



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

PASCAGOULA-GAUTIER SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2015**

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

This page left blank intentionally.

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A Statement of Net Position	15
Exhibit B Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C Balance Sheet – Governmental Funds	17
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	37
Budgetary Comparison Schedule for the General Fund	39
Schedule of the District’s Proportionate Share of the Net Pension Liability	40
Schedule of District Contributions	41
Notes to the Required Supplementary Information	42
SUPPLEMENTARY INFORMATION	43
Schedule of Expenditures of Federal Awards	45
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	46
OTHER INFORMATION	47
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	49
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	50
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE	51
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	55
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	61

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORT

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Pascagoula-Gautier 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 Pascagoula-Gautier School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier 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 March 18, 2016, on my consideration of the Pascagoula-Gautier 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 Pascagoula-Gautier School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Ridgeland, MS
March 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the Pascagoula-Gautier 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 \$97,108,028, including a prior period adjustment of (\$98,032,925), which represents a 95.9% decrease from fiscal year 2014. Total net position for 2014 increased \$1,983,178, including a prior period adjustment of \$114,700, which represents a 2% increase from fiscal year 2013.
- General revenues amounted to \$78,609,740 and \$75,151,972, or 88% and 87% 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 \$10,715,883, or 12% of total revenues for 2015, and \$11,586,028, or 13% of total revenues for 2014.
- The District had \$88,400,726 and \$84,869,522 in expenses for fiscal years 2015 and 2014; only \$10,715,883 for 2015 and \$11,586,028 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$78,609,740 for 2015 and \$75,151,972 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$77,963,064 in revenues and \$72,085,859 in expenditures for 2015, and \$75,319,689 in revenues and \$70,331,556 in expenditures in 2014. The General Fund's fund balance decreased by \$4,652,619 from 2014 to 2015, and increased by \$2,491,227, including a prior period adjustment of (\$170,110) from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$5,208,153 for 2015 and increased by \$8,602,102 for 2014. The increase for 2015 was due primarily to completion of construction projects.
- The liability for compensated absences decreased by \$48,254 for 2015 and decreased by \$26,245 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 and pension expense.

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 \$4,145,415 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 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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 32,092,290	\$ 37,030,228	(13.33) %
Restricted assets	4,227,283	3,665,305	15.33 %
Capital assets, net	69,437,355	64,229,202	8.11 %
Total assets	<u>105,756,928</u>	<u>104,924,735</u>	0.79 %
Deferred outflows of resources	<u>13,164,418</u>	<u>0</u>	N/A
Current liabilities	3,023,821	3,052,415	(0.94) %
Long-term debt outstanding	570,623	618,877	(7.80) %
Net pension liability	97,105,353	0	N/A
Total liabilities	<u>100,699,797</u>	<u>3,671,292</u>	2642.90 %
Deferred inflows of resources	<u>14,076,134</u>	<u>0</u>	N/A
Net position:			
Net investment in capital assets	69,437,355	64,229,202	8.11 %
Restricted	14,733,215	8,616,925	70.98 %
Unrestricted	(80,025,155)	28,407,316	(381.71) %
Total net position	<u>\$ 4,145,415</u>	<u>\$ 101,253,443</u>	(95.91) %

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)	(\$80,025,155)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	98,017,069
Unrestricted net position, exclusive of the net pension liability effect	<u>\$17,991,914</u>

