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**Picayune School District**

Audited Financial Statements  
For the Year Ended June 30, 2015

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Picayune School District  
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## FINANCIAL AUDIT REPORT

**FORTENBERRY & BALLARD, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

Superintendent and School Board  
Picayune School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Picayune School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Picayune School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Picayune School District, as of June 30, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and pension schedules on pages 8 and 19 and 56 to 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Picayune School District's 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of the Picayune School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Picayune School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
February 4, 2016

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Picayune School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

The following discussion and analysis of Picayune School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$37,223,293, including a prior period adjustment of (\$38,464,198), which represents a 213% decrease from fiscal year 2014. Total net position for 2014 increased \$274,773, including a prior period adjustment of (\$123,223), which represents a 2% increase from fiscal year 2013.
- General revenues amounted to \$25,307,407 and \$24,468,549, or 76% and 76% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,049,495, or 24% of total revenues for 2015, and \$7,747,914, or 24% of total revenues for 2014.
- The District had \$32,115,997 and \$31,818,467 in expenses for fiscal years 2015 and 2014; only \$8,049,495 for 2015 and \$7,747,914 for 2014 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$25,307,407 for 2015 and \$24,468,549 for 2014 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$25,246,769 in revenues and \$23,561,944 in expenditures for 2015, and \$24,097,752 in revenues and \$22,381,971 in expenditures for 2014. The General Fund's fund balance increased by \$422,473, including a fund reclassification of \$657,968, from 2014 to 2015, and increased by \$305,195, including a prior period adjustment of (\$125,859), from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$818,509 for 2015 and decreased by \$333,450 for 2014. The increase for 2015 was mainly due to additions to construction in progress.
- Long-term debt decreased by \$2,093,000 for 2015 and decreased by \$249,245 for 2014. This decrease for 2015 was due primarily to principal payments and adjustments to debt. In addition, the liability for compensated absences increased by \$16,415 for 2015 and decreased by \$27,053 for 2014.

**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.

**Picayune School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**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, sixteenth section, pension expense and interest on long-term liabilities.

**Fund Financial Statements**

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

**Picayune School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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.

**Picayune School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

**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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19,752,351 as of June 30, 2015.

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, 2015 and June 30, 2014.

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 8,231,043	7,822,916	5%
Restricted assets	870,856	3,070,190	(72)%
Capital assets, net	<u>15,656,055</u>	<u>14,837,546</u>	6%
<b>Total assets</b>	<u>24,757,954</u>	<u>25,730,652</u>	(4)%
<b>Deferred outflows of resources</b>	<u>3,583,012</u>		
Current liabilities	402,479	440,512	(9)%
Long-term debt outstanding	5,742,613	7,819,198	(27)%
Net pension liability	<u>36,056,917</u>		
<b>Total liabilities</b>	<u>42,202,009</u>	<u>8,259,710</u>	411%
<b>Deferred inflows of resources</b>	<u>5,891,308</u>		
<b>Net position:</b>			
Net investment in capital assets	10,117,055	8,057,905	26%
Restricted	2,472,672	3,795,958	(35)%
Unrestricted	<u>(32,342,078)</u>	<u>5,617,079</u>	(676)%
<b>Total net position (deficit)</b>	<u>\$ (19,752,351)</u>	<u>17,470,942</u>	(213)%

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

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**Management's Discussion and Analysis**  
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Total unrestricted net position (deficit)	\$	(32,342,078)
Less unrestricted deficit in net position resulting from implementation of GASB Statement No. 68 and No. 71		38,365,213
Unrestricted net position, exclusive of the net pension liability effect	\$	6,023,135

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 \$818,509.
- The principal retirement of \$1,632,000 of long-term debt.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$33,356,902 and \$32,216,463, respectively. The total cost of all programs and services was \$32,115,997 for 2015 and \$31,818,467 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal year ended June 30, 2015 and June 30, 2014.

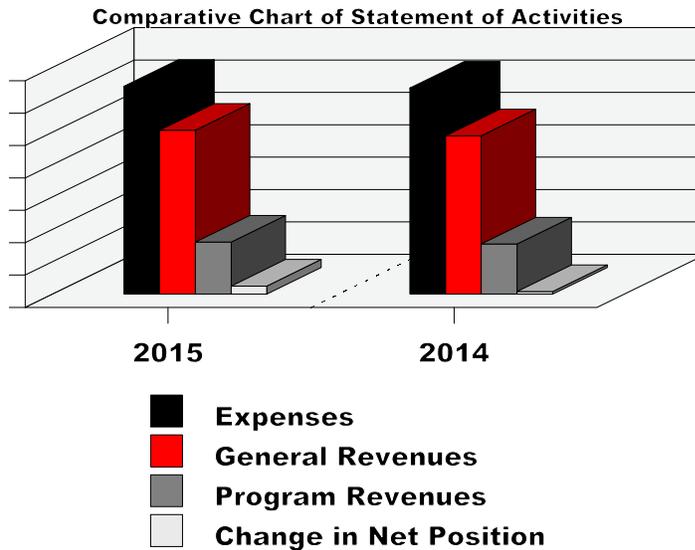
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Picayune School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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

