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**MOSS POINT SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2014**

**Charles L. Shivers, CPA  
Ridgeland, MS**

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## TABLE OF CONTENTS

|                                                                                                                                                                                                                                  |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| INDEPENDENT AUDITOR’S REPORT.....                                                                                                                                                                                                | 1  |
| MANAGEMENT’S DISCUSSION AND ANALYSIS.....                                                                                                                                                                                        | 5  |
| BASIC FINANCIAL STATEMENTS.....                                                                                                                                                                                                  | 13 |
| Government-wide Financial Statements                                                                                                                                                                                             |    |
| Exhibit A Statement of Net Position.....                                                                                                                                                                                         | 15 |
| Exhibit B Statement of Activities.....                                                                                                                                                                                           | 16 |
| Governmental Funds Financial Statements                                                                                                                                                                                          |    |
| Exhibit C Balance Sheet – Governmental Funds.....                                                                                                                                                                                | 17 |
| Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....                                                                                                                             | 18 |
| Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds                                                                                                                                  | 19 |
| Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and<br>Changes in Fund Balances to the Statement of Activities.....                                                                     | 20 |
| Fiduciary Funds Financial Statements                                                                                                                                                                                             |    |
| Exhibit E Statement of Fiduciary Assets and Liabilities .....                                                                                                                                                                    | 21 |
| Notes to the Financial Statements.....                                                                                                                                                                                           | 23 |
| REQUIRED SUPPLEMENTARY INFORMATION.....                                                                                                                                                                                          | 37 |
| Budgetary Comparison Schedule for the General Fund.....                                                                                                                                                                          | 39 |
| Notes to the Required Supplementary Information.....                                                                                                                                                                             | 40 |
| SUPPLEMENTARY INFORMATION.....                                                                                                                                                                                                   | 41 |
| Schedule of Expenditures of Federal Awards.....                                                                                                                                                                                  | 43 |
| Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....                                                                                                                                      | 45 |
| OTHER INFORMATION.....                                                                                                                                                                                                           | 47 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....                                                                                                                            | 49 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years                                                                                                                       | 50 |
| REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....                                                                                                                                                                                 | 51 |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ... | 53 |
| Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control<br>Over Compliance.....                                                                                                 | 55 |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....                                                                                                                                                 | 57 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....                                                                                                                                                                                   | 61 |

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INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Moss Point School District

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Moss Point School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Moss Point School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moss Point School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated January 29, 2015, on my consideration of the Moss Point School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Moss Point School District's internal control over financial reporting and compliance.

*Charles L Shivers, CPA*

Ridgeland, MS  
January 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MOSS POINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Moss Point County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. 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 2014 decreased \$1,301,213, which represents a 4% decrease from fiscal year 2013. Total net position for 2013 increased \$11,504,497, including a prior period adjustment of \$771,534, which represents a 49% increase from fiscal year 2012.
- General revenues amounted to \$19,789,639 and \$20,634,035, or 79% and 56% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,226,793, or 21% of total revenues for 2014, and \$16,505,054, or 44% of total revenues for 2013.
- The District had \$26,317,645 and \$26,406,126 in expenses for fiscal years 2014 and 2013; only \$5,226,793 for 2014 and \$16,505,054 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,789,639 for 2014 were not adequate to provide for these programs. General revenues of \$20,634,035 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,202,229 in revenues and \$19,889,486 in expenditures for 2014, and \$20,255,910 in revenues and \$20,540,865 in expenditures in 2013. The General Fund's fund balance decreased by \$795,278 from 2013 to 2014, and increased by \$14,842, including a prior period adjustment \$771,534 and an increase in inventory of \$3,595 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$211,054 for 2014 and increased by \$13,396,687 for 2013. The increase for 2014 was due to the addition of construction in progress.
- Long-term debt decreased by \$946,430 for 2014 and decreased by \$96,454 for 2013. This decrease for 2014 was due primarily to payments on outstanding long-term debt and an adjustment for imputed interest on 0% bonds. The liability for compensated absences decreased by \$46,156 for 2014 and decreased by \$33,967 for 2013.

#### 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.

##### 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 and liabilities, with the differences between the two 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 and interest and other expenses 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 can be divided into two categories: governmental funds and fiduciary funds.

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

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

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## **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.

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 as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

## Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

## Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,862,111 as of June 30, 2014.

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, 2014 and June 30, 2013.

**Table 1**  
**Condensed Statement of Net Position**

|                                       | June 30, 2014        | June 30, 2013        | Percentage<br>Change |
|---------------------------------------|----------------------|----------------------|----------------------|
| Current assets                        | \$ 9,224,898         | \$ 13,535,463        | (31.85) %            |
| Restricted assets                     | 4,383,906            | 2,410,035            | 81.90 %              |
| Capital assets, net                   | 27,734,669           | 27,523,615           | 0.77 %               |
| <b>Total assets</b>                   | <b>41,343,473</b>    | <b>43,469,113</b>    | <b>(4.89) %</b>      |
| <b>Deferred outflows of resources</b> | <b>0</b>             | <b>0</b>             | <b>0 %</b>           |
| Current liabilities                   | 2,161,540            | 2,307,246            | (6.32) %             |
| Long-term debt outstanding            | 5,052,113            | 5,998,543            | (15.78) %            |
| <b>Total liabilities</b>              | <b>7,213,653</b>     | <b>8,305,789</b>     | <b>(13.15) %</b>     |
| <b>Deferred inflows of resources</b>  | <b>267,709</b>       | <b>0</b>             |                      |
| <b>Net position:</b>                  |                      |                      |                      |
| Net investment in capital assets      | 23,099,897           | 21,708,778           | 6.41 %               |
| Restricted                            | 3,022,612            | 4,793,965            | (36.95) %            |
| Unrestricted                          | 7,739,602            | 8,660,581            | (10.63) %            |
| <b>Total net position</b>             | <b>\$ 33,862,111</b> | <b>\$ 35,163,324</b> | <b>(3.70) %</b>      |

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 \$211,054.
- The principal retirement of \$228,306 of long-term debt.
- The issuance of shortfall note payable in the amount of \$83,202.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$25,016,432 and \$37,139,089,

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2**  
**Changes in Net Position**

|                                                     | Year Ended<br>June 30, 2014 | Year Ended<br>June 30, 2013 | Percentage<br>Change |
|-----------------------------------------------------|-----------------------------|-----------------------------|----------------------|
| <b>Revenues:</b>                                    |                             |                             |                      |
| Program revenues:                                   |                             |                             |                      |
| Charges for services                                | \$ 307,873                  | \$ 282,414                  | 9.01 %               |
| Operating grants and contributions                  | 4,918,920                   | 16,222,640                  | (69.68) %            |
| General revenues:                                   |                             |                             |                      |
| Property taxes                                      | 7,900,898                   | 8,318,057                   | (5.02) %             |
| Grants and contributions not restricted             | 11,802,125                  | 12,086,291                  | (2.35) %             |
| Investment earnings                                 | 78,402                      | 28,363                      | 176.42 %             |
| Sixteenth section sources                           | 8,214                       | 13,112                      | (37.36) %            |
| Other                                               | 0                           | 188,212                     | (100.00) %           |
| <b>Total revenues</b>                               | <b>25,016,432</b>           | <b>37,139,089</b>           | <b>(32.64) %</b>     |
| <b>Expenses:</b>                                    |                             |                             |                      |
| Instruction                                         | 12,516,755                  | 12,483,229                  | 0.27 %               |
| Support services                                    | 12,105,507                  | 12,279,818                  | (1.42) %             |
| Non-instructional                                   | 1,583,326                   | 1,628,132                   | (2.75) %             |
| Interest on long-term liabilities                   | 112,057                     | 14,947                      | 649.70 %             |
| <b>Total expenses</b>                               | <b>26,317,645</b>           | <b>26,406,126</b>           | <b>(0.34) %</b>      |
| <b>Increase (Decrease) in net position</b>          | <b>(1,301,213)</b>          | <b>10,732,963</b>           | <b>(112.12) %</b>    |
| <b>Net Position, July 1, as previously reported</b> | <b>35,163,324</b>           | <b>23,658,827</b>           | <b>48.63 %</b>       |
| <b>Prior Period Adjustment</b>                      | <b>0</b>                    | <b>771,534</b>              | <b>(100.00) %</b>    |
| <b>Net Position, July 1, as restated</b>            | <b>35,163,324</b>           | <b>24,430,361</b>           | <b>43.93 %</b>       |
| <b>Net Position, June 30</b>                        | <b>\$ 33,862,111</b>        | <b>\$ 35,163,324</b>        | <b>(3.70) %</b>      |