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

- Increase in net capital assets in the amount of \$5,208,153.
- Inclusion of net pension liability of \$97,105,353.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$89,325,623 and \$86,738,000, respectively. The total cost of all programs and services was \$88,400,726 for 2015 and \$84,869,522 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**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,805,072	\$ 1,866,751	(3.30) %
Operating grants and contributions	8,910,811	9,719,277	(8.32) %
General revenues:			
Property taxes	45,719,750	44,738,237	2.19 %
Grants and contributions not restricted	32,693,859	30,174,484	8.35 %
Investment earnings	165,586	202,448	(18.21) %
Sixteenth section sources	19,371	20,082	(3.54) %
Other	11,174	16,721	(33.17) %
Total revenues	<u>89,325,623</u>	<u>86,738,000</u>	2.98 %
Expenses:			
Instruction	45,274,686	47,617,340	(4.92) %
Support services	31,296,609	32,764,088	(4.48) %
Non-instructional	3,813,667	4,488,094	(15.03) %
Pension expense	8,015,764	0	N/A
Total expenses	<u>88,400,726</u>	<u>84,869,522</u>	4.16 %
Increase (Decrease) in net position	<u>924,897</u>	<u>1,868,478</u>	(50.50) %
Net Position, July 1, as previously reported	<u>101,253,443</u>	<u>99,270,265</u>	2.00 %
Prior Period Adjustment	<u>(98,032,925)</u>	<u>114,700</u>	(85,568.98) %
Net Position, July 1, as restated	<u>3,220,518</u>	<u>99,384,965</u>	(96.76) %
Net Position, June 30	<u>\$ 4,145,415</u>	<u>\$ 101,253,443</u>	(95.91) %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and pension expense. 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	\$ 45,274,686	\$ 47,617,340	(4.92) %
Support services	31,296,609	32,764,088	(4.48) %
Non-instructional	3,813,667	4,488,094	(15.03) %
Pension Expense	8,015,764	0	N/A
Total expenses	\$ 88,400,726	\$ 84,869,522	4.16 %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (41,531,290)	\$ (43,345,455)	(4.19) %
Support services	(29,363,611)	(30,348,842)	(3.25) %
Non-instructional	1,225,822	410,803	198.40 %
Pension Expense	(8,015,764)	0	N/A
Total net (expense) revenue	\$ (77,684,843)	\$ (73,283,494)	6.01 %

- Net cost of governmental activities (\$77,684,843 for 2015 and \$73,283,494 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$45,719,750 for 2015 and \$44,738,237 for 2014) and state and federal revenues (\$32,693,859 for 2015 and \$30,174,484 for 2014). In addition, there was \$19,371 and \$20,082 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$165,586 for 2015 and \$202,448 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 \$33,295,752, a decrease of \$4,347,366, which includes a decrease in inventory of \$20,539. \$12,283,005 or 37% 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 \$21,012,747 or 63% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$4,652,619. The fund balance of Other Governmental Funds showed an increase in the amount of \$305,253, which includes a decrease in reserve for inventory of \$20,539.

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 \$101,391,770, including land, construction in progress,

school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$7,234,178 from 2014. Total accumulated depreciation as of June 30, 2015, was \$31,954,415, and total depreciation expense for the year was \$2,180,818, resulting in total net capital assets of \$69,437,355.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 2,140,042	\$ 2,140,042	0.00 %
Construction in Progress	5,192,481	9,040,207	(42.56) %
Buildings	56,303,344	48,020,775	17.25 %
Improvements other than buildings	2,141,773	1,391,851	53.88 %
Mobile equipment	3,283,238	3,300,195	(0.51) %
Furniture and equipment	376,477	336,132	12.00 %
Total	\$ 69,437,355	\$ 64,229,202	8.11 %

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

Debt Administration. The liability for compensated absences decreased \$48,254 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Compensated absences payable	570,623	618,877	(7.80) %
Total	\$ 570,623	\$ 618,877	(7.80) %