	<b>Year Ended June 30, 2015</b>	<b>Year Ended June 30, 2014</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 618,347	695,097	(11)%
Operating grants and contributions	7,431,148	7,052,817	5%
General revenues:			
Property taxes	8,718,028	8,531,525	2%
Grants and contributions not restricted	16,063,837	15,358,732	5%
Unrestricted investment earnings	80,257	267,974	(70)%
Sixteenth section sources	191,474	211,664	(10)%
Other	<u>253,811</u>	<u>98,654</u>	157%
Total revenues	<u>33,356,902</u>	<u>32,216,463</u>	4%
<b>Expenses:</b>			
Instruction	15,794,080	16,979,568	(7)%
Support services	11,692,593	12,272,544	(5)%
Non-instructional	2,228,997	2,307,884	(3)%
Sixteenth section	9,358	13,175	(29)%
Pension expense	2,202,932		
Interest on long-term liabilities	<u>188,037</u>	<u>245,296</u>	(23)%
Total expenses	<u>32,115,997</u>	<u>31,818,467</u>	1%
<b>Increase (Decrease) in net position</b>	<u>1,240,905</u>	<u>397,996</u>	212%
<b>Net Position, July 1, as previously reported</b>	17,470,942	17,196,169	2%
<b>Prior Period Adjustment</b>	<u>(38,464,198)</u>	<u>(123,223)</u>	(31115)%
<b>Net Position (Deficit), July 1, as restated</b>	<u>(20,993,256)</u>	<u>17,072,946</u>	(223)%
<b>Net Position (Deficit), June 30</b>	<u>\$ (19,752,351)</u>	<u>17,470,942</u>	(213)%

**Picayune School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**



**Governmental activities**

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

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

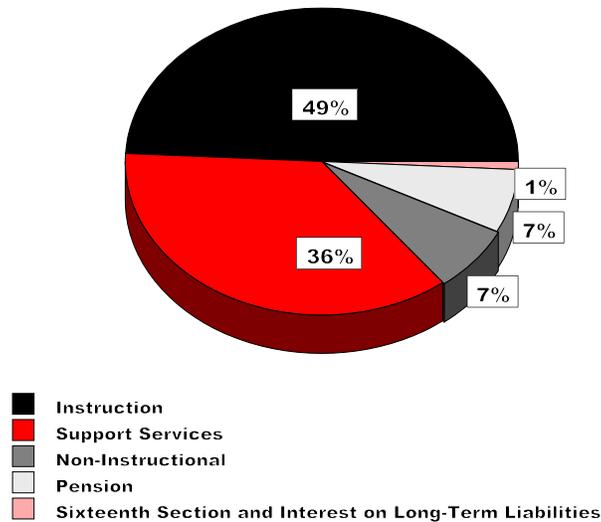
	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 15,794,080	16,979,568	(7)%
Support services	11,692,593	12,272,544	(5)%
Non-instructional	2,228,997	2,307,884	(3)%
Sixteenth section	9,358	13,175	(29)%
Pension expense	2,202,932		
Interest on long-term liabilities	188,037	245,296	(23)%
<b>Total expenses</b>	<b>\$ 32,115,997</b>	<b>31,818,467</b>	<b>1%</b>

**Picayune School District**  
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**Net (Expense) Revenue**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Instruction	\$ (12,041,117)	(13,393,929)	(10)%
Support services	(9,866,771)	(10,520,031)	(6)%
Non-instructional	241,713	101,878	137%
Sixteenth section	(9,358)	(13,175)	(29)%
Pension expense	(2,202,932)		
Interest on long-term liabilities	(188,037)	(245,296)	(23)%
<b>Total net (expense) revenue</b>	<b>\$ (24,066,502)</b>	<b>(24,070,553)</b>	<b>0%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$24,066,502 for 2015 and \$24,070,553 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$8,718,028 for 2015 and \$8,531,525 for 2014) and state and federal revenues (\$16,063,837 for 2015 and \$15,358,732 for 2014). In addition, there was \$191,474 and \$211,664 in Sixteenth Section sources for 2015 and 2014 respectively.
- Investment earnings amounted to \$80,257 for 2015 and \$267,974 for 2014.

**Picayune School District**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2015

**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 \$8,742,393, a decrease of \$1,762,283, which includes a decrease in inventory of \$15,413. \$5,454,959, or 62% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,287,434, or 38% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$422,473, which includes a fund reclassification of \$657,968. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,184,756, which includes a fund reclassification of \$(657,968) and a decrease in inventory of \$15,413. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
EHS Expansion 2014-2015 Fund	no increase or decrease

**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 and a major special revenue fund is provided in this report as required supplementary information.

**Picayune School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$25,217,672, 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 \$1,367,256 from 2014. Total accumulated depreciation as of June 30, 2015, was \$9,561,617, and total depreciation expense for the year was \$563,699, resulting in total net capital assets of \$15,656,055.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 421,785	421,785	0%
Construction in progress	538,744	502,044	7%
Buildings	11,909,770	10,918,059	9%
Building improvements	604,521	627,034	(4)%
Improvements other than buildings	865,350	918,849	(6)%
Mobile equipment	712,343	863,145	(17)%
Furniture and equipment	603,542	586,630	3%
<b>Total</b>	<u>\$ 15,656,055</u>	<u>14,837,546</u>	6%

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

**Debt Administration.** At June 30, 2015, the District had \$5,742,613 in outstanding long-term debt, of which \$140,000 is due within one year. The liability for compensated absences increased \$16,415 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 500,000	632,000	(21)%
Qualified zone academy bonds payable		1,000,000	(100)%
Qualified school construction bonds payable	5,039,000	6,000,000	(16)%
Compensated absences payable	203,613	187,198	9%
<b>Total</b>	<u>\$ 5,742,613</u>	<u>7,819,198</u>	(27)%

**Picayune School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

**CURRENT ISSUES AND OTHER INFORMATION**

The Picayune 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. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2014-2015 year increased 4% to 4,246 students from prior year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Picayune School District, 706 Goodyear Blvd., Picayune, MS 39466.

