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MOSS POINT SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Moss Point School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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, schedule of the district's proportionate share of the net pension liability and schedule of district contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 24, 2016, on my consideration of the Moss Point School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moss Point School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Ridgeland, MS
June 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MOSS POINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the Moss Point 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 \$28,932,586, including a prior period adjustment of (\$31,219,531), which represents a 85.4% decrease from fiscal year 2014. Total net position for 2014 decreased \$1,301,213, which represents a 4% decrease from fiscal year 2013.
- General revenues amounted to \$20,912,140 and \$19,789,639, or 82% and 79% 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 \$4,627,246, or 18% of total revenues for 2015, and \$5,226,793, or 21% of total revenues for 2014.
- The District had \$23,252,441 and \$26,317,645 in expenses for fiscal years 2015 and 2014; only \$4,627,246 for 2015 and \$5,226,793 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,912,140 for 2015 were adequate to provide for these programs. General Revenues of \$19,789,639 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,138,021 in revenues and \$18,322,749 in expenditures for 2015, and \$20,202,229 in revenues and \$19,889,486 in expenditures in 2014. The General Fund's fund balance increased by \$1,758,706, including a prior period adjustment of (\$118,537) from 2014 to 2015, and decreased by \$795,278 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$429,084 for 2015 and increased by \$211,054 for 2014. The decrease for 2015 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$284,285 for 2015 and decreased by \$946,430 for 2014. This increase for 2015 was due primarily to the issuance of short fall notes and obligations under capital leases. The liability for compensated absences increased by \$2,587 for 2015 and decreased by \$46,156 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.

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, 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.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, schedule of the district's proportionate share of the net pension liability and schedule of district contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,929,525 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.

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

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 11,633,462	\$ 9,224,898	26.11 %
Restricted assets	4,391,428	4,383,906	0.17 %
Capital assets, net	27,305,585	27,734,669	(1.55) %
Total assets	43,330,475	41,343,473	4.81 %
Deferred outflows of resources	2,380,050	0	N/A
Current liabilities	2,598,582	2,161,540	20.22 %
Long-term debt outstanding	5,336,398	5,052,113	5.63 %
Net pension liability	26,703,972	0	N/A
Total liabilities	34,638,952	7,213,653	380.19 %
Deferred inflows of resources	6,142,048	267,709	2194.30 %
Net position:			
Net investment in capital assets	22,565,406	23,099,897	(2.31) %
Restricted	3,638,736	3,022,612	20.38 %
Unrestricted	(21,274,617)	7,739,602	(374.88) %
Total net position	\$ 4,929,525	\$ 33,862,111	(85.44) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$21,274,617)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	30,273,778
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,999,161</u>

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

- Decrease in net capital assets in the amount of \$429,084.
- The addition of \$284,285 in long term debt.
- Inclusion of net pension liability of \$26,703,972.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$25,539,386 and \$25,016,432, respectively. The total cost of all programs and services was \$23,252,441 for 2015 and \$26,317,645 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years 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.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 352,352	\$ 307,873	14.45 %
Operating grants and contributions	4,274,894	4,918,920	(13.09) %
General revenues:			
Property taxes	9,195,028	7,900,898	16.38 %
Grants and contributions not restricted	11,525,378	11,802,125	(2.34) %
Investment earnings	52,934	78,402	(32.48) %
Sixteenth section sources	1,926	8,214	(76.55) %
Other	136,874	0	N/A
Total revenues	25,539,386	25,016,432	2.09 %
Expenses:			
Instruction	9,858,643	12,516,755	(21.24) %
Support services	10,928,468	12,105,507	(9.72) %
Non-instructional	1,294,917	1,583,326	(18.22) %
Pension expense	1,060,743	0	N/A
Interest on long-term liabilities	109,670	112,057	(2.13) %
Total expenses	23,252,441	26,317,645	(11.65) %
Increase (Decrease) in net position	2,286,945	(1,301,213)	275.75 %
Net Position, July 1, as previously reported	33,862,111	35,163,324	(3.70) %
Prior Period Adjustment	(31,219,531)	0	N/A
Net Position, July 1, as restated	2,642,580	35,163,324	(92.48) %
Net Position, June 30	\$ 4,929,525	\$ 33,862,111	(85.44) %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, 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.