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

CURRENT ISSUES

The Pascagoula-Gautier 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 Pascagoula-Gautier School District, 1006 Communny Avenue, Pascagoula, MS 39567.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 29,871,401
Due from other governments	2,071,185
Other receivables, net	7,765
Inventories	95,690
Prepaid items	46,249
Restricted assets (Note 4)	4,227,283
Non-depreciable capital assets (Note 5)	7,332,523
Depreciable capital assets, net (Note 5)	62,104,832
Total Assets	<u>105,756,928</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	13,164,418
Total Deferred Outflows of Resources	<u>13,164,418</u>
Liabilities	
Accounts payable and accrued liabilities	2,993,821
Other payables	30,000
Long-term liabilities (Due within one year) (Note 6)	
Non-capital related liabilities	45,695
Long-term liabilities (Due beyond one year) (Note 6)	
Non-capital related liabilities	524,928
Net pension liability (Note 8)	97,105,353
Total Liabilities	<u>100,699,797</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	14,076,134
Total Deferred Inflows of Resources	<u>14,076,134</u>
Net Position	
Net investment in capital assets	69,437,355
Restricted net position	
Expendable	
School-based activities	11,531,528
Debt service	588
Contractual commitments (Note 7)	2,316,109
Forestry improvements	20,612
Unemployment benefits	255,382
Non-expendable	
Sixteenth section	608,996
Unrestricted	<u>(80,025,155)</u>
Total Net Position	<u>\$ 4,145,415</u>

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

PASCAGOULA-GAUTIER 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	\$ 45,274,686	1,074,056	2,669,340	(41,531,290)
Support services	31,296,609		1,932,998	(29,363,611)
Non-instructional	3,813,667	731,016	4,308,473	1,225,822
Pension expense	8,015,764			(8,015,764)
Total Governmental Activities	88,400,726	1,805,072	8,910,811	(77,684,843)
General Revenues				
Taxes				
				45,719,582
				168
Unrestricted grants and contributions				
				32,228,335
				465,524
				165,586
				19,371
				11,174
				<u>78,609,740</u>
				<u>924,897</u>
				101,253,443
				(98,032,925)
				<u>3,220,518</u>
				<u>\$ 4,145,415</u>

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2015

Exhibit C

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
Assets			
Cash and cash equivalents (Note 2)	\$ 24,676,524	9,422,160	34,098,684
Due from other governments	647,127	1,424,058	2,071,185
Due from other funds (Note 3)	1,396,207	4,993,711	6,389,918
Inventories		95,690	95,690
Prepaid items	46,249		46,249
Total Assets	26,766,107	15,935,619	42,701,726
Liabilities and Fund Balances			
Liabilities			
Accounts payable & accrued liabilities	1,617,891	1,375,930	2,993,821
Due to other funds (Note 3)	4,993,711	1,388,442	6,382,153
Other payable	30,000		30,000
Total Liabilities	6,641,602	2,764,372	9,405,974
Fund Balances			
Nonspendable			
Inventory		95,690	95,690
Permanent fund principal		608,996	608,996
Prepaid items	46,249		46,249
Restricted			
Debt service		588	588
Forestry improvements		20,612	20,612
Unemployment benefits		255,382	255,382
Grant activities		3,126,049	3,126,049
Contractual commitments (Note 7)	1,561,968	754,141	2,316,109
Assigned			
School activities	748,063		748,063
Facility repairs/renovations	4,799,957		4,799,957
District textbooks	322,121		322,121
Lead the Way	363,142		363,142
War memorial stadium renovation		520,000	520,000
Colmer Middle School renovations		2,600,000	2,600,000
Singing River Academy renovations		2,300,000	2,300,000
College Park walkway		2,979	2,979
Gautier transportation facility		583,265	583,265
Future capital projects		1,005,124	1,005,124
Gautier Middle School 2015 classrooms		1,298,421	1,298,421
Unassigned	12,283,005		12,283,005
Total Fund Balances	20,124,505	13,171,247	33,295,752
Total Liabilities and Fund Balances	\$ 26,766,107	15,935,619	42,701,726

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

PASCAGOULA-GAUTIER 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	\$ 33,295,752

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	2,140,042	
Construction in progress	5,192,481	
Buildings	80,673,132	
Improvements other than buildings	2,652,034	
Mobile equipment	7,419,551	
Furniture and equipment	3,314,530	
Accumulated depreciation	(31,954,415)	69,437,355

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		(97,105,353)
-----------------------	--	--------------

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	13,164,418	
Deferred inflows of resources related to pensions	(14,076,134)	(911,716)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences		(570,623)
----------------------	--	-----------