## FINANCIAL STATEMENTS

**PICAYUNE SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 7,139,665
Due from other governments	1,049,489
Inventories	41,889
Restricted assets	870,856
Capital assets, non-depreciable:	
Land	421,785
Construction in progress	538,744
Capital assets, net of accumulated depreciation:	
Buildings	11,909,770
Building improvements	604,521
Improvements other than buildings	865,350
Mobile equipment	712,343
Furniture and equipment	603,542
Total Assets	24,757,954
 <b>Deferred Outflows of Resources</b>	
Pension related	3,583,012
Total Deferred Outflows of Resources	3,583,012
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	359,508
Interest payable on long-term liabilities	42,971
Long-term liabilities, due within one year:	
Capital related liabilities	140,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,399,000
Non-capital related liabilities	203,613
Net pension liability	36,056,917
Total Liabilities	42,202,009
 <b>Deferred Inflows of Resources</b>	
Pension related	5,891,308
Total Deferred Inflows of Resources	5,891,308
 <b>Net Position</b>	
Net investment in capital assets	10,117,055
Restricted for:	
Expendable:	
School-based activities	937,640
Debt service	1,169,476
Forestry improvements	172,296
Unemployment benefits	98,974
Non-Expendable:	
Sixteent section	94,286
Unrestricted	(32,342,078)
Total Net Position (Deficit)	\$ (19,752,351)

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

**PICAYUNE SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,794,080	\$ 292,298	\$ 3,460,665	\$ (12,041,117)
Support services	11,692,593	-	1,825,822	(9,866,771)
Non-instructional	2,228,997	326,049	2,144,661	241,713
Sixteenth section	9,358	-	-	(9,358)
Pension expense	2,202,932	-	-	(2,202,932)
Interest on long-term liabilities	188,037	-	-	(188,037)
Total Governmental Activities	<u>\$ 32,115,997</u>	<u>\$ 618,347</u>	<u>\$ 7,431,148</u>	<u>\$ (24,066,502)</u>

General Revenues:

Taxes:

    General purpose levies

8,429,411

    Debt purpose levies

288,617

Unrestricted grants and contributions:

    State

15,956,560

    Federal

107,277

Unrestricted investment earnings

80,257

Sixteenth section sources

191,474

Other

253,811

    Total General Revenues

25,307,407

Change in Net Position

1,240,905

Net Position - Beginning, as previously reported

17,470,942

Prior Period Adjustment

(38,464,198)

Net Position (Deficit) - Beginning, as restated

(20,993,256)

Net Position (Deficit) - Ending

\$ (19,752,351)

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

**PICAYUNE SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	EHS Expansion 2014-2015 Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 5,434,513	3,493	2,353	1,793,595	7,233,954
Investments	-	-	-	776,569	776,569
Due from other governments	368,442	168,497	207,781	304,769	1,049,489
Due from other funds	672,490	-	-	-	672,490
Inventories	-	-	-	41,889	41,889
<b>Total Assets</b>	<b>6,475,445</b>	<b>171,990</b>	<b>210,134</b>	<b>2,916,822</b>	<b>9,774,391</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 248,694	3,493	2,353	104,968	359,508
Due to other funds	-	168,497	207,781	296,212	672,490
<b>Total Liabilities</b>	<b>248,694</b>	<b>171,990</b>	<b>210,134</b>	<b>401,180</b>	<b>1,031,998</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	41,889	41,889
Permanent fund principal	-	-	-	94,286	94,286
<b>Restricted:</b>					
Debt service	-	-	-	1,212,447	1,212,447
Unemployment benefits	-	-	-	98,974	98,974
Forestry improvements	-	-	-	172,296	172,296
Food service	-	-	-	811,186	811,186
Grant activities	-	-	-	84,564	84,564
<b>Assigned:</b>					
Activity funds	771,792	-	-	-	771,792
<b>Unassigned</b>					
	5,454,959	-	-	-	5,454,959
<b>Total Fund Balances</b>	<b>6,226,751</b>	<b>-</b>	<b>-</b>	<b>2,515,642</b>	<b>8,742,393</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,475,445</b>	<b>171,990</b>	<b>210,134</b>	<b>2,916,822</b>	<b>9,774,391</b>

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

**PICAYUNE SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 8,742,393

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

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

Land	\$ 421,785	
Construction in progress	538,744	
Buildings	16,759,290	
Building improvements	863,807	
Improvements other than buildings	1,417,209	
Mobile equipment	3,655,065	
Furniture and equipment	1,561,772	
Accumulated depreciation	<u>(9,561,617)</u>	15,656,055

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

Net pension liability	(36,056,917)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	3,583,012	
Deferred inflows of resources related to pensions	<u>(5,891,308)</u>	(38,365,213)

3. 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 school construction bonds	(5,039,000)	
Three mill notes	(500,000)	
Compensated absences	(203,613)	
Accrued interest payable	<u>(42,971)</u>	(5,785,584)

