



PRESENTATION OF 2021 AUDIT RESULTS



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Agenda

- Engagement Team
- Results of the 2021 Audit
- Financial Ratios and Trends
- Recommendations and Comments
- Questions & Comments

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 - Meredith Lipson, Quality Control Reviewer - Adrienne Berg, Sr. Associate

Results of 2021 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and *Government Auditing Standards* (GAS)
 - We considered the internal control structure for the purpose of expressing our opinion on the basic financial statements of Horry County Schools (the School District) and not for providing assurance on the internal control structure.
 - Our audit was performed in accordance with GAAS and GAS.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
 - We did not audit the financial statements of the School District’s Charter Schools. We relied on the report of other auditors for amounts included in the School District’s ACFR related to the Charter Schools.
 - The basic financial statements are the responsibility of the School District’s management.
- Report on 2021 Basic Financial Statements
 - We issued **UNMODIFIED** (“clean”) opinions on the basic financial statements.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - Our responsibility does not extend beyond financial information contained in our report.

Results of 2021 Audit (Continued)

▣ Significant Accounting Policies

- The significant accounting policies used by the School District are described in Note 1 to the basic financial statements.
- The policies used by the School District are in accordance with generally accepted accounting principles and similar government organizations.
- In considering the qualitative aspects of its policies, the School District is not involved in any controversial or emerging issues for which guidance is not available.
- The School District was required to implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This standard changed the definition and presentation of activities in which the School District is acting in a fiduciary capacity. The activities previously reported by the School District in agency funds have been consolidated into the Special Projects (special revenue) Fund.

▣ Management Judgment/Accounting Estimates

- The School District uses various estimates as part of its financial reporting process – including valuation of accounts receivable, depreciation of capital assets, actuarial assumptions to value pension and OPEB liabilities, etc.
- Management's estimates used in preparation of 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 School District's significant accounting estimates.

Results of 2021 Audit (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 our audit.

□ Relationship with Management

- We received full cooperation from the School District's management and staff.
- There were no disagreements with management on accounting issues or financial reporting matters.

□ Audit Adjustments

- There were adjustments (taxes receivable and other post employment benefit non-employer contributions) posted which were necessary during the audit process. Those entries have been provided to management and have all been recorded on the School District's general ledger by management and they have agreed with all adjustments.

□ Management Representation

- We requested, and received, 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.

Results of 2021 Audit (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 School District's annual comprehensive financial report and our report thereon does not extend beyond the information identified in our report. If the School 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 School District must also provide us with a copy of the final reproduced material for our approval before it is distributed.

□ Auditor Independence

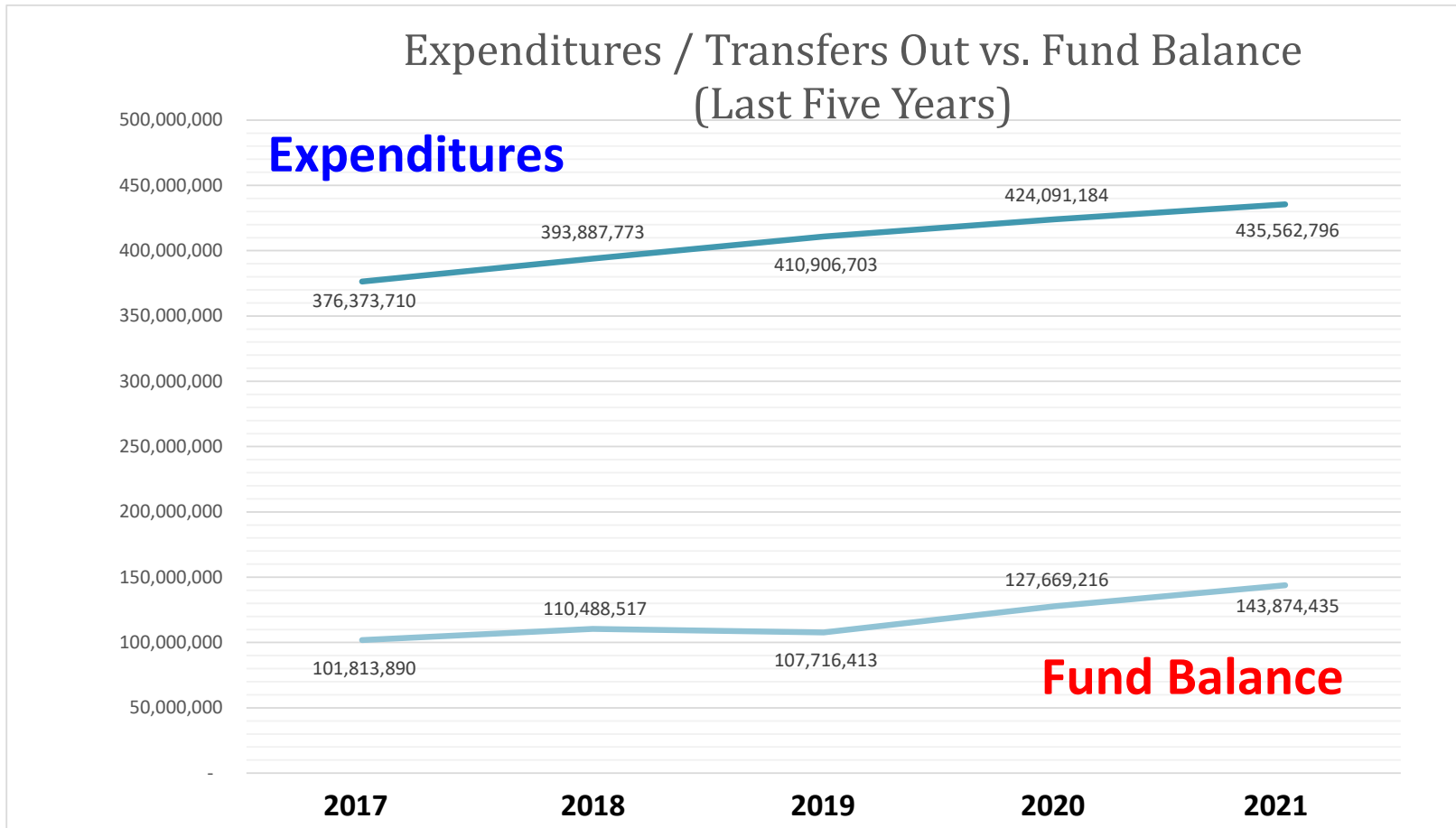
- In accordance with AICPA professional standards, M&J is independent with regard to the School District and its financial reporting process.
- There were no fees paid to M&J for management advisory services during fiscal year 2021 that might affect our independence as auditors.