Total Net Position - Governmental Activities	\$ 4,145,415
--	--------------

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT

Exhibit D

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

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Revenues			
Local sources	\$ 46,417,543	1,272,871	47,690,414
State sources	31,063,495	1,209,655	32,273,150
Federal sources	465,526	8,865,628	9,331,154
Sixteenth section sources	16,500	3,231	19,731
Total Revenues	<u>77,963,064</u>	<u>11,351,385</u>	<u>89,314,449</u>
Expenditures			
Instruction	42,597,399	6,008,606	48,606,005
Support services	29,488,460	3,910,822	33,399,282
Noninstructional services		4,477,975	4,477,975
Facilities acquisition and construction		7,148,169	7,148,169
Total Expenditures	<u>72,085,859</u>	<u>21,545,572</u>	<u>93,631,431</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,877,205</u>	<u>(10,194,187)</u>	<u>(4,316,982)</u>
Other Financing Sources (Uses)			
Insurances loss recoveries	9,680		9,680
Sale of other property	1,494		1,494
Operating transfers in (Note 3)	3,231	10,524,229	10,527,460
Operating transfers out (Note 3)	(10,524,229)	(3,231)	(10,527,460)
Other financing uses	(20,000)	(1,019)	(21,019)
Total Other Financing Sources (Uses)	<u>(10,529,824)</u>	<u>10,519,979</u>	<u>(9,845)</u>
Net Change in Fund Balances	(4,652,619)	325,792	(4,326,827)
Fund Balances			
July 1, 2014	24,777,124	12,865,994	37,643,118
Decrease in reserve for inventory		(20,539)	(20,539)
June 30, 2015	<u>\$ 20,124,505</u>	<u>13,171,247</u>	<u>33,295,752</u>

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2015

Exhibit D-1

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ (4,326,827)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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:</p>		
Capital outlay	7,792,950	
Depreciation expense	<u>(2,180,818)</u>	5,612,132
<p>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.</p>		
		(20,997)
<p>Reconciling items applicable to pension liability and related accounts:</p>		
Pension contributions made subsequent to the measurement date	7,648,638	
Pension expense for the current year	<u>(8,015,764)</u>	(367,126)
<p>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:</p>		
Change in compensated absences	48,254	
Change in inventory reserve	<u>(20,539)</u>	<u>27,715</u>
Changes in Net Position of Governmental Activities		<u>\$ 924,897</u>

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 1,332,720</u>
Total Assets	<u>1,332,720</u>
Liabilities	
Accounts payable and accrued liabilities	1,214,760
Due to other funds (Note 3)	7,765
Due to student clubs	<u>110,195</u>
Total Liabilities	<u>\$ 1,332,720</u>

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

This page left blank intentionally.

PASCAGOULA-GAUTIER 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

Effective July 1, 2014, the entity officially changed its name to the Pascagoula-Gautier School District.

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 Pascagoula 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.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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

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

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

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

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

The effect of inter-fund activity has been eliminated from the government-wide statements. Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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.

PASCAGOULA-GAUTIER 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.

5. Restricted Assets

Certain resources are classified as restricted assets on the Statement of Net Position because their use is limited by applicable statutes, e.g. 16th Section Principal Fund and various other funds whose cash is legally restricted.

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:

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Construction in progress	0	0
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

7. Deferred outflows/inflows of resources

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

8. Compensated Absences

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

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

9. Long-term Liabilities

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

10. Pensions

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

11. Fund Balances

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

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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 7% of the total district revenues.

Note 2 – Cash and Cash Equivalents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$34,098,684 and \$1,332,720, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$29,871,401.

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.

PASCAGOULA-GAUTIER 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	\$ 1,388,442
	Fiduciary funds	7,765
Other governmental funds	General Fund	<u>4,993,711</u>
Total		<u>\$ 6,389,918</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 and to fund various construction and renovation programs of the district.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 10,524,229
Other governmental funds	General Fund	<u>3,231</u>
Total		<u>\$ 10,527,460</u>

The transfer out of the General Fund was for the purpose of funding various academic programs (vocational, juvenile detention, literacy, etc.) and various construction and renovation programs of the district.

