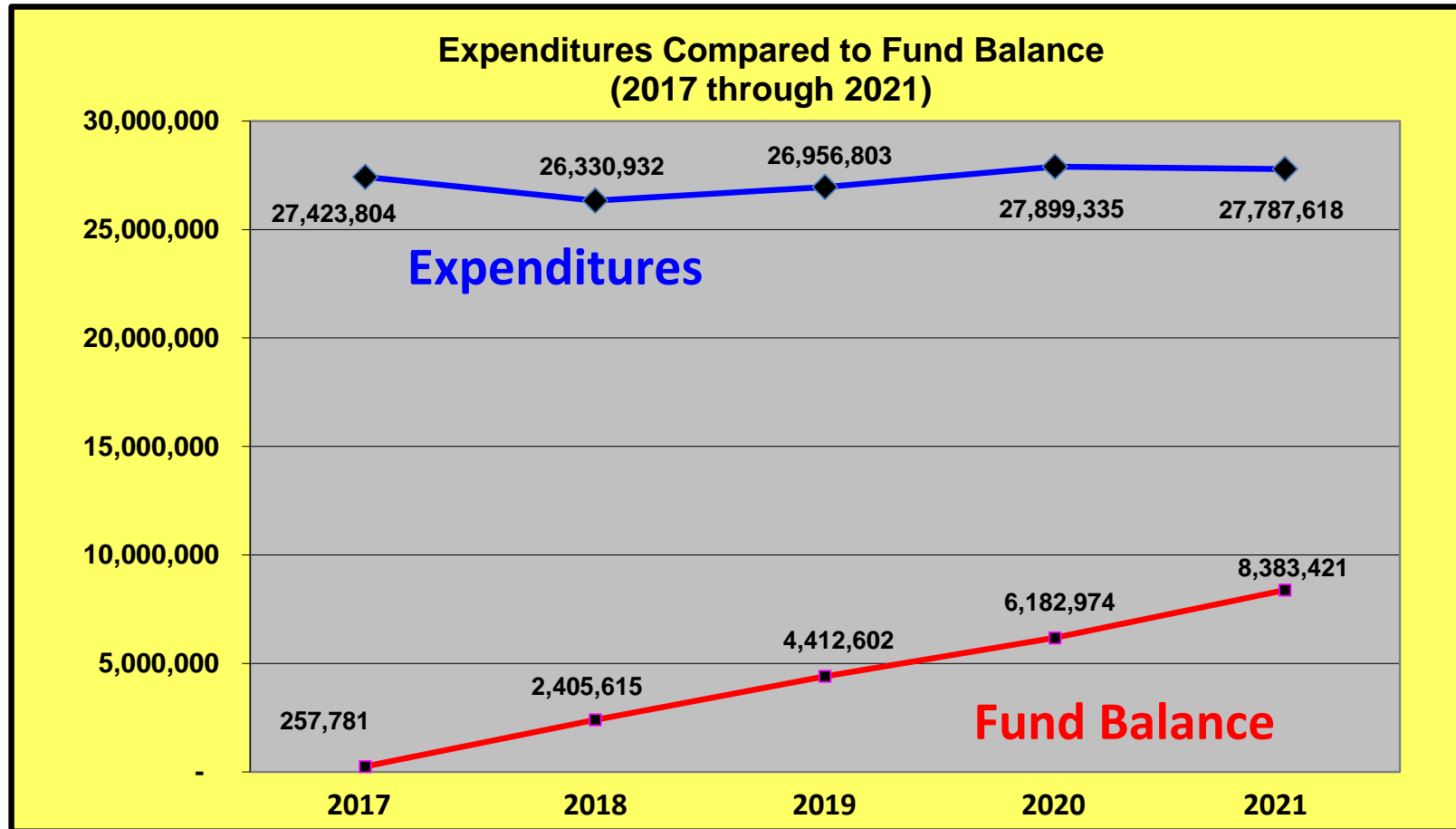
Financial Trends – General Fund Inflows and Outflows



Financial Trends – General Fund Change in Fund Balance



Financial Trends – General Fund Expenditures vs. Fund Balance



SCDOE requires 8.33% of expenditures in fund balance and 16% is the GFOA recommended **minimum** amount. At 6/30/2021, the District reports 30.2%.

Recommendations

Cybersecurity and Information Technology Controls

The Information Technology environment is characterized by rapid change and there has been no shortage of headlines about cybersecurity attacks. While breaches of large organizations have been very high profile and have received a lot of press coverage, organizations of all sizes face the same types of threats and are experiencing similar breaches. Many organizations are still struggling to effectively address cybersecurity issues; however, they are no longer ignoring them. During the performance of our audit of the financial statements of Florence County School District Three, we noted that the organization is lacking some elements of a Cybersecurity Framework or Cybersecurity Risk Management Program (CRMP). A functioning CRMP will assist the School District with comprehensively identifying cybersecurity weaknesses, potential threats and risks, and controls used to safeguard information and systems. We recommend that the School District investigate and consider implementation of a Cybersecurity Risk Management Program covering cybersecurity risk assessment and security measures as they relate to incorporating more cloud-based solutions, and monitoring and testing of controls in place.

Comments & Other Matters

□ New GASB Pronouncements for Future Years

- GASB Statement No. 87, *Leases*, will require all lease agreements to be recorded as a liability under full accrual accounting. Many of these leases were previously considered operating leases and payments were expensed as incurred with no liability accrued. Applicable for June 30, 2022.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will require assets and liabilities resulting from “SBITAs” to be recognized and reported in the SCDOT’s financial statements. For the most part, this Standard applies much of the guidance in Statement 87 to SBITAs with some additional requirements due to the unique nature of these types of arrangements (project stage, amendments to the agreement, cloud-based services, etc.); effective June 30, 2023.

□ Other Matters Currently Being Considered by GASB

- Compensated Absences
- Financial reporting model (Changes in accounting for governmental funds)
- Revenue and Expense Recognition
- Risks and Uncertainties Disclosures, Capital Assets, and Investment Fees

Free Client CPE!

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free quarterly continuing education for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. Examples of subjects addressed in the past few quarters include:

- CAFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties – GASB 75 (OPEB) – GASB 87 (Leases)
- Data Security and General Information Technology Controls and Best Practices

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to tlyons@mjcpa.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

Conclusion

Comments and Questions?

We appreciate the opportunity to serve the School District and look forward to continuing to work with you in upcoming years!