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BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Bay St. Louis/Waveland School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis/Waveland School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Bay St. Louis/Waveland School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis/Waveland School District, as of June 30, 2016, 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 6-14, 41, 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay St. Louis/Waveland School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the Bay St. Louis/Waveland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay St. Louis/Waveland School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is stylized, with the first name "Cunningham" written in a cursive script and "CPAs" in a more formal, blocky font.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of Bay St. Louis/Waveland School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. 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 2016 increased \$46,123, including a prior period adjustment of \$993,882, and which represents a 0.1% increase from fiscal year 2015. Total net position for 2015 decreased \$16,338,209, including a prior period adjustment of (\$15,572,318), which represents a 34% decrease from fiscal year 2014.
- General revenues amounted to \$18,102,403 and \$16,950,712, or 84% and 83% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,356,913, or 16% of total revenues for 2016, and \$3,525,765, or 17% of total revenues for 2015.
- The District had \$22,407,075 and \$21,242,368 in expenses for fiscal years 2016 and 2015; only \$3,356,913 for 2016 and \$3,525,765 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,102,403 for 2016 were not adequate to provide for these programs and \$16,950,712 for 2015 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$16,957,572 in revenues and \$17,454,095 in expenditures for 2016, and \$16,189,466 in revenues and \$19,455,409 in expenditures in 2015. The General Fund's fund balance increased by \$333,888 from 2015 to 2016, and increased by \$2,032,313 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$247,766 for 2016 and increased by \$2,673,903 for 2015. The decrease for 2016 was primarily due to construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$889,831 for 2016 and decreased by \$845,030 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,956 for 2016 and decreased by \$4,219 for 2015.

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, deferred

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 New 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 \$31,784,432 as of June 30, 2016.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 14,412,034	\$ 13,123,750	9.82 %
Restricted assets	1,316,691	1,412,257	-6.77 %
Capital assets, net	45,347,750	45,595,516	-0.54 %
Total assets	61,076,475	60,131,523	1.57 %
Deferred outflows of resources	4,525,706	1,971,854	129.52 %
Current liabilities	1,943,682	959,554	102.56 %
Long-term debt outstanding	4,889,617	5,779,448	-15.40 %
Net pension liability	26,278,647	20,634,887	27.35 %
Total liabilities	33,111,946	27,373,889	20.96 %
Deferred inflows of resources	705,803	2,991,179	-76.40 %
Net position:			
Net investment in capital assets	41,229,261	40,912,600	0.77 %
Restricted	6,460,941	1,573,396	310.64 %
Unrestricted	(15,905,770)	(10,747,687)	-47.99 %
Total net position	\$ 31,784,432	\$ 31,738,309	0.15 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (15,905,770)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>22,458,744</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,552,974</u>

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

- Decrease in net capital assets in the amount of \$247,766.
- The principal retirement of \$878,875 of long-term debt.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$21,459,316 and \$20,476,477, respectively. The total cost of all programs and services was \$22,407,075 for 2016 and \$21,242,368 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 226,255	\$ 256,786	(11.89) %
Operating grants and contributions	3,130,658	2,996,781	4.47 %
Capital grants and contributions	-	272,198	(100.00) %
General revenues:			
Property taxes	8,195,338	7,854,897	4.33 %
Grants and contributions not restricted	9,185,900	8,640,224	6.32 %
Investment earnings	72,706	77,807	(6.56) %
Sixteenth section sources	6,321	10,692	(40.88) %
Other	642,138	367,092	74.93 %
Total revenues	21,459,316	20,476,477	4.80 %
Expenses:			
Instruction	9,549,648	9,500,343	0.52 %
Support services	8,654,702	8,808,566	(1.75) %
Non-instructional	1,535,206	1,295,747	18.48 %
Sixteenth section sources	1,311	-	N/A %
Pension expense	2,455,900	1,397,521	75.73 %
Interest on long-term liabilities	210,308	240,191	(12.44) %
Total expenses	22,407,075	21,242,368	5.48 %
Increase (Decrease) in net position	(947,759)	(766,891)	(23.76) %
Net Position, July 1, as previously reported	31,738,309	48,076,518	(33.98) %
Prior Period Adjustment	993,882	(15,672,318)	106.38 %
Net Position, July 1, as restated	32,732,191	32,504,200	0.70 %
Net Position, June 30	\$ 31,784,432	\$ 31,738,309	0.15 %

Governmental activities

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 9,549,648	\$ 9,500,343	0.52 %
Support services	8,654,702	8,808,566	(1.75) %
Non-instructional	1,535,206	1,295,747	18.48 %
Sixteenth section	1,311	-	N/A %
Pension Expense	2,455,900	1,397,521	75.73 %
Interest on long-term liabilities	210,308	240,191	(12.44) %
Total expenses	\$ 22,407,075	\$ 21,242,368	5.48 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (8,546,791)	\$ (8,468,279)	0.93 %
Support services	(7,463,966)	(7,455,868)	0.11 %
Non-instructional	(371,886)	(154,744)	140.32 %
Sixteenth section	(1,311)	-	N/A %
Pension Expense	(2,455,900)	(1,397,521)	75.73 %
Interest on long-term liabilities	(210,308)	(240,191)	(12.44) %
Total net (expense) revenue	\$ (19,050,162)	\$ (17,716,603)	7.53 %