4. Rounding difference (2)

**Net position of governmental activities** **\$ (19,752,351)**

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

**PICAYUNE SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2015**

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHS Expansion 2014-2015 Fund		
<b>Revenues:</b>					
Local sources	\$ 8,868,507	-	-	777,853	\$ 9,646,360
State sources	16,074,209	-	-	609,616	16,683,825
Federal sources	107,278	1,429,460	1,661,345	3,613,079	6,811,162
Sixteenth section sources	196,775	-	-	2,023	198,798
Total Revenues	25,246,769	1,429,460	1,661,345	5,002,571	33,340,145
<b>Expenditures:</b>					
Instruction	13,341,225	1,086,957	797,899	2,264,029	17,490,110
Support services	10,081,006	328,094	846,103	1,236,413	12,491,616
Noninstructional services	1,839	14,409	17,343	2,176,423	2,210,014
Sixteenth section	7,584	-	-	1,774	9,358
Facilities acquisition and construction	95,500	-	-	518,029	613,529
Debt service:					
Principal	-	-	-	1,632,000	1,632,000
Interest	32,290	-	-	158,862	191,152
Other	2,500	-	-	3,497	5,997
Total Expenditures	23,561,944	1,429,460	1,661,345	7,991,027	34,643,776
Excess (Deficiency) of Revenues over (under) Expenditures	1,684,825	-	-	(2,988,456)	(1,303,631)
<b>Other Financing Sources (Uses):</b>					
Proceeds of notes issued	-	-	-	500,000	500,000
Insurance recovery	16,760	-	-	-	16,760
Sale of other property	1,001	-	-	-	1,001
Other financing sources	-	-	-	260,555	260,555
Operating transfers in	5,610	-	-	1,769,820	1,775,430
Operating transfers out	(1,658,004)	-	-	(117,426)	(1,775,430)
Funds returned to escrow agent	(285,687)	-	-	(675,313)	(961,000)
Other financing uses	-	-	-	(260,555)	(260,555)
Total Other Financing Sources (Uses)	(1,920,320)	-	-	1,477,081	(443,239)
Net Change in Fund Balances	(235,495)	-	-	(1,511,375)	(1,746,870)
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	5,804,278	-	-	4,703,398	10,507,676
Fund reclassification	657,968	-	-	(657,968)	-
July 1, 2014, as restated	6,462,246	-	-	4,045,430	10,507,676
Increase (Decrease) in inventory	-	-	-	(15,413)	(15,413)
June 30, 2015	\$ 6,226,751	-	-	2,518,642	8,745,393

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

**PICAYUNE SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (1,746,870)

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

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

Capital outlay	\$ 676,601	
Depreciation expense	(563,699)	112,902

2. The gain or loss on the sale of capital assets is not reported in the funds. (12,008)

3. Proceeds from sale of assets are reported as revenues in the governmental funds but only the gain or loss is reported in the Statement of Activities. (1,002)

4. 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 amortized in the statement of activities:

Notes issued	(500,000)	
Funds returned to escrow agent	961,000	
Accrued interest on debt escrow	(3,003)	
Payments of debt principal	1,632,000	
Accrued interest payable	12,111	2,102,108

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

Change in compensated absences	(16,415)	
Change in inventory	(15,413)	
District pension contributions after measurement date	3,020,534	
Pension expense	(2,202,932)	785,774

6. Rounding difference. 1

**Change in net position of governmental activities** \$ 1,240,905

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

PICAYUNE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position  
June 30, 2015

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 132,698	\$ 1,879,045
Total Assets	<u>132,698</u>	<u>1,879,045</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		1,800,044
Due to student clubs		79,001
Total Liabilities		<u>\$ 1,879,045</u>
<b>Net Position</b>		
Reserved for endowments	132,698	
Total Net Position	<u>\$ 132,698</u>	

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

PICAYUNE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Changes in Net Position  
June 30, 2015

Exhibit F

	Private-Purpose Trust Funds
<b>Additions:</b>	
Interest on investments	\$ 992
Contributions and donations from private sources	4,850
Total Additions	<u>5,842</u>
<b>Deductions:</b>	
Scholarships awarded	<u>5,500</u>
Total Deductions	<u>5,500</u>
<b>Changes in Net Position</b>	<u>342</u>
<b>Net Position</b>	
July 1, 2014	132,356
June 30, 2015	\$ <u><u>132,698</u></u>

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

**Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

## **Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **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 Picayune 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, Picayune 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.

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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.

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.

Title I Fund - This is the school district's fund that accounts for the monies received from the Title I program, which serves to fund remedial math and reading services to low-income, program eligible students.

EHS Expansion 2014-2015 Fund - This fund is used to account for funds related to Early Head Start Program.

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 school district also reports fiduciary funds which focus on net position and changes in net position.

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

The District's fiduciary fund include the following:

**Scholarship Funds** - This fund serves to receive contributions and account for expenditures for scholarships.

**Payroll Clearing Fund** - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equals liabilities) and do not involve measurement of results of operations.

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

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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.

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **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, 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.

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

##### 1. Cash, Cash equivalents and Investments

###### Cash and cash equivalents

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

###### 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.

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bonds and Qualified School Construction Bonds sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the

# Picayune School District

## Notes to the Financial Statements For the Year Ended June 30, 2015

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 governmental column 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.

The following schedule details the capitalization thresholds:

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

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

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

#### 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 periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 periods an so will not be recognized as an inflow of resources (revenue) until that time.

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 and Bond Discounts/ Premiums

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

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

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### 10. Pensions

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

### 11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the fund balance commitments being approved by the School Board during School Board meeting and being documented in the minutes of the meetings 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

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the District's management pursuant to authorization established by the District's 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 is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of the District Maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### 12. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

### **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

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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 deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,233,954 and \$2,011,743, 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. As of June 30, 2015, none of the district's bank balance of \$9,772,512 was exposed to custodial credit risk.

## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

#### Investments

As of June 30, 2015, the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds and Qualified Zone Academy Bonds described in Notes 11 and 12.

Investment Type	Rating	Maturities (in years)	Fair Value
Federated Government Obligation Tax	AAAm	less than a year	\$ 247,216
U.S. Treasury SLGS	N/A	more than a year	529,353
			<u>\$ 776,569</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 investments 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, 2015, the district did not have any investments to which this would apply. These investments are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2015, the district had the following investment:

Issuer	Fair Value	% of Total Investments
Federal Government Obligation Tax	\$ 247,216	32%
U.S. Treasury SLGS	529,353	68%
	<u>\$ 776,569</u>	<u>100%</u>

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### 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	Title I Fund	\$ 168,497
	EHS Expansion 2014-2015 Fund	207,781
	Other Governmental Funds	<u>296,212</u>
Total		\$ <u><u>672,490</u></u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

#### B. Inter-fund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,610
Other Governmental Funds	General Fund	1,658,004
	Other Governmental Funds	<u>111,816</u>
Total		\$ <u><u>1,775,430</u></u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfers out of the governmental funds was a result of normal business operations.

### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$94,287 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$247,216 and \$529,353, respectively, of the Qualified School Construction Bond Fund and the Qualified School Construction Bond 2011 Fund.

**Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 5 - Capital Assets**

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

	Balance 7-1-2014	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2015
<u>Non-depreciable capital assets:</u>						
Land	\$ 421,785					421,785
Construction in progress	502,044	601,490		(922,858)	358,068	538,744
Total non-depreciable capital assets	<u>923,829</u>	<u>601,490</u>	<u>0</u>	<u>(922,858)</u>	<u>358,068</u>	<u>960,529</u>
<u>Depreciable capital assets:</u>						
Buildings	15,460,685			922,858	375,747	16,759,290
Building improvements	851,768	12,039				863,807
Improvements other than buildings	1,417,209					1,417,209
Mobile equipment	3,661,215				(6,150)	3,655,065
Furniture and equipment	1,535,710	63,072	37,010			1,561,772
Total depreciable capital assets	<u>22,926,587</u>	<u>75,111</u>	<u>37,010</u>	<u>922,858</u>	<u>369,597</u>	<u>24,257,143</u>
<u>Less accumulated depreciation for:</u>						
Buildings	4,542,626	299,379			7,515	4,849,520
Building improvements	224,734	34,552				259,286
Improvements other than buildings	498,360	53,499				551,859
Mobile equipment	2,798,070	150,187			(5,535)	2,942,722
Furniture and equipment	949,080	26,082	24,000		7,068	958,230
Total accumulated depreciation	<u>9,012,870</u>	<u>563,699</u>	<u>24,000</u>	<u>0</u>	<u>9,048</u>	<u>9,561,617</u>
Total depreciable capital assets, net	<u>13,913,717</u>	<u>(488,588)</u>	<u>13,010</u>	<u>922,858</u>	<u>360,549</u>	<u>14,695,526</u>
Governmental activities capital assets, net	<u>\$ 14,837,546</u>	<u>112,902</u>	<u>13,010</u>	<u>0</u>	<u>718,617</u>	<u>15,656,055</u>

Adjustments were made to correctly present capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 243,725
Support services	216,731
Non-instructional	103,243
Total depreciation expense	<u>\$ 563,699</u>

**Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

Construction in progress is composed of:

	<u>Spent to June 30, 2015</u>	<u>Remaining Commitment</u>
<b>Governmental Activities:</b>		
Entrance at South Side	\$ 226,012	\$ 6,500
Baseball	217,232	204,183
Stadium Turf	<u>95,500</u>	<u>174,378</u>
Total construction in progress	<u>\$ 538,744</u>	<u>\$ 385,061</u>

Construction projects included in governmental activities are funded from Qualified School Construction Bonds and District Maintenance.

**Note 6 - Long-term Liabilities**

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

	<u>Balance 7-1-2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2015</u>	<u>Amounts due within one year</u>
A. Three mill notes payable	\$ 632,000	500,000	632,000	500,000	140,000
B. Qualified zone academy bonds	1,000,000		1,000,000	0	
C. Qualified school construction bonds payable	6,000,000		961,000*	5,039,000	
D. Compensated absences payable	<u>187,198</u>	<u>16,415</u>		<u>203,613</u>	
Total	<u>\$ 7,819,198</u>	<u>516,415</u>	<u>2,593,000</u>	<u>5,742,613</u>	<u>140,000</u>

\* This represent funds returned to escrow agent that diminished the debt during the year.

**A. Three mill notes payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill note	.48-1.49%	03-25-15	03-25-19	\$ <u>1,500,000</u>	<u>500,000</u>

**Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 140,000	18,359	158,359
2017	136,000	12,872	148,872
2018	143,000	7,083	150,083
2019	<u>81,000</u>	<u>2,058</u>	<u>83,058</u>
Total	<u>\$ 500,000</u>	<u>40,372</u>	<u>540,372</u>

This debt will be retired from the Three Mill Note Retirement Fund.

**B. 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 Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy bond, Series 2001	0.00%	08-12-04	06-30-15	\$ <u>1,000,000</u>	<u>0</u>

This debt was paid off during the year and retired from the QZAB Note Retirement Fund.

**C. 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 Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB Series 2010	0.84%	01-15-10	08-15-24	\$ 3,000,000	3,000,000
QSCB Series 2011	0.00%	05-01-11	05-01-26	<u>3,000,000</u>	<u>2,039,000</u>
				<u>\$ 6,000,000</u>	<u>5,039,000</u>

**D. Compensated absences payable**

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

## **Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **Note 7 - Other Commitments**

Commitments under construction contracts are described in Note 5.

### **Note 8 - Defined Benefit Pension Plan**

#### **General Information about the Pension Plan**

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report 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.

**Benefits provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the numbers of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.



## Picayune School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,343,411)
2017	(1,343,411)
2018	(1,335,330)
2019	<u>(1,306,679)</u>
Total	\$ <u><u>(5,328,831)</u></u>

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 - 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025 set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 49,156,330	\$ 36,056,917	\$ 25,130,058

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

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### Note 9 - 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 June 30		Amount
2016	\$	166,098
2017		166,098
2018		166,098
2019		166,098
2020		161,868
2021 - 2025		777,295
2026 - 2030		762,461
2031 - 2035		614,916
2036 - 2040		509,810
Total	\$	<u>3,490,742</u>

### Note 10 - Risk Management

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

### Note 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 Trustmark National Bank, has entered into such an arrangement dated January 15, 2005.