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 9,858,643	\$ 12,516,755	(21.24) %
Support services	10,928,468	12,105,507	(9.72) %
Non-instructional	1,294,917	1,583,326	(18.22) %
Pension Expense	1,060,743	0	N/A
Interest on long-term liabilities	109,670	112,057	(2.13) %
Total expenses	\$ 23,252,441	\$ 26,317,645	(11.65) %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (7,856,926)	\$ (10,233,719)	(23.23) %
Support services	(9,791,621)	(10,708,412)	(8.56) %
Non-instructional	193,765	(36,664)	(628.49) %
Pension Expense	(1,060,743)	0	N/A
Interest on long-term liabilities	(109,670)	(112,057)	(2.13) %
Total net (expense) revenue	\$ (18,625,195)	\$ (21,090,852)	(11.69) %

- Net cost of governmental activities (\$18,625,195 for 2015 and \$21,090,852 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$9,195,028 for 2015 and \$7,900,898 for 2014) and state and federal revenues (\$11,525,378 for 2015 and \$11,802,125 for 2014). In addition, there was \$1,926 and \$8,214 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$52,934 for 2015 and \$78,402 for 2014.

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 \$13,996,718, an increase of \$1,982,906, which includes a prior period adjustment of (\$118,537) and a decrease in inventory of \$9,091. \$4,016,610 or 28.7% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,980,108 or 71.3% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,758,706, which includes a prior period adjustment of (\$118,537). The fund balance of Other Governmental Funds showed an increase in the amount of \$191,187, which includes a decrease in reserve for inventory of \$9,091. The increase in the fund balance for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase</u>
QZAB Sinking Fund	\$ 33,013

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$39,971,667, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$330,887 from 2014. Total accumulated depreciation as of June 30, 2015, was \$12,666,082, and total depreciation expense for the year was \$1,077,617, resulting in total net capital assets of \$27,305,585.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2015	June 30, 2014	Percentage Change
Land	\$ 494,587	\$ 479,587	3.13 %
Construction in Progress	0	18,699,302	(100.00) %
Buildings	24,492,434	6,360,995	285.04 %
Building improvements	563,125	593,692	(5.15) %
Improvements other than buildings	400,369	422,778	(5.30) %
Mobile equipment	880,389	853,209	3.19 %
Furniture and equipment	344,586	325,106	5.99 %
Leased property under capital leases	130,095	0	N/A
Total	\$ 27,305,585	\$ 27,734,669	(1.55) %

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 \$5,336,398 in outstanding long-term debt, of which \$313,528 is due within one year. The liability for compensated absences increased \$2,587 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2015	June 30, 2014	Percentage Change
Shortfall notes payable	648,274	169,733	281.94 %
Obligations under capital leases	182,157	0	N/A
Qualified zone academy bonds payable	1,978,180	1,978,180	0.00 %
Qualified school construction bonds payable	2,387,650	2,766,650	(13.70) %
Compensated absences payable	140,137	137,550	1.88 %
Total	\$ 5,336,398	\$ 5,052,113	5.63 %

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

CURRENT ISSUES

The Moss Point School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future. The District actively pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Moss Point School District, 4924 Church Street, Moss Point, Mississippi 39563.

BASIC FINANCIAL STATEMENTS

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MOSS POINT SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 9,707,097
Due from other governments	1,056,884
Other receivables, net	3,192
Inventories	56,525
Prepaid items	809,764
Restricted assets (Note 4)	4,391,428
Non-depreciable capital assets (Note 5)	494,587
Depreciable capital assets, net (Note 5)	26,810,998
Total Assets	<u>43,330,475</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	2,380,050
Total Deferred Outflows of Resources	<u>2,380,050</u>
Liabilities	
Accounts payable and accrued liabilities	1,167,195
Interest payable on long-term liabilities	570,410
Other payables (Note 16)	860,977
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	42,123
Non-capital related liabilities	271,405
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,505,864
Non-capital related liabilities	517,006
Net pension liability (Note 7)	26,703,972
Total Liabilities	<u>34,638,952</u>
Deferred Inflows of Resources	
Deferred credit on bonds payable - Qualified zone academy bonds	52,182
Deferred credit on bonds payable - Qualified school construction bonds	140,010
Deferred inflow - pensions	5,949,856
Total Deferred Inflows of Resources	<u>6,142,048</u>
Net Position	
Net investment in capital assets	22,565,406
Restricted net position	
Expendable	
School-based activities	397,775
Debt service	3,071,854
Capital Projects	22
Forestry improvements	482
Unemployment benefits	161,674
Non-expendable	
Sixteenth section	6,929
Unrestricted	<u>(21,274,617)</u>
Total Net Position	<u>\$ 4,929,525</u>

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

MOSS POINT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 9,858,643	222,260	1,779,457	(7,856,926)
Support services	10,928,468		1,136,847	(9,791,621)
Non-instructional	1,294,917	130,092	1,358,590	193,765
Pension expense	1,060,743			(1,060,743)
Interest on long-term liabilities	109,670			(109,670)
Total Governmental Activities	23,252,441	352,352	4,274,894	(18,625,195)
General Revenues				
Taxes				
				8,442,589
				752,439
Unrestricted grants and contributions				
				11,444,972
				80,406
				52,934
				1,926
				136,874
				<u>20,912,140</u>
				<u>2,286,945</u>
				33,862,111
				(31,219,531)
				<u>2,642,580</u>
				<u>\$ 4,929,525</u>