#### Governmental activities

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

**Table 3**  
**Net Cost of Governmental Activities**

|                                   | Total Expenses       |                      | Percentage<br>Change |
|-----------------------------------|----------------------|----------------------|----------------------|
|                                   | 2014                 | 2013                 |                      |
| Instruction                       | \$ 12,516,755        | \$ 12,483,229        | 0.27 %               |
| Support services                  | 12,105,507           | 12,279,818           | (1.42) %             |
| Non-instructional                 | 1,583,326            | 1,628,132            | (2.75) %             |
| Interest on long-term liabilities | 112,057              | 14,947               | 649.70 %             |
| <b>Total expenses</b>             | <b>\$ 26,317,645</b> | <b>\$ 26,406,126</b> | <b>(0.34) %</b>      |

|                                    | Net (Expense) Revenue  |                       | Percentage Change |
|------------------------------------|------------------------|-----------------------|-------------------|
|                                    | 2014                   | 2013                  |                   |
| Instruction                        | \$ (10,233,719)        | \$ 984,202            | (1,139.80) %      |
| Support services                   | (10,708,412)           | (10,877,228)          | (1.55) %          |
| Non-instructional                  | (36,664)               | 6,892                 | (631.98) %        |
| Interest on long-term liabilities  | (112,057)              | (14,938)              | 650.15 %          |
| <b>Total net (expense) revenue</b> | <b>\$ (21,090,852)</b> | <b>\$ (9,901,072)</b> | <b>113.02 %</b>   |

- Net cost of governmental activities (\$21,090,852 for 2014 and \$9,901,072 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$7,900,898 for 2014 and \$8,318,057 for 2013) and state and federal revenues (\$11,802,125 for 2014 and \$12,086,291 for 2013). In addition, there was \$8,214 and \$13,112 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$78,402 for 2014 and \$28,363 for 2013.

### 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 \$12,013,812, a decrease of \$1,611,467, which includes an increase in inventory of \$2,016. \$2,889,307 or 24% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,124,505 or 76% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$795,278. The fund balance of Other Governmental Funds showed a decrease in the amount of \$937,907, which includes an increase in reserve for inventory of \$2,016. The increase in the fund balance for the other major fund was as follows:

| Major Fund                  | Increase   |
|-----------------------------|------------|
| Three Mill Notes Retirement | \$ 121,718 |

### BUDGETARY HIGHLIGHTS

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

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$40,302,554, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$550,987 from 2013. Total accumulated depreciation as of June 30, 2014, was \$12,567,885, and total depreciation expense for the year was \$679,746, resulting in total net capital assets of \$27,734,669.

**Table 4  
Capital Assets, Net of Accumulated Depreciation**

|                                   | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Percentage<br/>Change</u> |
|-----------------------------------|----------------------|----------------------|------------------------------|
| Land                              | \$ 479,587           | \$ 479,587           | 0.00 %                       |
| Construction in Progress          | 18,699,302           | 18,358,506           | 1.86 %                       |
| Buildings                         | 6,360,995            | 6,611,069            | (3.78) %                     |
| Building improvements             | 593,692              | 549,259              | 8.09 %                       |
| Improvements other than buildings | 422,778              | 445,187              | (5.03) %                     |
| Mobile equipment                  | 853,209              | 870,421              | (1.98) %                     |
| Furniture and equipment           | 325,106              | 209,586              | 55.12 %                      |
| <b>Total</b>                      | <b>\$ 27,734,669</b> | <b>\$ 27,523,615</b> | <b>0.77 %</b>                |

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

**Debt Administration.** At June 30, 2014, the District had \$5,052,113 in outstanding long-term debt, of which \$109,551 is due within one year. The liability for compensated absences decreased \$46,156 from the prior year. An adjustment was made in the amount of \$755,170 to reflect imputed interest on 0% loans.

**Table 5  
Outstanding Long-Term Debt**

|                                             | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Percentage<br/>Change</u> |
|---------------------------------------------|----------------------|----------------------|------------------------------|
| Shortfall notes payable                     | \$ 169,733           | 314,837              | (46.09) %                    |
| Qualified zone academy bonds payable        | 1,978,180            | 2,500,000            | (20.87) %                    |
| Qualified school construction bonds payable | 2,766,650            | 3,000,000            | (7.78) %                     |
| Compensated absences payable                | 137,550              | 183,706              | (25.12) %                    |
| <b>Total</b>                                | <b>\$ 5,052,113</b>  | <b>\$ 5,998,543</b>  | <b>(15.78) %</b>             |

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

**CURRENT ISSUES**

The Moss Point 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 School District, 4924 Church Street, Moss Point, Mississippi 39563.

BASIC FINANCIAL STATEMENTS

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MOSS POINT SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2014

Exhibit A

|                                                                                  | <u>Governmental<br/>Activities</u> |
|----------------------------------------------------------------------------------|------------------------------------|
| Assets                                                                           |                                    |
| Cash and cash equivalents                                                        | \$ 7,090,987                       |
| Due from other governments                                                       | 2,020,473                          |
| Other receivables, net                                                           | 1,728                              |
| Inventories                                                                      | 61,558                             |
| Prepaid items                                                                    | 50,152                             |
| Restricted assets (Note 4)                                                       | 4,383,906                          |
| Non-depreciable capital assets (Note 5)                                          | 19,178,889                         |
| Depreciable capital assets, net (Note 5)                                         | 8,555,780                          |
| Total Assets                                                                     | <u>41,343,473</u>                  |
| Total Deferred Outflows of Resources                                             | <u>0</u>                           |
| Liabilities                                                                      |                                    |
| Accounts payable and accrued liabilities                                         | 749,875                            |
| Interest payable on long-term liabilities                                        | 566,548                            |
| Due to agency funds for accrued payroll                                          | 845,117                            |
| Long-term liabilities (Due within one year) (Note 6)                             |                                    |
| Capital related liabilities                                                      | 0                                  |
| Non-capital related liabilities                                                  | 109,551                            |
| Long-term liabilities (Due beyond one year) (Note 6)                             |                                    |
| Capital related liabilities                                                      | 4,744,830                          |
| Non-capital related liabilities                                                  | 197,732                            |
| Total Liabilities                                                                | <u>7,213,653</u>                   |
| Deferred Inflows of Resources                                                    |                                    |
| Deferred credit on bonds payable - Qualified zone academy bonds (Note 13)        | 104,364                            |
| Deferred credit on bonds payable - Qualified school construction bonds (Note 13) | 163,345                            |
| Total Deferred Inflows of Resources                                              | <u>267,709</u>                     |
| Net Position                                                                     |                                    |
| Net investment in capital assets                                                 | 23,099,897                         |
| Restricted net position                                                          |                                    |
| Expendable                                                                       |                                    |
| School-based activities                                                          | 487,858                            |
| Debt service                                                                     | 2,404,461                          |
| Forestry improvements                                                            | 482                                |
| Unemployment benefits                                                            | 122,906                            |
| Non-expendable                                                                   |                                    |
| Sixteenth section                                                                | 6,905                              |
| Unrestricted                                                                     | <u>7,739,602</u>                   |
| Total Net Position                                                               | <u>\$ 33,862,111</u>               |