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 on or before October 16th. The amount accumulated in the sinking

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

fund at the end of the ten year period was sufficient to retire the debt. See Note 6 for more details.

### 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. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2015 was \$776,569. 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.

#### Series 2010

Year Ending June 30	Amount
2016	\$ 135,000
2017	135,000
2018	135,000
2019	190,000
2020	295,000
2021 - 2025	1,870,000
Total	\$ <u>2,760,000</u>

## Picayune School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### Series 2011

Year Ending June 30		Amount
2016	\$	170,000
2017		170,000
2018		170,000
2019		385,000
2020		235,000
2021 - 2025		1,175,000
2026		<u>365,000</u>
Total	\$	<u><u>2,670,000</u></u>

### Total

Year Ending June 30		Amount
2016	\$	305,000
2017		305,000
2018		305,000
2019		575,000
2020		530,000
2021 - 2025		3,045,000
2026		<u>365,000</u>
Total	\$	<u><u>5,430,000</u></u>

### Note 13 - Effects of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,342,078) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$3,583,012 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$32,342,078) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$5,891,308 balance of deferred inflow of resources at June 30, 2015 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

### Note 14 - Insurance loss recoveries

The Picayune School District received \$16,760 in insurance loss recoveries related to lighting damage to several schools during the 2014 - 2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

**Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

	Insurance Loss Recoveries	Percentage	Expense Function
\$	9,370	56%	Instruction
	7,390	44%	Non-instructional
\$	16,760	100%	

**Note 15 - Prior Period Adjustments**

A summary of significant net position/fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (06-30-14)	(42,041,684)
Deferred outflows - contributions made during fiscal year 2014	<u>2,858,869</u>
Total prior period adjustment related to GASB 68 and 71	(39,182,815)
2. To correctly present capital assets	<u>718,617</u>
Total	<u>\$ (38,464,198)</u>

**Note 16 - Contingencies**

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

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

## **Picayune School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **Note 17 - Fund Reclassification**

The Sixteenth Section Interest Fund beginning fund balance of \$657,968 was reclassified from the Special Revenue Fund to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

### **Note 18 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Picayune School District evaluated the activity of the district through 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 statement.

## REQUIRED SUPPLEMENTARY INFORMATION

**PICAYUNE SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2015

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 8,520,807	8,868,507	8,868,507	347,700	-
State sources	16,009,215	16,074,210	16,074,209	64,995	(1)
Federal sources	121,500	107,277	107,278	(14,223)	1
Sixteenth section sources	-	196,774	196,775	196,774	1
Total Revenues	<u>24,651,522</u>	<u>25,246,768</u>	<u>25,246,769</u>	<u>595,246</u>	<u>1</u>
<b>Expenditures:</b>					
Instruction	13,698,922	13,332,640	13,341,225	(366,282)	8,585
Support services	10,040,907	10,081,006	10,081,006	40,099	-
Noninstructional services	-	1,839	1,839	1,839	-
Sixteenth section	-	7,584	7,584	7,584	-
Facilities acquisition and construction	-	95,500	95,500	95,500	-
Debt service:					
Principal	-	-	32,290	-	32,290
Other	-	2,500	2,500	2,500	-
Total Expenditures	<u>23,739,829</u>	<u>23,521,069</u>	<u>23,561,944</u>	<u>218,760</u>	<u>(40,875)</u>
Excess (Deficiency) of Revenues Over Under Expenditures	<u>911,693</u>	<u>1,725,699</u>	<u>1,684,825</u>	<u>814,006</u>	<u>(40,874)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	16,760	16,760	16,760	-
Sale of transportation equipment	1,000	-	-	(1,000)	-
Sale of other property	-	1,001	1,001	1,001	-
Operating transfers in	3,732,556	3,732,094	5,610	(462)	(3,726,484)
Operating transfers out	(5,253,918)	(5,384,489)	(1,658,004)	(130,571)	3,726,485
Other financing uses	-	(317,976)	-	(317,976)	317,976
Funds returned to escrow agent	-	-	(285,687)	-	(285,687)
Total Other Financing Sources (Uses)	<u>(1,520,362)</u>	<u>(1,952,610)</u>	<u>(1,920,320)</u>	<u>(432,248)</u>	<u>32,290</u>
Net Change in Fund Balances	<u>(608,669)</u>	<u>(226,911)</u>	<u>(235,495)</u>	<u>381,758</u>	<u>(8,584)</u>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	5,313,869	5,804,279	5,804,278	490,410	(1)
Fund reclassification	-	-	657,968	-	657,968
July 1, 2014, as restated	<u>5,313,869</u>	<u>5,804,279</u>	<u>6,462,246</u>	<u>490,410</u>	<u>657,967</u>
June 30, 2015	<u>\$ 4,705,200</u>	<u>5,577,368</u>	<u>6,226,751</u>	<u>872,168</u>	<u>649,383</u>

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

**PICAYUNE SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2015

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,302,954	1,302,954	1,429,460	-	126,506
Total Revenues	<u>1,302,954</u>	<u>1,302,954</u>	<u>1,429,460</u>	<u>-</u>	<u>126,506</u>
<b>Expenditures:</b>					
Instruction	1,155,354	1,318,039	1,086,957	162,685	231,082
Support services	23,432	488,228	328,094	464,796	160,134
Noninstructional services	-	18,853	14,409	18,853	4,444
Total Expenditures	<u>1,178,786</u>	<u>1,825,120</u>	<u>1,429,460</u>	<u>646,334</u>	<u>395,660</u>
Excess (Deficiency) of Revenues Over Under Expenditures	<u>124,168</u>	<u>(522,166)</u>	<u>-</u>	<u>(646,334)</u>	<u>522,166</u>
Net Change in Fund Balances	<u>124,168</u>	<u>(522,166)</u>	<u>-</u>	<u>(646,334)</u>	<u>522,166</u>
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ 124,168</u>	<u>(522,166)</u>	<u>-</u>	<u>(646,334)</u>	<u>522,166</u>