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

MOSS POINT SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2015

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	QZAB Sinking Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents (Note 2)	\$ 9,707,097		1,457,224	11,164,321
Cash with fiscal agent (Note 2)		24,022	2,462	26,484
Investments (Note 2)		2,465,464	442,256	2,907,720
Due from other governments	875,175		181,709	1,056,884
Due from other funds (Note 3)	120,799			120,799
Inventories	45,277		11,248	56,525
Prepaid items	809,764			809,764
Total Assets	11,561,304	2,489,486	2,094,899	16,145,689
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	1,098,549		68,646	1,167,195
Due to other funds (Note 3)	675,183		221,854	897,037
Other payables			84,739	84,739
Total Liabilities	1,773,732	0	375,239	2,148,971
Fund Balances				
Nonspendable				
Inventory	45,278		11,248	56,526
Permanent fund principal			6,929	6,929
Prepaid items	809,764			809,764
Restricted				
Debt service		2,489,486	1,152,778	3,642,264
Capital projects			22	22
Forestry improvements			482	482
Unemployment benefits			161,674	161,674
Grant activities			386,527	386,527
Assigned				
School activities	80,432			80,432
Facility repairs and renovations	4,835,488			4,835,488
Unassigned	4,016,610			4,016,610
Total Fund Balances	9,787,572	2,489,486	1,719,660	13,996,718
Total Liabilities and Fund Balances	\$ 11,561,304	2,489,486	2,094,899	16,145,689

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

MOSS POINT SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2015

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds		\$ 13,996,718
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	494,587	
Buildings	32,623,815	
Building improvements	764,187	
Improvement other than buildings	560,223	
Mobile equipment	2,553,678	
Furniture and equipment	2,823,652	
Leased property under capital lease	151,525	
Accumulated depreciation	<u>(12,666,082)</u>	27,305,585
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(26,703,972)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	2,380,050	
Deferred inflows of resources related to pensions	<u>(5,949,856)</u>	(3,569,806)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified zone academy bonds payable	(1,978,180)	
Qualified school construction bonds payable	(2,387,650)	
Shortfall notes payable	(648,274)	
Obligations under capital lease	(182,157)	
Compensated absences	(140,137)	
Deferred credit on bonds payable	(192,192)	
Accrued interest payable	<u>(570,410)</u>	(6,099,000)
Total Net Position - Governmental Activities		<u>\$ 4,929,525</u>

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

MOSS POINT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	QZAB Sinking Fund	Other Governmental Funds	
Revenues				
Local sources	\$ 8,626,248	34,638	923,541	9,584,427
State sources	11,415,365		549,474	11,964,839
Federal sources	87,212		3,756,814	3,844,026
Sixteenth section sources	9,196		24	9,220
Total Revenues	20,138,021	34,638	5,229,853	25,402,512
Expenditures				
Instruction	8,476,258		2,042,294	10,518,552
Support services	9,802,754		1,747,731	11,550,485
Noninstructional services			1,463,361	1,463,361
Facilities acquisition and construction	15,000		57,344	72,344
Debt service				
Principal (Note 6)	22,073		475,743	497,816
Interest	3,814		6,202	10,016
Other	2,850	1,625	15,800	20,275
Total Expenditures	18,322,749	1,625	5,808,475	24,132,849
Excess (Deficiency) of Revenues Over Expenditures	1,815,272	33,013	(578,622)	1,269,663
Other Financing Sources (Uses)				
Proceeds of loans (Note 6)	575,284			575,284
Inception of capital leases (Note 6)	204,230			204,230
Insurances loss recoveries (Note 14)	31,829			31,829
Sale of transportation equipment	1,200			1,200
Sale of other property	36,779			36,779
Operating transfers in (Note 3)	19,236		967,907	987,143
Operating transfers out (Note 3)	(806,587)		(180,556)	(987,143)
Other financing uses			(8,451)	(8,451)
Total Other Financing Sources (Uses)	61,971	0	778,900	840,871
Net Change in Fund Balances	1,877,243	33,013	200,278	2,110,534
Fund Balances				
July 1, 2014, as previously reported	8,028,866	2,456,473	1,528,473	12,013,812
Prior period adjustments (Note 9)	(118,537)			(118,537)
July 1, 2014, as restated	7,910,329	2,456,473	1,528,473	11,895,275
Decrease in reserve for inventory			(9,091)	(9,091)
June 30, 2015	\$ 9,787,572	2,489,486	1,719,660	13,996,718