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

MOSS POINT SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit B

| Functions / Programs                  | Expenses          | Program Revenues        |                                          | Net (Expense) Revenue<br>and Changes in Net<br>Position |
|---------------------------------------|-------------------|-------------------------|------------------------------------------|---------------------------------------------------------|
|                                       |                   | Charges for<br>Services | Operating<br>Grants and<br>Contributions |                                                         |
|                                       |                   |                         |                                          | Governmental<br>Activities                              |
| <b>Governmental Activities</b>        |                   |                         |                                          |                                                         |
| Instruction                           | \$ 12,516,755     | 150,227                 | 2,132,809                                | (10,233,719)                                            |
| Support services                      | 12,105,507        |                         | 1,397,095                                | (10,708,412)                                            |
| Non-instructional                     | 1,583,326         | 157,646                 | 1,389,016                                | (36,664)                                                |
| Interest on long-term liabilities     | 112,057           |                         |                                          | (112,057)                                               |
| <b>Total Governmental Activities</b>  | <b>26,317,645</b> | <b>307,873</b>          | <b>4,918,920</b>                         | <b>(21,090,852)</b>                                     |
| <b>General Revenues</b>               |                   |                         |                                          |                                                         |
| Taxes                                 |                   |                         |                                          |                                                         |
|                                       |                   |                         |                                          | 7,346,782                                               |
|                                       |                   |                         |                                          | 554,116                                                 |
| Unrestricted grants and contributions |                   |                         |                                          |                                                         |
|                                       |                   |                         |                                          | 11,718,732                                              |
|                                       |                   |                         |                                          | 83,393                                                  |
|                                       |                   |                         |                                          | 78,402                                                  |
|                                       |                   |                         |                                          | 8,214                                                   |
|                                       |                   |                         |                                          | <u>19,789,639</u>                                       |
|                                       |                   |                         |                                          | (1,301,213)                                             |
|                                       |                   |                         |                                          | <u>35,163,324</u>                                       |
|                                       |                   |                         |                                          | <u>\$ 33,862,111</u>                                    |

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

MOSS POINT SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2014

Exhibit C

|                                            | Major Funds         |                                   |                                | Total<br>Governmental<br>Funds |
|--------------------------------------------|---------------------|-----------------------------------|--------------------------------|--------------------------------|
|                                            | General<br>Fund     | Three Mill<br>Notes<br>Retirement | Other<br>Governmental<br>Funds |                                |
| <b>Assets</b>                              |                     |                                   |                                |                                |
| Cash and cash equivalents (Note 2)         | \$ 7,090,987        |                                   | 1,486,102                      | 8,577,089                      |
| Cash with fiscal agent (Note 2)            |                     | 24,714                            | 75,003                         | 99,717                         |
| Investments (Note 2)                       |                     | 2,431,758                         | 366,329                        | 2,798,087                      |
| Due from other governments                 | 257,558             | 761                               | 1,762,154                      | 2,020,473                      |
| Due from other funds (Note 3)              | 1,653,062           |                                   |                                | 1,653,062                      |
| Inventories                                | 41,219              |                                   | 20,339                         | 61,558                         |
| Prepaid items                              | 50,152              |                                   |                                | 50,152                         |
| <b>Total Assets</b>                        | <b>9,092,978</b>    | <b>2,457,233</b>                  | <b>3,709,927</b>               | <b>15,260,138</b>              |
| <b>Liabilities and Fund Balances</b>       |                     |                                   |                                |                                |
| <b>Liabilities</b>                         |                     |                                   |                                |                                |
| Accounts payable & accrued liabilities     | 333,964             |                                   | 415,911                        | 749,875                        |
| Due to other funds (Note 3)                | 723,342             |                                   | 1,766,303                      | 2,489,645                      |
| Unavailable revenue                        | 6,806               |                                   |                                | 6,806                          |
| <b>Total Liabilities</b>                   | <b>1,064,112</b>    | <b>0</b>                          | <b>2,182,214</b>               | <b>3,246,326</b>               |
| <b>Fund Balances</b>                       |                     |                                   |                                |                                |
| <b>Nonspendable</b>                        |                     |                                   |                                |                                |
| Inventory                                  | 41,219              |                                   | 20,339                         | 61,558                         |
| Permanent fund principal                   |                     |                                   | 6,905                          | 6,905                          |
| Prepaid items                              | 50,152              |                                   |                                | 50,152                         |
| <b>Restricted</b>                          |                     |                                   |                                |                                |
| Debt service                               |                     | 2,457,233                         | 513,776                        | 2,971,009                      |
| Capital projects                           |                     |                                   | 377,767                        | 377,767                        |
| Forestry improvements                      |                     |                                   | 482                            | 482                            |
| Unemployment benefits                      |                     |                                   | 122,906                        | 122,906                        |
| Grant activities                           |                     |                                   | 467,519                        | 467,519                        |
| <b>Assigned</b>                            |                     |                                   |                                |                                |
| School activities                          | 72,911              |                                   |                                | 72,911                         |
| Working capital                            | 2,515,438           |                                   |                                | 2,515,438                      |
| Special projects and upgrades              | 2,459,839           |                                   |                                | 2,459,839                      |
| Facility Improvements                      |                     |                                   | 18,019                         | 18,019                         |
| Unassigned                                 | 2,889,307           |                                   |                                | 2,889,307                      |
| <b>Total Fund Balances</b>                 | <b>8,028,866</b>    | <b>2,457,233</b>                  | <b>1,527,713</b>               | <b>12,013,812</b>              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 9,092,978</b> | <b>2,457,233</b>                  | <b>3,709,927</b>               | <b>15,260,138</b>              |

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

MOSS POINT SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2014

Exhibit C-1

|                                                                                                                                               | <u>Amount</u>        |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total Fund Balance - Governmental Funds                                                                                                       | \$ 12,013,812        |
| Amounts reported for governmental activities in the Statement of Net Position are different because:                                          |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:                       |                      |
| Land                                                                                                                                          | 479,587              |
| Construction in progress                                                                                                                      | 18,699,302           |
| Buildings                                                                                                                                     | 13,867,169           |
| Building improvements                                                                                                                         | 764,187              |
| Improvement other than buildings                                                                                                              | 560,223              |
| Mobile equipment                                                                                                                              | 2,443,917            |
| Furniture and equipment                                                                                                                       | 3,488,169            |
| Accumulated depreciation                                                                                                                      | <u>(12,567,885)</u>  |
|                                                                                                                                               | 27,734,669           |
| Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds: |                      |
| Qualified zone academy bonds                                                                                                                  | (1,978,180)          |
| Qualified school construction bonds                                                                                                           | (2,766,650)          |
| Shortfall notes                                                                                                                               | (169,733)            |
| Compensated absences                                                                                                                          | (137,550)            |
| Deferred credit on bonds payable                                                                                                              | (267,709)            |
| Accrued interest payable                                                                                                                      | <u>(566,548)</u>     |
|                                                                                                                                               | <u>(5,886,370)</u>   |
| Total Net Position - Governmental Activities                                                                                                  | <u>\$ 33,862,111</u> |