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

**PICAYUNE SCHOOL DISTRICT**

Budgetary Comparison Schedule  
 EHS Expansion 2014-2015 Fund  
 For the Year Ended June 30, 2015

**Exhibit 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,690,963	1,661,345	1,661,345	(29,618)	-
Total Revenues	<u>1,690,963</u>	<u>1,661,345</u>	<u>1,661,345</u>	<u>(29,618)</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	721,323	797,898	797,899	(76,575)	(1)
Support services	944,640	846,102	846,103	98,538	(1)
Noninstructional services	25,000	17,343	17,343	7,657	-
Total Expenditures	<u>1,690,963</u>	<u>1,661,343</u>	<u>1,661,345</u>	<u>29,620</u>	<u>(2)</u>
Excess (Deficiency) of Revenues Over Under Expenditures	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>(2)</u>
Net Change in Fund Balances	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>(2)</u>
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ -</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>(2)</u>

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

**Picayune School District**

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

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
District's proportion of the net pension liability (asset) \$	36,056,917
District's proportionate share of the net pension liability (asset)	0.297054%
District's covered - employee payroll	18,151,549
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.643742%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

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

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

**Picayune School District**  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years\*

Contractually required contribution	\$	<u>2015</u> 3,020,534
Contributions in relation to the contractually required contribution		3,020,534
Contribution deficiency (excess)	\$	<u><u>-</u></u>
District's covered - employee payroll		19,177,994
Contributions as a percentage of covered - employee payroll		15.75%

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

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

## **Picayune School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## SUPPLEMENTARY INFORMATION

**Picayune School District**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 518,476
National School Lunch Program	10.555	1,588,905
Summer Food Service Program for Children	10.559	54,566
Total Child Nutrition Cluster		<u>2,161,947</u>
Fresh Fruits and Vegetables Program	10.582	24,000
Schools and Roads - Grants to States	10.665	9,039
Subtotal		<u>33,039</u>
Total passed-through the Mississippi Department of Education		<u>2,194,986</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,194,986</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	60,970
<b>Total U.S. Department of Defense</b>		<u>60,970</u>
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	72,745
<b>Total Federal Communications Commission</b>		<u>72,745</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,495,229
Career and Technical Education - Basic Grants to States	84.048	52,492
Rural Education	84.358	53,626
Improving Teacher Quality - State Grants	84.367	264,812
Sub-total		<u>1,866,159</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	766,215
Special Education - Preschool Grants	84.173	38,074
Total Special Education Cluster		<u>804,289</u>
Total passed-through the Mississippi Department of Education		<u>2,670,448</u>
<b>Total U.S. Department of Education</b>		<u>2,670,448</u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed through the Administration for Children and Families		
Head Start	93.600	1,786,519
Total passed-through the Administration for Children and Families		<u>1,786,519</u>
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	25,494
Total passed-through the Mississippi Department of Education		<u>25,494</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>1,812,013</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>6,811,162</u></b>

**Notes to Schedule**

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

**Picayune School District**

**Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2015

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 26,347,571	18,475,160	1,275,728	2,305,335	4,291,348
Other	8,296,205	1,834,445	296,042	73,203	6,092,515
Total	<u>\$ 34,643,776</u>	<u>20,309,605</u>	<u>1,571,770</u>	<u>2,378,538</u>	<u>10,383,863</u>
Total number of students *	<u>4,246</u>				
Cost per student	<u>\$ 8,159</u>	<u>4,783</u>	<u>370</u>	<u>560</u>	<u>2,446</u>

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

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

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

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

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

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

## OTHER INFORMATION

**PICAYUNE SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 8,868,507	8,611,114	8,760,339	8,413,156
State sources	16,074,209	15,380,195	15,477,624	15,083,381
Federal sources	107,278	106,443	145,462	543,525
	196,775	-	-	-
Total Revenues	<u>25,246,769</u>	<u>24,097,752</u>	<u>24,383,425</u>	<u>24,040,062</u>
<b>Expenditures:</b>				
Instruction	13,341,225	12,840,595	12,603,462	12,655,901
Support services	10,081,006	9,536,532	9,389,810	9,284,971
Noninstructional services	1,839	4,844	945	5,232
Sixteenth section	7,584	-	-	-
Facilities acquisition and construction	95,500	-	-	20,742
Debt service:				
Principal	-	-	-	120,063
Interest	32,290	-	-	3,530
Other	2,500	-	-	-
Total Expenditures	<u>23,561,944</u>	<u>22,381,971</u>	<u>21,994,217</u>	<u>22,090,439</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,684,825</u>	<u>1,715,781</u>	<u>2,389,208</u>	<u>1,949,623</u>
<b>Other Financing Sources (Uses):</b>				
Sale of transportation equipment	-	-	11,199	1,767
Insurance recovery	16,760	-	-	-
Sale of other property	1,001	65	-	4,100
Operating transfers in	5,610	-	2,058	-
Other financing sources	-	-	-	7,417
Operating transfers out	(1,658,004)	(1,284,792)	(1,267,499)	(1,432,844)
Funds returned to escrow agent	(285,687)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,920,320)</u>	<u>(1,284,727)</u>	<u>(1,254,242)</u>	<u>(1,419,560)</u>
Net Change in Fund Balances	<u>(235,495)</u>	<u>431,054</u>	<u>1,134,966</u>	<u>530,063</u>
<b>Fund Balances:</b>				
July 1, as previously reported	5,804,278	5,499,083	4,363,475	3,749,151
Fund reclassification	657,968	-	-	-
Prior period adjustment	-	(125,859)	642	84,261
July 1, as restated	<u>6,462,246</u>	<u>5,373,224</u>	<u>4,364,117</u>	<u>3,833,412</u>
June 30,	<u>\$ 6,226,751</u>	<u>5,804,278</u>	<u>5,499,083</u>	<u>4,363,475</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PICAYUNE SCHOOL DISTRICT**