Note 4 – Restricted Assets

The restricted assets amounting to \$4,227,283 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) and other various Federal Programs 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:

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

	Balance 7/1/2014	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2015
Governmental Activities:						
Non-depreciable capital assets:						
Land	2,140,042					2,140,042
Construction-in-progress	9,040,207	7,148,169		(10,612,913)	(382,982)	5,192,481
Total non-depreciable capital assets	<u>11,180,249</u>	<u>7,148,169</u>	<u>0</u>	<u>(10,612,913)</u>	<u>(382,982)</u>	<u>7,332,523</u>
Depreciable capital assets:						
Buildings	70,987,202			9,685,930		80,673,132
Improvements other than buildings	1,798,051			853,983		2,652,034
Mobile equipment	7,013,837	568,009	(162,295)			7,419,551
Furniture and equipment	3,178,253	76,772	(13,495)	73,000		3,314,530
Total depreciable capital assets	<u>82,977,343</u>	<u>644,781</u>	<u>(175,790)</u>	<u>10,612,913</u>	<u>0</u>	<u>94,059,247</u>
Less accumulated depreciation for:						
Buildings	22,966,427	1,403,361				24,369,788
Improvements other than buildings	406,200	104,061				510,261
Mobile equipment	3,713,642	568,736	(146,065)			4,136,313
Furniture and equipment	2,842,121	104,660	(8,728)			2,938,053
Total accumulated depreciation	<u>29,928,390</u>	<u>2,180,818</u>	<u>(154,793)</u>	<u>0</u>	<u>0</u>	<u>31,954,415</u>
Total depreciable capital assets, net	<u>53,048,953</u>	<u>(1,536,037)</u>	<u>(20,997)</u>	<u>10,612,913</u>	<u>0</u>	<u>62,104,832</u>
Governmental activities capital assets, net	<u>64,229,202</u>	<u>5,612,132</u>	<u>(20,997)</u>	<u>0</u>	<u>(382,982)</u>	<u>69,437,355</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,358,763
Support services	742,038
Non-instructional	80,017
Total depreciation expense - Governmental activities	<u>\$ 2,180,818</u>

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
Gautier High School Baseball/Softball Fields	\$ 2,031,888	\$ 115,500
Gautier High School Classrooms	2,371,144	628,818
College Park Walking Track	7,021	0
Gautier High School/Singing River Elementary Road	42,580	0
Pascagoula High School Athletic Complex Lights	730,913	55,528
Gautier Transportation Facility	8,935	0
Total governmental activities	<u>5,192,481</u>	<u>799,846</u>

Projects with a remaining commitment of \$-0- represents projects that have begun and have accumulated various costs, but they have not been formally bid.

Construction projects included in governmental activities are funded with local funds.

Note 6 – Long-term Liabilities

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

PASCAGOULA-GAUTIER 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
Compensated absences payable	\$ 618,877	0	48,254	570,623	45,695

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 – Other Commitments

Commitments under construction contracts are described in Note 5.

Commitments under renovation contracts amount to \$1,516,263.

Total contractual commitments (including construction contracts and renovation contracts) amounted to \$2,316,109.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, 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 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 \$7,648,638, \$7,655,178 and \$6,601,232, respectively, which equaled the required contributions for each year.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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 \$97,105,353 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 .80 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 outflows and a corresponding increase in net pension liability of \$5,440,161. The amortization of the additional deferred outflow over the service life resulted in reduction in deferred outflows and increase in pension expense of \$1,439,196 for the current year.