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

MOSS POINT SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2014

Exhibit D

|                                                              | Major Funds        |                                   |                                | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------|--------------------|-----------------------------------|--------------------------------|--------------------------------|
|                                                              | General<br>Fund    | Three Mill<br>Notes<br>Retirement | Other<br>Governmental<br>Funds |                                |
| <b>Revenues</b>                                              |                    |                                   |                                |                                |
| Local sources                                                | \$ 7,545,390       | 109,120                           | 691,695                        | 8,346,205                      |
| State sources                                                | 11,673,740         |                                   | 438,130                        | 12,111,870                     |
| Federal sources                                              | 973,062            |                                   | 3,576,414                      | 4,549,476                      |
| Sixteenth section sources                                    | 10,037             |                                   | 17                             | 10,054                         |
| <b>Total Revenues</b>                                        | <b>20,202,229</b>  | <b>109,120</b>                    | <b>4,706,256</b>               | <b>25,017,605</b>              |
| <b>Expenditures</b>                                          |                    |                                   |                                |                                |
| Instruction                                                  | 9,960,592          |                                   | 1,673,084                      | 11,633,676                     |
| Support services                                             | 9,893,796          |                                   | 2,095,315                      | 11,989,111                     |
| Noninstructional services                                    | 35,098             |                                   | 1,516,280                      | 1,551,378                      |
| Facilities acquisition and construction                      |                    |                                   | 415,796                        | 415,796                        |
| Debt service                                                 |                    |                                   |                                |                                |
| Principal (Note 6)                                           |                    |                                   | 228,306                        | 228,306                        |
| Interest                                                     |                    |                                   | 10,426                         | 10,426                         |
| Other                                                        |                    | 24,714                            | 5,000                          | 29,714                         |
| <b>Total Expenditures</b>                                    | <b>19,889,486</b>  | <b>24,714</b>                     | <b>5,944,207</b>               | <b>25,858,407</b>              |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>312,743</b>     | <b>84,406</b>                     | <b>(1,237,951)</b>             | <b>(840,802)</b>               |
| <b>Other Financing Sources (Uses)</b>                        |                    |                                   |                                |                                |
| Proceeds of loans (Note 6)                                   | 83,202             |                                   |                                | 83,202                         |
| Insurances loss recoveries                                   | 1,517              |                                   |                                | 1,517                          |
| Sale of transportation equipment                             | 11,295             |                                   |                                | 11,295                         |
| Operating transfers in (Note 3)                              | 526,644            | 40,002                            | 1,048,804                      | 1,615,450                      |
| Operating transfers out (Note 3)                             | (864,674)          |                                   | (750,776)                      | (1,615,450)                    |
| Refund to other governments (Note 14)                        | (866,005)          |                                   |                                | (866,005)                      |
| Other financing uses                                         |                    | (2,690)                           |                                | (2,690)                        |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(1,108,021)</b> | <b>37,312</b>                     | <b>298,028</b>                 | <b>(772,681)</b>               |
| <b>Net Change in Fund Balances</b>                           | <b>(795,278)</b>   | <b>121,718</b>                    | <b>(939,923)</b>               | <b>(1,613,483)</b>             |
| <b>Fund Balances</b>                                         |                    |                                   |                                |                                |
| July 1, 2013                                                 | 8,824,144          | 2,335,515                         | 2,465,620                      | 13,625,279                     |
| Increase reserve for inventory                               | 0                  | 0                                 | 2,016                          | 2,016                          |
| June 30, 2014                                                | \$ 8,028,866       | 2,457,233                         | 1,527,713                      | 12,013,812                     |

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

MOSS POINT SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
 and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2014

Exhibit D-1

Amount

Net Change in Fund Balance - Governmental Funds

\$ (1,613,483)

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

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, those amounts are:

|                      |                  |         |
|----------------------|------------------|---------|
| Capital outlay       | 924,382          |         |
| Depreciation expense | <u>(679,746)</u> | 244,636 |

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 asset sold.

(33,582)

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:

|                            |                 |        |
|----------------------------|-----------------|--------|
| Bonds and notes issued     | (83,202)        |        |
| Payments of debt principal | 228,306         |        |
| Accrued interest payable   | <u>(71,917)</u> | 73,187 |

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 the governmental funds. These activities include:

|                                |              |        |
|--------------------------------|--------------|--------|
| Change in compensated absences | 46,156       |        |
| Change in inventory reserve    | <u>2,016</u> | 48,172 |

Write off of deferred bond issue costs

(20,143)

Changes in Net Position of Governmental Activities

\$ (1,301,213)

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

MOSS POINT SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2014

Exhibit E

|                                          | <u>Agency<br/>Funds</u>    |
|------------------------------------------|----------------------------|
| <b>Assets</b>                            |                            |
| Cash and cash equivalents (Note 2)       | \$ 1,074,421               |
| Due from other funds (Note 3)            | <u>838,311</u>             |
| <b>Total Assets</b>                      | <u><u>1,912,732</u></u>    |
| <b>Liabilities</b>                       |                            |
| Accounts payable and accrued liabilities | 1,845,966                  |
| Due to other funds (Note 3)              | 1,728                      |
| Due to student clubs                     | <u>65,038</u>              |
| <b>Total Liabilities</b>                 | <u><u>\$ 1,912,732</u></u> |

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

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MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

For financial reporting purposes, the 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 and liabilities, 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.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

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.

**Three Mill Note Retirement Fund** - This Debt Service Fund is used to account for the sinking fund requirements of the Qualified Zone Academy Bonds payable and the subsequent payment of the principal and interest when it comes due in 2017 fiscal year.

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

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used as a clearing account for payroll and payroll related transactions.

**Accounts Payable Clearing** - This fund is used as a clearing account for non-payroll transactions.

**Student Club Accounts** - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

**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.

#### FIDUCIARY FUNDS

**Agency Funds** - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

### 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, as are the Fiduciary Fund financial statements. 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,

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

Under the terms of grant agreements, the 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, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

**E. 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.

**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.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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 Zone Academy Bond sinking fund, Qualified School Construction Bond sinking fund, etc.. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

The following schedule details the capitalization thresholds:

|                                   | Capitalization<br>Policy | Estimated<br>Useful Life |
|-----------------------------------|--------------------------|--------------------------|
| Land                              | \$ 0                     | 0                        |
| Construction in progress          | 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                |

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. There are no deferred outflows reported by the school district.

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. Currently the school district reports the following deferred inflows: Deferred credit on bonds payable - Qualified Zone Academy Bonds and Deferred credit on bonds payable - Qualified School Construction Bonds. See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities.

In the government-wide financial statements, outstanding debt is reported as liabilities.

10. Fund Balances

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

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

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

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

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 documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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

*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.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 8% of the revenues of the District Maintenance Fund (General Fund) revenues.

**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.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,577,089 and \$1,074,421, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the 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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$99,717.