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

MOSS POINT SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 2,110,534
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:	
Capital outlay	674,352
Depreciation expense	<u>(1,077,617)</u>
	(403,265)
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	
	(25,819)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:	
Shortfall notes issued	(575,284)
Capital lease issued	(204,230)
Payments of debt principal	497,816
Accrued interest payable	<u>(3,862)</u>
	(285,560)
Reconciling items applicable to pension liability and related accounts:	
Pension contributions made subsequent to the measurement date	1,963,476
Pension expense for the current year	<u>(1,060,743)</u>
	902,733
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:	
Change in compensated absences	(2,587)
Change in inventory reserve	<u>(9,091)</u>
	<u>(11,678)</u>
Changes in Net Position of Governmental Activities	<u>\$ 2,286,945</u>

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

MOSS POINT SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 1,025,108
Due from other funds (Note 3)	<u>778,354</u>
Total Assets	<u><u>1,803,462</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,734,796
Due to other funds (Note 3)	2,116
Due to student clubs	<u>66,550</u>
Total Liabilities	<u><u>\$ 1,803,462</u></u>

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

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MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 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 Moss point since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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.

QZAB Sinking Fund - This Debt Service Fund is used to account for the resources that will be used to retire the QZAB debt at such time the balloon debt payment becomes due and payable.

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, 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

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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.

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the 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:

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

	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.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting. In addition, the school district reports the following deferred inflows: Deferred credit on bonds payable - Qualified Zone Academy Bonds and Deferred credit on bonds payable - Qualified School Construction Bonds. See Note 15 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities

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

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

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.

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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

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

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

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

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

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

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

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

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,164,321 and \$1,025,108, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$26,484.

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
External investment pool			
US Treasury - state and local governments	N/A	Less than 1	\$ 442,256
US Treasury Notes DTD	N/A	Less than 1	2,465,464
Total			<u>\$ 2,907,720</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For 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	Other governmental funds	\$ 118,683
	Fiduciary funds	2,116
Fiduciary funds	General Fund	675,183
	Other governmental funds	<u>103,171</u>
Total		<u>\$ 899,153</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 806,587
Other governmental funds	General Fund	19,236
	Other governmental funds	<u>161,320</u>
Total		<u>\$ 987,143</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, unemployment compensation fund and eliminating negative cash in the Other Governmental Funds. The transfer out of Other Governmental Funds was for indirect cost. The transfers within the Other Governmental Funds was to finance the administrative cost pool by both the Title I Fund and the Improving Teacher Quality Fund.

Note 4 – Restricted Assets

The restricted assets represent the investment balance of the Debt Service Funds of \$2,907,720 which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$1,457,224 and cash with fiscal agent totaling \$26,484 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

	Balance 7/1/2014	Increases	Decreases	Completed Construction	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	479,587	15,000			494,587
Construction-in-progress	18,699,302	57,344		(18,756,646)	0
Total non-depreciable capital assets	19,178,889	72,344	0	(18,756,646)	494,587
<u>Depreciable capital assets:</u>					
Buildings	13,867,169			18,756,646	32,623,815
Building improvements	764,187				764,187
Improvements other than buildings	560,223				560,223
Mobile equipment	2,443,917	185,638	(75,877)		2,553,678
Furniture and equipment	3,488,169	264,845	(929,362)		2,823,652
Leased property under capital leases	0	151,525			151,525
Total depreciable capital assets	21,123,665	602,008	(1,005,239)	18,756,646	39,477,080
<u>Less accumulated depreciation for:</u>					
Buildings	7,506,174	625,207			8,131,381
Building improvements	170,495	30,567			201,062
Improvements other than buildings	137,445	22,409			159,854
Mobile equipment	1,590,708	145,117	(62,536)		1,673,289
Furniture and equipment	3,163,063	232,887	(916,884)		2,479,066
Leased property under capital leases	0	21,430			21,430
Total accumulated depreciation	12,567,885	1,077,617	(979,420)	0	12,666,082
Total depreciable capital assets, net	8,555,780	(475,609)	(25,819)	18,756,646	26,810,998
Governmental activities capital assets, net	27,734,669	(403,265)	(25,819)	0	27,305,585

* Some of the leased property acquired with the proceeds of the obligations under capital lease as presented in Note 6 were under the threshold for capitalization.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 769,701
Support services	289,103
Non-instructional	18,813
Total depreciation expense - Governmental activities	\$ 1,077,617

Note 6 – Long-term Liabilities

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

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Qualified zone academy bonds payable	\$ 1,978,180			1,978,180	0
B. Qualified school construction bonds payable	2,766,650		379,000 *	2,387,650	0
C. Shortfall notes payable	169,733	575,284	96,743	648,274	264,718
D. Obligations under capital leases	0	204,230	22,073	182,157	42,123
E. Compensated absences payable	137,550	2,587		140,137	6,687
Total	<u>\$ 5,052,113</u>	<u>782,101</u>	<u>497,816</u>	<u>5,336,398</u>	<u>313,528</u>

* The school district did not expend all of the proceeds of the Qualified School Construction Bonds within three years of the issuance of the debt. Bond counsel for the district determined that the penalty for failure to comply with this requirement resulted in a \$379,000 pay down on the principal of the debt.