Results of 2021 Audit (Continued)

□ Federal Compliance Audits in Accordance with the Uniform Guidance

- For the fiscal year ended June 30, 2021, the School District reported approximately \$68 million in expenditures of federal awards (page 135 of the annual report is the Schedule of Expenditures of Federal Awards or “SEFA”)
- The School District is considered a low-risk auditee (only 20% coverage required)
- The School District’s two (2) major programs for the current year audit:
 - » U.S. Department of Education COVID-19 Elementary & Secondary School Emergency Relief Fund (ESSER) – CFDA #84.425D
 - » U.S. Department of Agriculture Child Nutrition Cluster (School Breakfast, Lunch and Summer Feeding Programs) – CFDA #10.553, 10.555, and 10.559.
- Unmodified (“clean”) opinions on compliance for each major program
- No issues (material weaknesses or significant deficiencies) in internal control over compliance noted

General Fund



- Fund balance is 33% of General Fund outflows.
- Unassigned fund balance - available for spending at the District's discretion – is 21% (approx. 75 days).

Recommendations and Comments

Industry Recommendation

IT Framework and Cybersecurity

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 Horry County Schools, we noted that the organization has not adopted a single information technology framework but has been investigating the National Institute of Standards and Technology (NIST) Framework. NIST (a Cybersecurity Framework) or another Cybersecurity Risk Management Program (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 District investigate and consider implementation of a Cybersecurity Risk Management Program covering cybersecurity risk assessment, security measures as they relate incorporating more cloud-based solutions, and monitoring and testing of controls in place.

Comments

There continues to be changes to auditing standards relative to the conduct and reporting of Single Audits, especially as it relates to COVID-19 and the stimulus funding approved by the Federal Government. The Office of Management and Budget has still not released the Compliance Supplement Addendum that will instruct auditors on how to audit the American Rescue Plan Funds (ARPA) and other aspects of the Federal Programs approved this year as part of the pandemic relief. We expect there to be numerous changes to how these programs will be treated on the SEFSA and audited, as well as significant changes to previously existing programs for which stimulus funds were made available.

Free Quarterly Continuing Education for Governmental Clients

□ Since March of 2009:

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are 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 and knowledge sharing among our governmental clients. We normally see approximately 100 people per quarter.

- Examples of subjects addressed in the past few quarters include:

Revenue Accounting Requirements

Internal Controls – Revenues & Receipts

Collateralization of Deposits

Capital Asset Accounting

Policies & Procedures Manuals

GASB No. 51 – Intangible Assets

GASB No. 54 – Governmental Fund Balance

Internal Revenue Compliance (Payroll)

GASB No. 60 – Service Concession Arrangements

GASB No. 63 & 65 – Deferred Inflows and Outflows

GASB Updates

Internal Controls – Expenses, Disbursements & Payroll

SPLOST Accounting, Reporting & Compliance

Grant Accounting, Processes and Controls

Segregation of Duties

Single Audits for Auditees

Best Budgeting Practices, Policies and Processes

CAFR Preparation

GASB No. 61, the Financial Reporting Entity

GASB No 67 & 68, Accounting/Reporting Pension Plans

Questions & Comments

We appreciate the opportunity to be of service to Horry County Schools and look forward to continuing to serve the School District in future years!