Investments

As of June 30, 2014, the district had the following investments.

| <u>Investment Type</u>            | <u>Rating</u> | <u>Maturities<br/>(in years)</u> | <u>Fair Value</u>   |
|-----------------------------------|---------------|----------------------------------|---------------------|
| Federated US Treasury Obligations | AAAm          | Less tha 1 year                  | \$ 366,329          |
| US Treasury Notes                 | N/A           | 1 to 5 years                     | <u>2,431,758</u>    |
| Total                             |               |                                  | <u>\$ 2,798,087</u> |

*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, 2014, the district did not have any investments to which this would apply.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

| <u>Receivable Fund</u> | <u>Payable Fund</u>      | <u>Amount</u>       |
|------------------------|--------------------------|---------------------|
| General Fund           | Other governmental funds | \$ 1,651,334        |
|                        | Fiduciary funds          | 1,728               |
| Fiduciary funds        | General Fund             | 723,342             |
|                        | Other governmental funds | <u>114,969</u>      |
| Total                  |                          | <u>\$ 2,491,373</u> |

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments. The inter-fund loan associated with the Fiduciary Funds represents accrued payroll which will be paid from the General Fund.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

**B. Inter-fund Transfers**

| Transfers Out            | Transfers In                                  | Amount              |
|--------------------------|-----------------------------------------------|---------------------|
| General Fund             | Major fund - Three mill notes retirement fund | \$ 40,002           |
|                          | Other governmental funds                      | 824,672             |
| Other governmental funds | General Fund                                  | 526,644             |
|                          | Other governmental funds                      | 224,132             |
| Total                    |                                               | <u>\$ 1,615,450</u> |

The transfer out of the General Fund was for the purpose of funding debt service in the Major Fund – 3 Mill Notes Retirement fund and funding the vocational program and eliminating negative cash in the Other Governmental Funds. The transfer out of Other Governmental Funds to the General Fund was for reclassifying the Sixteenth Section Interest Fund to the General Fund (the Sixteenth Section Interest Fund does not meet the definition of a special revenue fund). The transfers within the Other Governmental Funds was for financing various programs of the district; Consolidated Administrated Cost Fund, etc.

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance of the Debt Service Funds of \$2,798,087 which are legally restricted and may not be used for purposes that support the district’s programs. In addition, the restricted assets also consist of cash totaling \$1,486,102 and cash with fiscal agent totaling \$99,717 of various funds which are legally restricted and may not be used for purposes that support the district’s programs.

**Note 5 – Capital Assets**

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

|                                             | Balance<br>7/1/2013  | Increases       | Decreases        | Balance<br>6/30/2014 |
|---------------------------------------------|----------------------|-----------------|------------------|----------------------|
| <b>Governmental Activities:</b>             |                      |                 |                  |                      |
| <b>Non-depreciable capital assets:</b>      |                      |                 |                  |                      |
| Land                                        | \$ 479,587           |                 |                  | 479,587              |
| Construction-in-progress                    | 18,358,506           | 340,796         |                  | 18,699,302           |
| Total non-depreciable capital assets        | <u>18,838,093</u>    | <u>340,796</u>  | <u>0</u>         | <u>19,178,889</u>    |
| <b>Depreciable capital assets:</b>          |                      |                 |                  |                      |
| Buildings                                   | 13,867,169           |                 |                  | 13,867,169           |
| Building improvements                       | 689,187              | 75,000          |                  | 764,187              |
| Improvements other than buildings           | 560,223              |                 |                  | 560,223              |
| Mobile equipment                            | 2,606,566            | 169,000         | (331,649)        | 2,443,917            |
| Furniture and equipment                     | 3,190,329            | 339,586         | (41,746)         | 3,488,169            |
| Total depreciable capital assets            | <u>20,913,474</u>    | <u>583,586</u>  | <u>(373,395)</u> | <u>21,123,665</u>    |
| <b>Less accumulated depreciation for:</b>   |                      |                 |                  |                      |
| Buildings                                   | 7,256,100            | 250,074         |                  | 7,506,174            |
| Building improvements                       | 139,928              | 30,567          |                  | 170,495              |
| Improvements other than buildings           | 115,036              | 22,409          |                  | 137,445              |
| Mobile equipment                            | 1,736,145            | 153,047         | (298,484)        | 1,590,708            |
| Furniture and equipment                     | 2,980,743            | 223,649         | (41,329)         | 3,163,063            |
| Total accumulated depreciation              | <u>12,227,952</u>    | <u>679,746</u>  | <u>(339,813)</u> | <u>12,567,885</u>    |
| Total depreciable capital assets, net       | <u>8,685,522</u>     | <u>(96,160)</u> | <u>(33,582)</u>  | <u>8,555,780</u>     |
| Governmental activities capital assets, net | <u>\$ 27,523,615</u> | <u>244,636</u>  | <u>(33,582)</u>  | <u>27,734,669</u>    |

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

Depreciation expense was charged to the following governmental functions:

|                                                      | Amount     |
|------------------------------------------------------|------------|
| <b>Governmental activities:</b>                      |            |
| Instruction                                          | \$ 357,868 |
| Support services                                     | 287,914    |
| Non-instructional                                    | 33,964     |
| Total depreciation expense - Governmental activities | \$ 679,746 |

Construction in progress is composed of:

|                                 | Spent to<br>June 30, 2014 | Remaining<br>Commitment |
|---------------------------------|---------------------------|-------------------------|
| <b>Governmental Activities:</b> |                           |                         |
| Magnolia Middle School          | \$ 18,699,302             | 57,334                  |

Construction projects included in governmental activities are funded with the proceeds of Qualified School Construction bonds.

**Note 6 – Long-term Liabilities**

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

|                                                | Balance<br>7/1/2013 | Additions | Reductions | Adjustments | Balance<br>6/30/2014 | Amounts<br>due within<br>one year |
|------------------------------------------------|---------------------|-----------|------------|-------------|----------------------|-----------------------------------|
| A. Qualified zone academy bonds payable        | \$ 2,500,000        |           |            | (521,820)   | 1,978,180            | 0                                 |
| B. Qualified school construction bonds payable | 3,000,000           |           |            | (233,350)   | 2,766,650            | 0                                 |
| C. Shortfall notes payable                     | 314,837             | 83,202    | (228,306)  |             | 169,733              | 69,862                            |
| D. Compensated absences payable                | 183,706             |           | (46,156)   |             | 137,550              | 89,689                            |
| Total                                          | \$ 5,998,543        | 83,202    | (274,462)  | (755,170)   | 5,052,113            | 109,551                           |

The adjustments to the Qualified Zone Academy Bonds and the Qualified School Construction Bonds was to reflect imputed interest on 0% bonds which had not been previously considered.

**A. Qualified zone academy bonds payable**

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

| Description                  | Interest<br>Rate | Issue Date | Maturity<br>Date | Amount<br>Issued | Amount<br>Outstanding |
|------------------------------|------------------|------------|------------------|------------------|-----------------------|
| Qualified zone academy bonds | 0                | 12/15/2006 | 12/14/2016       | \$ 1,978,180     | 1,978,180             |

**B. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

| Description                         | Interest<br>Rate | Issue Date | Maturity<br>Date | Amount<br>Issued | Amount<br>Outstanding |
|-------------------------------------|------------------|------------|------------------|------------------|-----------------------|
| Qualified school construction bonds | 0                | 8/8/2011   | 6/15/2021        | \$ 2,766,650     | 2,766,650             |

**MOSS POINT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

| Description              | Interest Rate | Issue Date | Maturity Date | Amount Issued     | Amount Outstanding |
|--------------------------|---------------|------------|---------------|-------------------|--------------------|
| 1. Shortfall notes, 2012 | 1.99          | 7/31/2012  | 7/1/2015      | \$ 128,518        | 86,531             |
| 2. Shortfall notes, 2013 | 2.59          | 7/31/2013  | 7/31/2016     | 83,202            | 83,202             |
| Total                    |               |            |               | <u>\$ 211,720</u> | <u>169,733</u>     |

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes, 2012:

| Year Ending<br>June 30 | Principal        | Interest     | Total         |
|------------------------|------------------|--------------|---------------|
| 2015                   | \$ 42,834        | 1,746        | 44,580        |
| 2016                   | 43,697           | 882          | 44,579        |
| Total                  | <u>\$ 86,531</u> | <u>2,628</u> | <u>89,159</u> |

This debt will be retired from the Shortfall Retirement Fund (Debt Service Fund).