A. Qualified zone academy bonds payable

As more fully explained in Note 12, 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 bonds	0	12/15/2006	12/14/2016	<u>\$ 1,978,180</u>	<u>1,978,180</u>

An imputed interest rate of 4.5% was used to calculate the issue amount.

B. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0	8/8/2011	6/15/2021	<u>\$ 2,766,650</u>	<u>2,387,650</u>

An imputed interest rate of 1.5% was used to calculate the issue amount.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall notes, 2012	1.99	7/31/2012	7/1/2015	\$ 128,518	44,544
2. Shortfall notes, 2013	2.59	7/31/2013	7/31/2016	83,202	28,446
3. Shortfall notes, 2015	2.05	3/20/2015	7/31/2017	575,284	575,284
Total				<u>\$ 787,004</u>	<u>648,274</u>

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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

1. Shortfall notes, 2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 44,544	1,746	46,290

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

2. Shortfall notes, 2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 28,446	737	29,183

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

3. Shortfall notes, 2015:

Year Ending June 30	Principal	Interest	Total
2016	\$ 191,728	6,060	197,788
2017	189,795	7,994	197,789
2018	193,761	7,027	200,788
Total	\$ 575,284	21,081	596,365

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 264,718	8,543	273,261
2017	189,795	7,994	197,789
2018	193,761	7,027	200,788
Total	\$ 648,274	23,564	671,838

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of copiers and other technology equipment at a cost of \$204,230. This lease qualifies as a capital lease for accounting purposes.

The options available to the lessee for this lease is to acquire the equipment at the end of the term for the sum of \$1.

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lease purchase, series 2014	3.31	11/21/2014	1/29/2020	\$ 204,230	182,157

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	\$ 42,123	5,951	48,074
2017	40,243	4,133	44,376
2018	41,595	2,781	44,376
2019	42,993	1,383	44,376
2020	15,203	152	15,355
Total	\$ 182,157	14,400	196,557

This debt will be retired from the General Fund.

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report 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 number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,963,476, \$2,077,738 and \$2,102,361, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$26,703,972 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .22 percent.

The effect of the school district's change in its proportionate share of the net pension liability from June 30, 2013 to June 30, 2014, resulted in the school district recording additional deferred inflows and a corresponding decrease in net pension liability of \$2,826,732. The amortization of the additional deferred inflows over the service life resulted in reduction in deferred inflows and decrease in pension expense of \$747,813 for the current year.

For the year ended June 30, 2015, the District recognized pension expense of \$1,060,743. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 416,574	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	3,870,937
Changes of assumptions:		
Changes in proportion and differences between District contributions and proportionate share of contributions	0	2,078,919
District contributions subsequent to the measurement date	1,963,476	0
Total	\$ 2,380,050	\$ 5,949,856

\$1,963,476 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 1,565,700
2017	1,565,700
2018	1,434,148
2019	967,734

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:

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 36,405,477	\$ 26,703,972	\$ 18,611,474

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

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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	\$ 7,270
2017	7,270
2018	7,270
2019	7,270
2020	7,270
2021 – 2025	36,350
2026 – 2030	36,350
2031 – 2035	36,350
Thereafter	19,310
Total	<u>\$ 164,710</u>

Note 9 – 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 (measurement date)	\$ (33,254,249)
Deferred outflows - contributions made during fiscal year 2014	<u>2,077,738</u>
Total prior period adjustment related to GASB 68 and 71	(31,176,511)
2. Restatement of a prior year liability	75,517
3. Restatement of a prior year asset	<u>(118,537)</u>
Total	<u>\$ (31,219,531)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Restatement of a prior year asset	<u>\$ (118,537)</u>

Note 10 – Contingencies

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

Note 11 – 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

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

omissions; injuries to employees; and natural disasters. Except as described below, 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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Qualified Zone Academy Bonds

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account. The amount on deposit at June 30, 2015 was \$2,489,486. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending		Amount
June 30	<u> </u>	
2016	\$	<u>21,563</u>

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors 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.

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. The school district did not expend all of the proceeds of the Qualified School Construction Bonds within three years of the issuance of the debt. Bond counsel for the district determined that the penalty for failure to comply with this requirement resulted in a \$379,000 pay down on the principal of the debt. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$444,717. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

MOSS POINT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Year Ending June 30	Amount
2016	\$ 366,000
2017	366,000
2018	295,700
2019	262,100
2020	262,100
2021	262,100
Total	<u>\$ 1,814,000</u>

Note 14 - Insurance loss recoveries

The School District received \$31,829 in insurance loss recoveries related to bus accident damage 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:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 0	0%	Instruction
31,829	100%	Support services
0	0%	Non-instructional
<u>\$ 31,829</u>	<u>100%</u>	

Note 15 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(22,129,659) includes:

- a. The effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.
- b. The effect of deferring the recognition of revenue from the deferred credit on bonds payable (Qualified Zone Construction Bonds) that resulted for the issuance of an interest free debt obligation. The \$52,182 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the remaining one year of the outstanding debt obligation.
- c. The effect of deferring the recognition of revenue from the deferred credit on bonds payable (Qualified School Construction Bonds) that resulted for the issuance of an interest free debt obligation. The \$140,010 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the remaining five years of the outstanding debt obligation.