For the year ended June 30, 2015, the District recognized pension expense of \$8,015,764. 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	\$ 1,514,815	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	14,076,134
Changes of assumptions:	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	4,000,965	0
District contributions subsequent to the measurement date	7,648,638	
Total	\$ 13,164,418	\$ 14,076,134

\$7,648,638 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:

Year ended June 30:	
2016	\$ 1,534,940
2017	1,534,940
2018	1,971,441
2019	3,519,034

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

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

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

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

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

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	<u>100</u>	<u>%</u>		

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	\$ 132,383,552	\$ 97,105,353	\$ 67,678,088

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 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 15,000
2017	15,000
Total	<u>\$ 30,000</u>

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Note 10 – 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)	\$ (105,305,121)
Deferred outflows - contributions made during fiscal year 2014	7,655,178
Total prior period adjustment related to GASB 68 and 71	(97,649,943)
2. Adjustments to capital assets	(382,982)
	\$ (98,032,925)

Note 11 – 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 12 – Risk Management

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

Note 13 – Special Education Consortium

The school district entered into a special education consortium dated June 15, 1988 creating the Exceptional School Program. This consortium was created pursuant to the provisions of Section 37-7-403 through 37-7-415 Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The consortium includes the following participants: Jackson County School District, Pascagoula-Gautier School District, Ocean Spring School District, Moss Point School District and the Jackson County Board of Supervisors.

The building housing the Exceptional School Program is the property of the Jackson County Board of Supervisors and they are responsible for the constructing, erecting, equipping, alterations, and major maintenance of the building.

Operating expenses for the educational programs are shared in direct proportion to each school district's monthly enrollment of students placed by each school district in the Exceptional School Program. Each school district is billed by the fiscal agent. The Jackson County Board of Supervisors provides funding by levying an ad valorem tax at a rate of not less than 0.5 mills. Transportation for students attending the special education program is the responsibility of the individual school district sending the students. The Pascagoula-Gautier School District has been designated as the lead school district (fiscal agent) and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Exceptional School Program.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2015

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2015

Revenues	
Local sources:	
Ad valorem taxes	\$ 291,964
Tuition from other LEA's within the state	157,034
Total Revenues	<u>448,998</u>
Expenditures	
Salaries	522,271
Employee benefits	186,613
Purchased property services	41,814
Supplies	4,251
Property	7,731
Other	165
Total Expenditures	<u>762,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(313,847)</u>
Other Financing Sources/Uses:	
Transfers in	313,847
Total Other Financing Sources/Uses	<u>313,847</u>
Net Change in Fund Balance	<u>0</u>
Fund Balance:	
July 1, 2014	<u>0</u>
June 30, 2015	<u><u>\$ 0</u></u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(80,025,155) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

Note 15 – Economic Dependency

The school district is significantly economically dependent on two ad valorem tax payers (Chevron Corporation and Huntington Ingalls Corporation). In the event of a loss of these ad valorem taxes, the district would encounter an economic hardship.

Note 16 - 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 March 18, 2016, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

PASCAGOULA-GAUTIER 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	\$ 46,675,655	46,417,591	46,417,543	(258,064)	(48)
State sources	30,762,969	31,063,495	31,063,495	300,526	0
Federal sources	0	465,526	465,526	465,526	0
Sixteenth section sources	0	16,500	16,500	16,500	0
Total Revenues	77,438,624	77,963,112	77,963,064	524,488	(48)
Expenditures					
Instruction	46,203,698	42,597,990	42,597,399	3,605,708	591
Support services	31,322,377	29,488,057	29,488,460	1,834,320	(403)
Facilities acquisition and construction	0	1,000	0	(1,000)	1,000
Total Expenditures	77,526,075	72,087,047	72,085,859	5,439,028	1,188
Excess (Deficiency) of Revenues Over Expenditures	(87,451)	5,876,065	5,877,205	5,963,516	1,140
Other Financing Sources (Uses)					
Insurance loss recoveries	0	9,680	9,680	9,680	0
Sale of other property	0	1,494	1,494	1,494	0
Operating transfers in	11,441,413	15,083,763	3,231	3,642,350	(15,080,532)
Operating transfers out	(14,665,255)	(23,034,763)	(10,524,229)	(8,369,508)	12,510,534
Other financing uses	0	(20,000)	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	(3,223,842)	(7,959,826)	(10,529,824)	(4,735,984)	(2,569,998)
Net Change in Fund Balances			(4,652,619)		
Fund Balances					
July 1, 2014			24,777,124		
June 30, 2015			\$ 20,124,505		

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

PASCAGOULA-GAUTIER 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)	0.80%
District's proportionate share of the net pension liability (asset)	<u>\$ 97,105,353</u>
District's covered-employee payroll	<u>\$ 48,604,305</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>199.79%</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.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 7,648,638
Contributions in relation to the contractually required contribution	7,648,638
Contribution deficiency (excess)	<u><u>0</u></u>
District's covered-employee payroll	\$ 48,562,781
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.