2. Shortfall notes, 2013:

| Year Ending<br>June 30 | Principal        | Interest     | Total         |
|------------------------|------------------|--------------|---------------|
| 2015                   | \$ 27,028        | 2,155        | 29,183        |
| 2016                   | 27,728           | 1,455        | 29,183        |
| 2017                   | 28,446           | 738          | 29,184        |
| Total                  | <u>\$ 83,202</u> | <u>4,348</u> | <u>87,550</u> |

This debt will be retired from the Shortfall Retirement Fund (Debt Service Fund).

Total shortfall notes payable payments for all issues:

| Year Ending<br>June 30 | Principal         | Interest     | Total          |
|------------------------|-------------------|--------------|----------------|
| 2015                   | \$ 69,862         | 3,901        | 73,763         |
| 2016                   | 71,425            | 2,337        | 73,762         |
| 2017                   | 28,446            | 738          | 29,184         |
| Total                  | <u>\$ 169,733</u> | <u>6,976</u> | <u>176,709</u> |

**D. Compensated absences payable**

As more fully explained in Note 1(E)(9), 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.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 7 – Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** 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, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,061,449, \$2,087,994 and \$1,944,533, respectively, which equaled the required contributions for each year.

**Note 8 – 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 assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

| Year Ending<br>June 30 | Amount            |
|------------------------|-------------------|
| 2015                   | \$ 7,270          |
| 2016                   | 7,270             |
| 2017                   | 7,270             |
| 2018                   | 7,270             |
| 2019                   | 7,270             |
| 2020 – 2024            | 36,350            |
| 2025 – 2029            | 36,350            |
| 2030 – 2034            | 36,350            |
| Thereafter             | 26,580            |
| <b>Total</b>           | <b>\$ 171,980</b> |

**Note 9 – 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.

**Note 10 – Risk Management**

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 11 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Hancock Bank, has entered into such an arrangement dated December 15, 2006. The partner will donate contributions that are to represent 10% of the loan amount.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account. The amount on deposit at June 30, 2014 was \$2,456,472. The amount accumulated in the sinking fund at the end of the ten-year period will 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<br>June 30 | Amount           |
|------------------------|------------------|
| 2015                   | \$ 52,600        |
| 2016                   | 21,563           |
| Total                  | <u>\$ 74,163</u> |

**Note 12 – Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff 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, 2014 was \$441,332. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2014

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2015                   | \$ 366,000          |
| 2016                   | 366,000             |
| 2017                   | 366,000             |
| 2018                   | 366,000             |
| 2019                   | 366,000             |
| 2020 – 2021            | 730,000             |
| Total                  | <u>\$ 2,560,000</u> |

**Note 13 – Effect of Deferred Amounts on Net Position**

**Qualified Zone Academy Bonds:**

The unrestricted net position amount of \$7,739,602 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of an interest free debt obligation. The \$104,364 balance of the deferred inflow of resources at June 30, 2014 will be recognized as revenue and increase unrestricted net position over the remaining two years of the outstanding debt obligation.

**Qualified School Construction Bonds:**

The unrestricted net position amount of \$7,739,602 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of an interest free debt obligation. The \$163,345 balance of the deferred inflow of resources at June 30, 2014 will be recognized as revenue and increase unrestricted net position over the remaining seven years of the outstanding debt obligation.

**Note 14 – Refund to Other Governments**

As part of the close out of certain projects funded by FEMA, the Mississippi Emergency Management Agency (MEMA) determined that FEMA over paid the district. MEMA requested the district refund \$866,005 for overpayments made in previous years. The projects which resulted in the overpayment are now considered closed out by MEMA.

**Note 15 - 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 School District evaluated the activity of the district through January 29, 2015, the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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MOSS POINT SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2014

|                                                      | Budgeted Amounts  |                   | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|------------------------------------------------------|-------------------|-------------------|------------------------|----------------------------------|--------------------|
|                                                      | Original          | Final             |                        | Original<br>to Final             | Final<br>to Actual |
| Revenues                                             |                   |                   |                        |                                  |                    |
| Local sources                                        | \$ 8,037,135      | 7,545,390         | 7,545,390              | (491,745)                        | 0                  |
| State sources                                        | 11,618,830        | 11,673,740        | 11,673,740             | 54,910                           | 0                  |
| Federal sources                                      | 2,132,812         | 459,147           | 973,062                | (1,673,665)                      | 513,915            |
| Sixteenth section sources                            | 0                 | 0                 | 10,037                 | 0                                | 10,037             |
| Total Revenues                                       | <u>21,788,777</u> | <u>19,678,277</u> | <u>20,202,229</u>      | <u>(2,110,500)</u>               | <u>523,952</u>     |
| Expenditures                                         |                   |                   |                        |                                  |                    |
| Instruction                                          | 11,076,300        | 9,960,592         | 9,960,592              | 1,115,708                        | 0                  |
| Support services                                     | 10,795,729        | 9,893,796         | 9,893,796              | 901,933                          | 0                  |
| Noninstructional services                            |                   | 35,098            | 35,098                 | (35,098)                         | 0                  |
| Other                                                | 2,085             |                   | 0                      | 2,085                            | 0                  |
| Total Expenditures                                   | <u>21,874,114</u> | <u>19,889,486</u> | <u>19,889,486</u>      | <u>1,984,628</u>                 | <u>0</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(85,337)</u>   | <u>(211,209)</u>  | <u>312,743</u>         | <u>(125,872)</u>                 | <u>523,952</u>     |
| Other Financing Sources (Uses)                       |                   |                   |                        |                                  |                    |
| Proceeds of loans                                    | 0                 | 83,202            | 83,202                 | 83,202                           | 0                  |
| Insurance loss recoveries                            | 0                 | 1,517             | 1,517                  | 1,517                            | 0                  |
| Sale of transportation equipment                     | 1,000             | 11,295            | 11,295                 | 10,295                           | 0                  |
| Operating transfers in                               | 3,927,636         | 3,691,391         | 526,644                | (236,245)                        | (3,164,747)        |
| Operating transfers out                              | 4,661,679         | 4,451,106         | (864,674)              | (210,573)                        | (5,315,780)        |
| Refund to other governments                          | 0                 | 0                 | (866,005)              | 0                                | (866,005)          |
| Total Other Financing Sources (Uses)                 | <u>8,590,315</u>  | <u>8,238,511</u>  | <u>(1,108,021)</u>     | <u>(351,804)</u>                 | <u>(9,345,532)</u> |
| Net Change in Fund Balances                          |                   |                   | <u>(795,278)</u>       |                                  |                    |
| Fund Balances                                        |                   |                   |                        |                                  |                    |
| July 1, 2013                                         |                   |                   | <u>8,824,144</u>       |                                  |                    |
| June 30, 2014                                        |                   |                   | <u>\$ 8,028,866</u>    |                                  |                    |