Note 16 - Other Payables

The more significant balance of the other payables (\$776,238) represents the difference between due from other funds and the due to other funds as present on Exhibit C and is recorded with other payables on Exhibit A as part of the district's conversion from the modified accrual basis of accounting to the accrual basis of accounting.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through June 24, 2016, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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MOSS POINT SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 8,066,530	8,621,444	8,626,248	554,914	4,804
State sources	11,416,023	11,415,365	11,415,365	(658)	0
Federal sources	627,468	561,581	87,212	(65,887)	(474,369)
Sixteenth section sources	0	9,196	9,196	9,196	0
Total Revenues	20,110,021	20,610,636	20,138,021	500,615	(472,615)
Expenditures					
Instruction	10,231,165	8,476,258	8,476,258	1,754,907	0
Support services	10,645,454	9,623,009	9,802,754	1,022,445	(179,745)
Facilities acquisition and construction	0	15,000	15,000	(15,000)	0
Debt service					
Principal	0	0	22,073	0	(22,073)
Interest	0	0	3,814	0	(3,814)
Other	0	2,850	2,850	(2,850)	0
Total Expenditures	20,876,619	18,117,117	18,322,749	2,759,502	(205,632)
Excess (Deficiency) of Revenues Over Expenditures	(766,598)	2,493,519	1,815,272	3,260,117	(678,247)
Other Financing Sources (Uses)					
Proceeds of loans	575,284	575,284	575,284	0	0
Inception of capital leases	0	0	204,230	0	204,230
Insurance loss recoveries	0	0	31,829	0	31,829
Sale of transportation equipment	0	0	1,200	0	1,200
Sale of other property	0	0	36,779	0	36,779
Operating transfers in	3,092,984	2,638,003	19,236	(454,981)	(2,618,767)
Operating transfers out	(3,862,087)	(3,388,460)	(806,587)	473,627	2,581,873
Total Other Financing Sources (Uses)	(193,819)	(175,173)	61,971	18,646	237,144
Net Change in Fund Balances			1,877,243		
Fund Balances					
July 1, 2014, as previously reported			8,028,866		
Prior period adjustments			(118,537)		
July 1, 2014, as restated			<u>7,910,329</u>		
June 30, 2015			<u>\$ 9,787,572</u>		

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

MOSS POINT 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)	0.22%
District's proportionate share of the net pension liability (asset)	<u>\$ 26,703,972</u>
District's covered-employee payroll	<u>\$ 13,191,987</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>202.43%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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.

MOSS POINT SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 1,963,476
Contributions in relation to the contractually required contribution	1,963,476
Contribution deficiency (excess)	<u>0</u>
District's covered-employee payroll	\$ 12,466,514
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.

MOSS POINT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

(1) **Basis of Presentation.**

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

(2) **Budget Amendments and Revisions.**

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

SUPPLEMENTARY INFORMATION

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MOSS POINT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 410,117
National school lunch program	10.555	1,070,735
Total child nutrition cluster		<u>1,480,852</u>
Total U.S. Department of Agriculture		<u>1,480,852</u>
U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	69,814
Total U.S. Department of Defense		<u>69,814</u>
U.S. Department of Justice		
Passed-through Mississippi Department of Education:		
Public safety partnership and community policing grants	16.710	40,000
Total U.S. Department of Justice		<u>40,000</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	62,329
Total Federal Communications Commission		<u>62,329</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,297,043
Career and technical education - basic grants to states	84.048	37,132
Improving teacher quality - state grants	84.367	283,001
Total		<u>1,617,176</u>
Special education cluster:		
Special education - grants to states	84.027	675,228
Special education - preschool grants	84.173	9,842
Total special education cluster		<u>685,070</u>
Total passed-through Mississippi Department of Education		<u>2,302,246</u>
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	4,646
Total passed-through the Mississippi Institution of Higher Learning		<u>4,646</u>
Total U.S. Department of Education		<u>2,306,892</u>

MOSS POINT SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	18,077
Total U.S. Department of Health and Human Services		18,077
U.S. Department of Homeland Security		
Passed-through the Mississippi Emergency Management Agency		
Disaster grants - Public assistance (Presidentially Declared Disasters)	97.036	57,344
Total U.S. Department of Homeland Security		57,344
Total for All Federal Awards		<u>\$ 4,035,308</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,784,397	11,414,838	1,071,498	1,266,975	3,031,086
Other	7,348,452	2,507,403	535,749	84,465	4,220,835
Total	<u>24,132,849</u>	<u>13,922,241</u>	<u>1,607,247</u>	<u>1,351,440</u>	<u>7,251,921</u>
Total number of students	<u>1,928</u>				
Cost per student	<u>\$ 12,517</u>	<u>7,221</u>	<u>834</u>	<u>701</u>	<u>3,761</u>

Notes to the schedule.