PASCAGOULA-GAUTIER 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

This page left blank intentionally.

PASCAGOULA-GAUTIER 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	\$ 1,394,704
National school lunch program	10.555	3,541,842
Summer food service program for children	10.559	16,460
Total child nutrition cluster		<u>4,953,006</u>
Total U.S. Department of Agriculture		<u>4,953,006</u>
U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	156,695
Total U.S. Department of Defense		<u>156,695</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	425,348
Total Federal Communications Commission		<u>425,348</u>
U.S. Department of Education		
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - state grant program	84.002	120,349
Total		<u>120,349</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	2,053,951
Career and technical education - basic grants to states	84.048	84,409
English language acquisition grants	84.365A	116,947
Improving teacher quality - state grants	84.367	450,292
Total		<u>2,705,599</u>
Special education cluster:		
Special education - grants to states	84.027	1,573,963
Special education - preschool grants	84.173	56,858
Total special education cluster		<u>1,630,821</u>
Total passed-through Mississippi Department of Education		<u>4,336,420</u>
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	1,485
Total passed-through the Mississippi Institution of Higher Learning		<u>1,485</u>
Total U.S. Department of Education		<u>4,458,254</u>
Total for All Federal Awards		<u>\$ 9,993,303</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.

PASCAGOULA-GAUTIER 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	\$ 71,769,117	51,270,843	1,198,554	5,043,225	14,256,495
Other	21,862,314	4,991,234	505,667	80,981	16,284,432
Total	93,631,431	56,262,077	1,704,221	5,124,206	30,540,927
Total number of students	<u>6,459</u>				
Cost per student	<u>\$ 14,496</u>	<u>8,711</u>	<u>264</u>	<u>793</u>	<u>4,728</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.

OTHER INFORMATION

This page left blank intentionally.

PASCAGOULA-GAUTIER SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 46,417,543	45,582,453	43,469,606	35,218,508
State sources	31,063,495	29,084,257	29,467,874	27,987,834
Federal sources	465,526	636,145	523,169	546,099
Sixteenth section sources	16,500	16,834	46,251	0
Total Revenues	<u>77,963,064</u>	<u>75,319,689</u>	<u>73,506,900</u>	<u>63,752,441</u>
Expenditures				
Instruction	42,597,399	39,713,959	38,198,400	35,249,639
Support services	29,488,460	30,617,575	25,176,351	24,635,531
Noninstructional services	0	22	130	1,061
Facilities acquisition and construction	0	0	71,965	0
Total Expenditures	<u>72,085,859</u>	<u>70,331,556</u>	<u>63,446,846</u>	<u>59,886,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,877,205</u>	<u>4,988,133</u>	<u>10,060,054</u>	<u>3,866,210</u>
Other Financing Sources (Uses)				
Insurances loss recoveries	9,680	0	777	843
Sale of other property	1,494	9,740	5,234	0
Operating transfers in	3,231	3,248	5,925,463	1,462,670
Other financing sources	0	6,981	8,925,035	0
Operating transfers out	(10,524,229)	(2,346,765)	(15,011,272)	(9,323,942)
Other financing uses	(20,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(10,529,824)</u>	<u>(2,326,796)</u>	<u>(154,763)</u>	<u>(7,860,429)</u>
Net Change in Fund Balances	<u>(4,652,619)</u>	<u>2,661,337</u>	<u>9,905,291</u>	<u>(3,994,219)</u>
Fund Balances				
July 1, as previously reported	24,777,124	22,285,897	12,380,606	16,234,718
Prior period adjustments	0	(170,110)	0	140,107
July 1, as restated	<u>24,777,124</u>	<u>22,115,787</u>	<u>12,380,606</u>	<u>16,374,825</u>
June 30	<u>\$ 20,124,505</u>	<u>24,777,124</u>	<u>22,285,897</u>	<u>12,380,606</u>

* Source - Prior year audit reports.