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

MOSS POINT SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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MOSS POINT SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title         | Catalog of<br>Federal Domestic<br>Assistance No. | Federal<br>Expenditures |
|--------------------------------------------------------------------|--------------------------------------------------|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                       |                                                  |                         |
| Passed-through Mississippi Department of Education:                |                                                  |                         |
| Child nutrition cluster:                                           |                                                  |                         |
| School breakfast program                                           | 10.553                                           | \$ 461,129              |
| National school lunch program                                      | 10.555                                           | 1,096,142               |
| Total child nutrition cluster                                      |                                                  | <u>1,557,271</u>        |
| Fresh fruits and vegetable program                                 | 10.582                                           | 38,688                  |
| Total U.S. Department of Agriculture                               |                                                  | <u>1,595,959</u>        |
| <b><u>U.S. Department of Defense</u></b>                           |                                                  |                         |
| Direct program:                                                    |                                                  |                         |
| Reserve officers' training corps                                   | 12.xxx                                           | 58,893                  |
| Total U.S. Department of Defense                                   |                                                  | <u>58,893</u>           |
| <b><u>U.S. Department of Justice</u></b>                           |                                                  |                         |
| Passed-through Mississippi Department of Education                 |                                                  |                         |
| Public Safety Partnerships and Community Policing Grants           | 16.710                                           | 50,000                  |
| Total U.S. Department of Justice                                   |                                                  | <u>50,000</u>           |
| <b><u>Federal Communications Commission</u></b>                    |                                                  |                         |
| Administered through the Universal Service Administrative Company: |                                                  |                         |
| The school and libraries program of the universal service fund     | 32.xxx                                           | 80,132                  |
| Total Federal Communications Commission                            |                                                  | <u>80,132</u>           |
| <b><u>U.S. Department of Education</u></b>                         |                                                  |                         |
| Passed-through Mississippi Department of Education:                |                                                  |                         |
| Title I - grants to local educational agencies                     | 84.010                                           | 914,596                 |
| Career and technical education - basic grants to states            | 84.048                                           | 40,195                  |
| Fund for the Improvement of Education                              | 84.215                                           | 7,816                   |
| Improving teacher quality - state grants                           | 84.367                                           | 362,190                 |
| Total                                                              |                                                  | <u>1,324,797</u>        |
| Special education cluster:                                         |                                                  |                         |
| Special education - grants to states                               | 84.027                                           | 737,916                 |
| Special education - preschool grants                               | 84.173                                           | 39,063                  |
| Total special education cluster                                    |                                                  | <u>776,979</u>          |
| Total passed-through Mississippi Department of Education           |                                                  | <u>2,101,776</u>        |
| Total U.S. Department of Education                                 |                                                  | <u>2,101,776</u>        |

MOSS POINT SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title              | Catalog of<br>Federal Domestic<br>Assistance No. | Federal<br>Expenditures |
|-------------------------------------------------------------------------|--------------------------------------------------|-------------------------|
| <b><u>U.S. Department of Health and Human Services</u></b>              |                                                  |                         |
| Passed-through Mississippi Department of Education:                     |                                                  |                         |
| Medical assistance program                                              | 93.778                                           | 3,261                   |
| Total U.S. Department of Health and Human Services                      |                                                  | <u>3,261</u>            |
| <b><u>U.S. Department of Homeland Security</u></b>                      |                                                  |                         |
| Passed-through the Mississippi Emergency Management Agency:             |                                                  |                         |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) |                                                  |                         |
| Total passed-through the Mississippi Emergency Management Agency        | 97.036                                           | 375,754                 |
| Total U.S. Department of Homeland Security                              |                                                  | <u>375,754</u>          |
| Total for All Federal Awards                                            |                                                  | <u>\$ 4,265,775</u>     |

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

MOSS POINT SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2014

| <u>Expenditures</u>          | <u>Total</u>         | <u>Instruction and<br/>Other Student<br/>Instructional<br/>Expenditures</u> | <u>General<br/>Administrative</u> | <u>School<br/>Administration</u> | <u>Other</u>        |
|------------------------------|----------------------|-----------------------------------------------------------------------------|-----------------------------------|----------------------------------|---------------------|
| Salaries and fringe benefits | \$ 17,988,103        | \$ 12,233,601                                                               | \$ 1,148,300                      | \$ 1,358,831                     | \$ 3,247,371        |
| Other                        | \$ 7,870,304         | \$ 2,686,630                                                                | \$ 573,315                        | \$ 89,677                        | \$ 4,520,682        |
| Total                        | <u>\$ 25,858,407</u> | <u>\$ 14,920,231</u>                                                        | <u>\$ 1,721,615</u>               | <u>\$ 1,448,508</u>              | <u>\$ 7,768,053</u> |
| Total number of students     | <u>2,010</u>         |                                                                             |                                   |                                  |                     |
| Cost per student             | <u>\$ 12,866</u>     | <u>\$ 7,423</u>                                                             | <u>\$ 857</u>                     | <u>\$ 721</u>                    | <u>\$ 3,865</u>     |

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER INFORMATION

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MOSS POINT SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

|                                                          | 2014                | 2013*             | 2012*              | 2011*              |
|----------------------------------------------------------|---------------------|-------------------|--------------------|--------------------|
| <b>Revenues</b>                                          |                     |                   |                    |                    |
| Local sources                                            | \$ 7,545,390        | 7,966,084         | 8,044,720          | 8,303,950          |
| State sources                                            | 11,673,740          | 12,091,413        | 12,527,455         | 12,497,687         |
| Federal sources                                          | 973,062             | 198,413           | 275,018            | 403,413            |
| Sixteenth section sources                                | 10,037              | 0                 | 0                  | 0                  |
| <b>Total Revenues</b>                                    | <b>20,202,229</b>   | <b>20,255,910</b> | <b>20,847,193</b>  | <b>21,205,050</b>  |
| <b>Expenditures</b>                                      |                     |                   |                    |                    |
| Instruction                                              | 9,960,592           | 10,192,306        | 10,708,022         | 11,576,091         |
| Support services                                         | 9,893,796           | 10,346,476        | 11,217,575         | 11,216,096         |
| Noninstructional services                                | 35,098              | 0                 | 0                  | 509                |
| Facilities acquisition and construction                  | 0                   | 0                 | 0                  | 12,365             |
| Debt service                                             |                     |                   |                    |                    |
| Other                                                    | 0                   | 2,083             | 0                  | 0                  |
| <b>Total Expenditures</b>                                | <b>19,889,486</b>   | <b>20,540,865</b> | <b>21,925,597</b>  | <b>22,805,061</b>  |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>312,743</b>      | <b>(284,955)</b>  | <b>(1,078,404)</b> | <b>(1,600,011)</b> |
| <b>Other Financing Sources (Uses)</b>                    |                     |                   |                    |                    |
| Proceeds of loans                                        | 83,202              | 128,518           | 275,703            | 275,703            |
| Insurances loss recoveries                               | 1,517               | 66,600            | 608                | 0                  |
| Sale of transportation equipment                         | 11,295              | 0                 | 0                  | 0                  |
| Operating transfers in                                   | 526,644             | 28,029            | 14,344             | 45,332             |
| Operating transfers out                                  | (864,674)           | (698,479)         | (936,360)          | (896,867)          |
| Refund to other governments                              | (866,005)           | 0                 | 0                  | 0                  |
| <b>Total Other Financing Sources (Uses)</b>              | <b>(1,108,021)</b>  | <b>(475,332)</b>  | <b>(645,705)</b>   | <b>(575,832)</b>   |
| <b>Net Change in Fund Balances</b>                       | <b>(795,278)</b>    | <b>(760,287)</b>  | <b>(1,724,109)</b> | <b>(2,175,843)</b> |
| <b>Fund Balances</b>                                     |                     |                   |                    |                    |
| July 1, as previously reported                           | 8,824,144           | 8,809,302         | 10,923,962         | 13,088,181         |
| Prior period adjustments                                 | 0                   | 771,534           | (381,548)          | 0                  |
| <b>July 1, as restated</b>                               | <b>8,824,144</b>    | <b>9,580,836</b>  | <b>10,542,414</b>  | <b>13,088,181</b>  |
| Increase (Decrease) in reserve for inventory             | 0                   | 3,595             | (9,003)            | 11,624             |
| <b>June 30</b>                                           | <b>\$ 8,028,866</b> | <b>8,824,144</b>  | <b>8,809,302</b>   | <b>10,923,962</b>  |

\* Source - Prior year audit reports.