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

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

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

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

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

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OTHER INFORMATION

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

UNAUDITED

	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 8,626,248	7,545,390	7,966,084	8,044,720
State sources	11,415,365	11,673,740	12,091,413	12,527,455
Federal sources	87,212	973,062	198,413	275,018
Sixteenth section sources	9,196	10,037	0	0
Total Revenues	20,138,021	20,202,229	20,255,910	20,847,193
Expenditures				
Instruction	8,476,258	9,960,592	10,192,306	10,708,022
Support services	9,802,754	9,893,796	10,346,476	11,217,575
Noninstructional services	0	35,098	0	0
Facilities acquisition and construction	15,000	0	0	0
Debt service				
Principal	22,073	0	0	0
Interest	3,814	0	0	0
Other	2,850	0	2,083	0
Total Expenditures	18,322,749	19,889,486	20,540,865	21,925,597
Excess (Deficiency) of Revenues Over Expenditures	1,815,272	312,743	(284,955)	(1,078,404)
Other Financing Sources (Uses)				
Proceeds of loans	575,284	83,202	128,518	275,703
Inception of capital leases	204,230	0	0	0
Insurances loss recoveries	31,829	1,517	66,600	608
Sale of transportation equipment	1,200	11,295	0	0
Sale of other property	36,779	0	0	0
Operating transfers in	19,236	526,644	28,029	14,344
Operating transfers out	(806,587)	(864,674)	(698,479)	(936,360)
Payment to refunded bond escrow agent	0	(866,005)	0	0
Total Other Financing Sources (Uses)	61,971	(1,108,021)	(475,332)	(645,705)
Net Change in Fund Balances	1,877,243	(795,278)	(760,287)	(1,724,109)
Fund Balances				
July 1, as previously reported	8,028,866	8,824,144	8,809,302	10,923,962
Prior period adjustments	(118,537)	0	771,534	(381,548)
July 1, as restated	7,910,329	8,824,144	9,580,836	10,542,414
Increase (Decrease) in reserve for inventory	0	0	3,595	(9,003)
June 30	\$ 9,787,572	8,028,866	8,824,144	8,809,302

* Source - Prior year audit reports.

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

	UNAUDITED			
	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 9,584,427	8,346,205	8,748,348	9,083,061
State sources	11,964,839	12,111,870	12,587,955	13,065,606
Federal sources	3,844,026	4,549,476	15,720,975	10,533,786
Sixteenth section sources	9,220	10,054	15,214	12,413
Total Revenues	<u>25,402,512</u>	<u>25,017,605</u>	<u>37,072,492</u>	<u>32,694,866</u>
Expenditures				
Instruction	10,518,552	11,633,676	12,197,948	13,536,567
Support services	11,550,485	11,989,111	12,175,447	15,274,664
Noninstructional services	1,463,361	1,551,378	1,598,964	1,694,265
Facilities acquisition and construction	72,344	415,796	13,854,701	3,712,964
Debt service				
Principal	497,816	228,306	224,972	630,372
Interest	10,016	10,426	13,341	17,856
Other	20,275	29,714	4,773	30,038
Total Expenditures	<u>24,132,849</u>	<u>25,858,407</u>	<u>40,070,146</u>	<u>34,896,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,269,663</u>	<u>(840,802)</u>	<u>(2,997,654)</u>	<u>(2,201,860)</u>
Other Financing Sources (Uses)				
Proceeds of loans	575,284	83,202	128,518	3,775,703
Inception of capital leases	204,230	0	0	0
Insurances loss recoveries	31,829	1,517	66,600	608
Sale of transportation equipment	1,200	11,295	0	0
Sale of other property	36,779	0	0	0
Operating transfers in	987,143	1,615,450	957,707	1,659,300
Other financing sources	0	0	499,795	227,820
Operating transfers out	(987,143)	(1,615,450)	(957,707)	(1,659,300)
Payment to refunded bond escrow agent	0	(866,005)	0	0
Other financing uses	(8,451)	(2,690)	(499,795)	(227,820)
Total Other Financing Sources (Uses)	<u>840,871</u>	<u>(772,681)</u>	<u>195,118</u>	<u>3,776,311</u>
Net Change in Fund Balances	<u>2,110,534</u>	<u>(1,613,483)</u>	<u>(2,802,536)</u>	<u>1,574,451</u>
Fund Balances				
July 1, as previously reported	12,013,812	13,625,279	15,651,057	14,468,192
Prior period adjustments	(118,537)	0	771,534	(381,548)
July 1, as restated	<u>11,895,275</u>	<u>13,625,279</u>	<u>16,422,591</u>	<u>14,086,644</u>
Increase (Decrease) in reserve for inventory	<u>(9,091)</u>	<u>2,016</u>	<u>5,224</u>	<u>(10,038)</u>
June 30	<u>\$ 13,996,718</u>	<u>12,013,812</u>	<u>13,625,279</u>	<u>15,651,057</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Moss Point School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moss Point School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Moss Point School District's basic financial statements, and have issued my report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
June 24, 2016