PASCAGOULA-GAUTIER 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	\$ 47,690,414	46,807,143	44,846,805	37,164,945
State sources	32,273,150	30,264,041	30,575,638	30,273,960
Federal sources	9,331,154	9,630,013	15,395,955	11,189,965
Sixteenth section sources	19,731	20,082	50,218	6,215
Total Revenues	<u>89,314,449</u>	<u>86,721,279</u>	<u>90,868,616</u>	<u>78,635,085</u>
Expenditures				
Instruction	48,606,005	45,882,405	44,346,343	41,261,445
Support services	33,399,282	33,073,540	28,304,202	28,875,014
Noninstructional services	4,477,975	4,375,162	4,259,561	4,069,780
Facilities acquisition and construction	7,148,169	10,169,672	10,378,277	1,402,062
Debt service				
Principal	0	0	7,630,000	1,775,000
Interest	0	0	172,903	339,364
Other	0	0	2,233	2,365
Total Expenditures	<u>93,631,431</u>	<u>93,500,779</u>	<u>95,093,519</u>	<u>77,725,030</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,316,982)</u>	<u>(6,779,500)</u>	<u>(4,224,903)</u>	<u>910,055</u>
Other Financing Sources (Uses)				
Insurances loss recoveries	9,680	0	777	843
Sale of other property	1,494	9,740	5,234	0
Operating transfers in	10,527,460	8,252,430	39,873,401	19,580,616
Other financing sources	0	6,981	8,925,035	0
Operating transfers out	(10,527,460)	(8,252,430)	(39,873,401)	(19,580,616)
Other financing uses	(21,019)	0	0	0
Total Other Financing Sources (Uses)	<u>(9,845)</u>	<u>16,721</u>	<u>8,931,046</u>	<u>843</u>
Net Change in Fund Balances	<u>(4,326,827)</u>	<u>(6,762,779)</u>	<u>4,706,143</u>	<u>910,898</u>
Fund Balances				
July 1, as previously reported	37,643,118	44,288,287	39,788,685	39,029,637
Prior period adjustments	0	108,317	(204,907)	(160,706)
July 1, as restated	<u>37,643,118</u>	<u>44,396,604</u>	<u>39,583,778</u>	<u>38,868,931</u>
Increase (Decrease) in reserve for inventory	<u>(20,539)</u>	<u>9,293</u>	<u>(1,634)</u>	<u>8,856</u>
June 30	<u>\$ 33,295,752</u>	<u>37,643,118</u>	<u>44,288,287</u>	<u>39,788,685</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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
Pascagoula-Gautier 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 Pascagoula-Gautier School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Pascagoula-Gautier School District's basic financial statements, and have issued my report thereon dated March 18, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Pascagoula-Gautier 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 Pascagoula-Gautier School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Pascagoula-Gautier 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 Pascagoula-Gautier 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
March 18, 2016

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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
Pascagoula-Gautier School District

Report on Compliance for Each Major Federal Program

I have audited Pascagoula-Gautier 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 Pascagoula-Gautier School District's major federal programs for the year ended June 30, 2015. Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier 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 Pascagoula-Gautier School District's internal control over compliance.

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

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

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
March 18, 2016

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

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Pascagoula-Gautier School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pascagoula-Gautier School District as of and for the year ended June 30, 2015, which collectively comprise Pascagoula-Gautier School District's basic financial statements and have issued my report thereon dated March 18, 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
March 18, 2016

This page left blank intentionally.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

PASCAGOULA-GAUTIER 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? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | c. The school and libraries program of the universal service fund | |
| | CFDA#: 32.xxx | |
| 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

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

This page left blank intentionally.