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

"UNAUDITED"

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 9,646,360	9,586,822	9,913,190	9,320,353
State sources	16,683,825	15,990,441	16,196,500	15,709,282
Federal sources	6,811,162	6,421,108	6,504,048	7,521,978
Sixteenth section sources	198,798	218,091	243,468	173,228
Total Revenues	<u>33,340,145</u>	<u>32,216,462</u>	<u>32,857,206</u>	<u>32,724,841</u>
<b>Expenditures:</b>				
Instruction	17,490,110	16,763,100	16,735,376	17,157,230
Support services	12,491,616	12,054,387	12,158,310	11,979,400
Noninstructional services	2,210,014	2,273,746	2,183,438	2,184,616
Sixteenth section	9,358	13,175	-	15,813
Facilities acquisition and construction	613,529	177,259	691,822	224,495
Debt service:				
Principal	1,632,000	249,245	244,245	359,308
Interest	191,152	219,414	227,736	77,281
Other	5,997	4,458	33,712	1,800
Total Expenditures	<u>34,643,776</u>	<u>31,754,784</u>	<u>32,274,639</u>	<u>31,999,943</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,303,631)</u>	<u>461,678</u>	<u>582,567</u>	<u>724,898</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes issued	500,000	-	-	-
Insurance recovery	16,760	-	-	-
Sale of transportation equipment	-	-	11,199	1,767
Sale of other property	1,001	65	-	4,100
Transfer from QZAB/QSCB debt service agent	-	-	-	276,190
Operating transfers in	1,775,430	1,466,005	1,456,180	1,664,289
Other financing sources	260,555	268,003	271,185	7,417
Operating transfers out	(1,775,430)	(1,466,005)	(1,456,180)	(1,664,289)
Other financing uses	(260,555)	(268,003)	(271,185)	-
Funds returned to escrow agent	(961,000)	-	-	-
Transfer to QZAB/QSCB debt service agent	-	-	-	(276,190)
Total Other Financing Sources (Uses)	<u>(443,239)</u>	<u>65</u>	<u>11,199</u>	<u>13,284</u>
Net Change in Fund Balances	<u>(1,746,870)</u>	<u>461,743</u>	<u>593,766</u>	<u>738,182</u>
<b>Fund Balances:</b>				
July 1, as previously reported	10,507,676	10,154,327	9,545,629	8,817,171
Prior period adjustment	-	(123,223)	642	-
July 1, as restated	<u>10,507,676</u>	<u>10,031,104</u>	<u>9,546,271</u>	<u>8,817,171</u>
Increase (Decrease) in inventory	(15,413)	14,829	14,290	(9,724)
June 30,	<u>\$ 8,745,393</u>	<u>10,507,676</u>	<u>10,154,327</u>	<u>9,545,629</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Picayune School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Picayune School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Picayune School District's basic financial statements, and have issued our report thereon dated February 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Picayune 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Picayune School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Picayune School District's internal control.

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

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

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Picayune School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
February 4, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Picayune School District

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

We have audited Picayune School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Picayune School District major federal programs for the year ended June 30, 2015. The Picayune 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**

Our responsibility is to express an opinion on compliance for each of Picayune School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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

In our opinion, the Picayune 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 program for the year ended June 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned cost as Finding 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

Picayune School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Picayune School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the Picayune School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Picayune 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, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material

weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

Picayune School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Picayune School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 4, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Picayune School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Picayune School District as of and for the year ended June 30, 2015, which collectively comprise Picayune School District's basic financial statements and have issued our report thereon dated February 4, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 4, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Picayune School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting;
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
93.600	Head Start

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

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

### Section III: Federal Award Findings and Questioned Costs

The results of our tests disclose the following finding and questioned costs related to the federal awards.

#### **Finding 2015-001**

##### Significant Deficiency

Program CFDA #: 84.010

Program Name: Title I Grants to Local Educational Agencies

Compliance requirement: Allowable Cost Principle

##### **Condition:**

During the course of our audit, the auditor found no control in place to document time and effort.

##### **Criteria:**

The Title I employees should sign a semi-annual certification of activities in accordance with OMB Circular A-87, Attachment B, Paragraph 8.h.(3).

##### **Cause:**

Implementation of existing control lapsed due to a change in personnel status.

##### **Effect:**

As a result, controls were not in place to ensure that activities supported the cost objectives.

##### **Recommendation:**

The School District should furnish semi-annual certifications to employees for signatures of both the employee and a supervisory official with first hand knowledge of the employee's work.

## AUDITEE'S CORRECTIVE ACTION PLAN

**Picayune School District**  
706 Goodyear Blvd.  
Picayune, MS 39466  
**Dean Shaw - Superintendent**  
**Lisa Persick - Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_.315(c) of OMB Circular A-133, the Picayune School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Lisa Persick Phone Number: 601-798-3230</p> <p>b. Corrective Action Planned:</p> <p>School District will implement policies and procedures to ensure that all Title I employees will sign semi-annual certification of activities.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2016</p>