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Moss Point School District

Report on Compliance for Each Major Federal Program

I have audited Moss Point School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Moss Point School District's major federal programs for the year ended June 30, 2015. Moss Point School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Moss Point School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2015-001 and 2015-002], that I consider to be significant deficiencies.

Moss Point School District's response to the internal control over compliance findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Moss Point School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
June 24, 2016

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

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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Ridgeland, Mississippi 39158

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

Superintendent and School Board
Moss Point School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2015, which collectively comprise Moss Point School District's basic financial statements and have issued my report thereon dated June 24, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-0- of classroom supply funds carried over from previous years.

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

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

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

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

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
June 24, 2016

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MOSS POINT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | c. Improving teacher quality – state grants | |
| | CFDA#: 84.367 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses

Finding 2015-001

Federal Program: Title I – grants to local educational agencies; CFDA# 84.010
 Special education – grants to states; CFDA# 84.027
 Special education – preschool grants; CFDA# 84.173
 Improving teacher quality – state grants; CFDA# 84.367

MOSS POINT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2015

Compliance Requirement: Cash Management

CONDITION: A deficiency in the administrative controls of the district permitted an excessive cash balance for three months for each of these programs.

CRITERIA: The administrative controls and related procedures should be designed and implemented such that cash draws do not cause excessive cash balances.

EFFECT: The effect of this condition could result in material noncompliance with federal requirements associated with these programs.

QUESTIONED COST: None

CAUSE OF THE CONDITION: The cause of the condition is the result of inconsistent procedures being applied for monthly cash draws.

RECOMMENDATION: It is recommended that consistent procedures be applied in determining monthly cash draws such that the possibility of excessive cash draws is minimized.

Finding 2015-002

Federal Program: Title I – grants to local educational agencies; CFDA# 84.010

Compliance Requirement: Allowable Costs/Cost Principles

CONDITION: An employee for this program had a salary that was prorated to the Federal program and to local funds. There were no time sheets to document the hours worked for each cost function to support the allocated salary.

CRITERIA: OMB Circular A-87 requires that employees working across different functional areas (Federal and local) have time records to support the allocation of the salary paid by the Federal program.

EFFECT: The effect of this condition could result in unallowable costs to the Federal program.

QUESTIONED COST: None

CONDITION: The cause of the condition is a deficiency in the controls surrounding the maintenance of documentation to support prorated salaries.

PERSPECTIVE FOR JUDGING THE PREVALENCE: This deficiency is considered an isolated matter.

RECOMMENDATION: It is recommended that time sheets be maintained to support the prorated salary of district employees paid from both Federal and local funds.

AUDITEE'S CORRECTIVE ACTION PLAN

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Moss Point School District

ADMINISTRATIVE OFFICES
4924 Church Street, Moss Point, MS 39563
(228) 475-4558
www.mosspointschools.org

Corrective Action Plan

June 24, 2016

As required by Section 315(c) of OMB Circular A-133, the Moss Point 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.

Finding 2015-001

Corrective Action Plan

- a. Contact person: Tommy Felter, Business Manager
- b. Description of correction action to be taken:
The district has employed a new business manager, effective July 1, 2016, who is experienced with requesting funds from the Mississippi Department of Education. The district will no longer request funds that result in excess cash balances for any of the federal programs.
- c. Anticipated completion date of corrective action: July 1, 2016

Finding 2015-002

Corrective Action Plan

- d. Contact person: Mrs. Lydia Leggett/Mrs. Gennette Kimber
- e. Description of correction action to be taken:
The district was incorrect in that they had employees that were paid from more than one federal fund fill out Semi-annual Certifications instead of Personnel Activity Reports. Now that this discrepancy has been brought to the district's attention, Personnel Activity Reports will be completed to reflect the proper amount of time that is worked for each federal program.
- f. Anticipated completion date of corrective action: July 1, 2016

Sincerely,

A handwritten signature in black ink, appearing to read 'Shannon M. Vincent'.

Shannon M. Vincent, Ph.D.
Superintendent of Education

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