MOSS POINT SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

|                                                          | 2014                 | 2013*              | 2012*              | 2011*              |
|----------------------------------------------------------|----------------------|--------------------|--------------------|--------------------|
| <b>Revenues</b>                                          |                      |                    |                    |                    |
| Local sources                                            | \$ 8,346,205         | 8,748,348          | 9,083,061          | 9,207,262          |
| Intermediate sources                                     | 0                    | 0                  | 0                  | 11,510             |
| State sources                                            | 12,111,870           | 12,587,955         | 13,065,606         | 13,037,977         |
| Federal sources                                          | 4,549,476            | 15,720,975         | 10,533,786         | 8,113,661          |
| Sixteenth section sources                                | 10,054               | 15,214             | 12,413             | 9,856              |
| <b>Total Revenues</b>                                    | <b>25,017,605</b>    | <b>37,072,492</b>  | <b>32,694,866</b>  | <b>30,380,266</b>  |
| <b>Expenditures</b>                                      |                      |                    |                    |                    |
| Instruction                                              | 11,633,676           | 12,197,948         | 13,536,567         | 15,863,801         |
| Support services                                         | 11,989,111           | 12,175,447         | 15,274,664         | 13,391,381         |
| Noninstructional services                                | 1,551,378            | 1,598,964          | 1,694,265          | 1,861,165          |
| Facilities acquisition and construction                  | 415,796              | 13,854,701         | 3,712,964          | 1,144,862          |
| Debt service                                             |                      |                    |                    |                    |
| Principal                                                | 228,306              | 224,972            | 630,372            | 125,358            |
| Interest                                                 | 10,426               | 13,341             | 17,856             | 15,652             |
| Other                                                    | 29,714               | 4,773              | 30,038             | 0                  |
| <b>Total Expenditures</b>                                | <b>25,858,407</b>    | <b>40,070,146</b>  | <b>34,896,726</b>  | <b>32,402,219</b>  |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(840,802)</b>     | <b>(2,997,654)</b> | <b>(2,201,860)</b> | <b>(2,021,953)</b> |
| <b>Other Financing Sources (Uses)</b>                    |                      |                    |                    |                    |
| Proceeds of loans                                        | 83,202               | 128,518            | 3,775,703          | 275,703            |
| Insurances loss recoveries                               | 1,517                | 66,600             | 608                | 0                  |
| Sale of transportation equipment                         | 11,295               | 0                  | 0                  | 0                  |
| Operating transfers in                                   | 1,615,450            | 957,707            | 1,659,300          | 1,172,975          |
| Other financing sources                                  | 0                    | 499,795            | 227,820            | 1,403,400          |
| Operating transfers out                                  | (1,615,450)          | (957,707)          | (1,659,300)        | (1,172,975)        |
| Refund to other governments                              | (866,005)            | 0                  | 0                  | 0                  |
| Other financing uses                                     | (2,690)              | (499,795)          | (227,820)          | (1,403,400)        |
| <b>Total Other Financing Sources (Uses)</b>              | <b>(772,681)</b>     | <b>195,118</b>     | <b>3,776,311</b>   | <b>275,703</b>     |
| <b>Net Change in Fund Balances</b>                       | <b>(1,613,483)</b>   | <b>(2,802,536)</b> | <b>1,574,451</b>   | <b>(1,746,250)</b> |
| <b>Fund Balances</b>                                     |                      |                    |                    |                    |
| July 1, as previously reported                           | 13,625,279           | 15,651,057         | 14,468,192         | 16,198,282         |
| Prior period adjustments                                 | 0                    | 771,534            | (381,548)          | 0                  |
| <b>July 1, as restated</b>                               | <b>13,625,279</b>    | <b>16,422,591</b>  | <b>14,086,644</b>  | <b>16,198,282</b>  |
| <b>Increase (Decrease) in reserve for inventory</b>      | <b>2,016</b>         | <b>5,224</b>       | <b>(10,038)</b>    | <b>16,160</b>      |
| <b>June 30</b>                                           | <b>\$ 12,013,812</b> | <b>13,625,279</b>  | <b>15,651,057</b>  | <b>14,468,192</b>  |

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS

*Certified Public Accountant*

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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*

### Independent Auditor's Report

Superintendent and School Board  
Moss Point School District

I 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 Moss Point School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Moss Point School District's basic financial statements, and have issued my report thereon dated January 29, 2015.

### **Internal Control Over Financial Reporting**

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Moss Point School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

*Charles L Shivers, CPA*

Ridgeland, MS  
January 29, 2015

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Superintendent and School Board  
Moss Point School District

#### **Report on Compliance for Each Major Federal Program**

I have audited Moss Point School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Moss Point School District's major federal programs for the year ended June 30, 2014. Moss Point School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on compliance for each of Moss Point School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Moss Point School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Moss Point School District's compliance.

#### *Opinion on Each Major Federal Program*

In my opinion, Moss Point School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### **Report on Internal Control Over Compliance**

Management of Moss Point School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Moss Point School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and

to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Moss Point School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Charles L Shivers, CPA*

Ridgeland, MS  
January 29, 2015

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

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# CHARLES L. SHIVERS

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

Superintendent and School Board  
Moss Point School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2014, which collectively comprise Moss Point School District's basic financial statements and have issued my report thereon dated January 29, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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. The district reported \$-0- of classroom supply funds carried over from previous years.

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

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

*Charles L Shivers, CPA*

Ridgeland, MS  
January 29, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MOSS POINT SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 June 30, 2014

Section I: Summary of Auditor's Results

**Financial Statements:**

- |    |                                                                                         |               |
|----|-----------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                      | Unmodified    |
| 2. | Noncompliance material to the basic financial statements noted?                         | No            |
| 3. | Internal control over financial reporting:                                              |               |
|    | a. Material weaknesses identified?                                                      | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |     |                                                                                                                                                                                                                                    |               |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:                                                                                                                                                          | Unmodified    |
| 5.  | Internal control over major programs:                                                                                                                                                                                              |               |
|     | a. Material weaknesses identified?                                                                                                                                                                                                 | No            |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?                                                                                                                                            | None Reported |
| 6.  | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?                                                                                                               | No            |
| 7.  | Federal program identified as major program:                                                                                                                                                                                       |               |
|     | Child nutrition cluster                                                                                                                                                                                                            |               |
|     | CFDA #: 10.553                                                                                                                                                                                                                     |               |
|     | CFDA #: 10.555                                                                                                                                                                                                                     |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:                                                                                                                                                       | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?                                                                                                                                                                                           | Yes           |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No            |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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