- Net cost of governmental activities (\$19,050,162 for 2016 and \$17,716,603 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$8,195,338 for 2016 and \$7,854,897 for 2015) and state and federal revenues (\$9,185,900 for 2016 and \$8,640,224 for 2015). In addition, there was \$6,321 and \$10,692 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$72,706 for 2016 and \$77,807 for 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,777,543, an increase of \$149,703, which includes an increase in inventory of \$27,917. \$2,501,047 or 18% 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 \$11,276,496 or 82% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$333,888. The fund balance of Other Governmental Funds showed an increase in the amount of \$71,388, which includes an increase in reserve for inventory of \$27,917, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Local Capital Projects Fund	\$ (255,573)

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, 2016, the District's total capital assets were \$57,593,745, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,127,877 from 2015. Total accumulated depreciation as of June 30, 2016, was \$12,245,995, and total depreciation expense for the year was \$1,454,005, resulting in total net capital assets of \$45,347,750.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 600,512	\$ 600,512	0.00 %
Construction in Progress	957,877	-	N/A %
Buildings	37,954,662	38,898,383	(2.43) %
Building improvements	3,494,314	3,646,011	(4.16) %
Improvements other than buildings	1,857,205	1,944,340	(4.48) %
Mobile equipment	299,945	117,568	155.12 %
Furniture and equipment	183,235	388,702	(52.86) %
Total	\$ 45,347,750	\$ 45,595,516	(0.54) %

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Debt Administration. At June 30, 2016, the District had \$4,889,617 in outstanding long-term debt, of which \$922,107 is due within one year. The liability for compensated absences decreased \$10,956 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ 1,415,000	\$ 2,070,000	(31.64) %
Three mill notes payable	3,080,000	3,245,000	(5.08) %
Shortfall notes payable	269,644	328,519	(17.92) %
Compensated absences payable	124,973	135,929	(8.06) %
Total	<u>\$ 4,889,617</u>	<u>\$ 5,779,448</u>	<u>(15.40) %</u>

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

CURRENT ISSUES

The Bay St. Louis/Waveland 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 are 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 Bay St. Louis/Waveland School District, 200 N. Second Street, Bay St. Louis, MS 39520.

FINANCIAL STATEMENTS

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 13,384,350
Due from other governments	581,426
Prepaid items	405,322
Inventories	40,936
Restricted assets	1,316,691
Capital assets, non-depreciable:	
Land	600,512
Construction in progress	957,877
Capital assets, net of accumulated depreciation:	
Buildings	37,954,662
Building improvements	3,494,314
Improvements other than buildings	1,857,205
Mobile equipment	299,945
Furniture and equipment	183,235
Total Assets	<u>61,076,475</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,525,706
Total deferred outflows of resources	<u>4,525,706</u>
Liabilities	
Accounts payable and accrued liabilities	1,902,360
Unearned income	1,431
Interest payable on long-term liabilities	39,891
Long-term liabilities, due within one year:	
Capital related liabilities	860,000
Non-capital related liabilities	62,107
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,635,000
Non-capital related liabilities	332,510
Net pension liability	26,278,647
Total Liabilities	<u>33,111,946</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	705,803
Total deferred inflows of resources	<u>705,803</u>
Net Position	
Invested in capital assets, net of related debt	41,229,261
Restricted for:	
Expendable:	
School-based activities	913,311
Debt service	695,691
Capital projects	4,800,923
Unemployment benefits	51,016
Unrestricted	(15,905,770)
Total Net Position	<u>\$ 31,784,432</u>

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 9,549,648	\$ 90,895	\$ 911,962	\$ -	\$ (8,546,791)
Support services	8,654,702	-	1,190,736	-	(7,463,966)
Non-instructional	1,535,206	135,360	1,027,960	-	(371,886)
Sixteenth section	1,311	-	-	-	(1,311)
Pension expense	2,455,900	-	-	-	(2,455,900)
Interest on long-term liabilities	210,308	-	-	-	(210,308)
Total Governmental Activities	<u>\$ 22,407,075</u>	<u>\$ 226,255</u>	<u>\$ 3,130,658</u>	<u>\$ -</u>	<u>\$ (19,050,162)</u>

General Revenues:

Taxes:

General purpose levies 7,159,645

Debt purpose levies 1,035,693

Unrestricted grants and contributions:

State 9,105,226

Federal 80,674

Unrestricted investment earnings 72,706

Sixteenth section 6,321

Other 642,138

Total General Revenues 18,102,403

Change in Net Position (947,759)

Net Position - Beginning, as originally reported 31,738,309

Prior period adjustments 993,882

Net Position - Beginning, as restated 32,732,191

Net Position - Ending \$ 31,784,432

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2016

Exhibit C

	<u>Major Funds</u>			
	General	Local Capital Projects	Other Governmental	Total Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 12,353,806	\$ 601,626	\$ 1,745,609	\$ 14,701,041
Due from other governments	276,410	-	305,016	581,426
Due from other funds	258,046	-	-	258,046
Inventories	-	-	40,936	40,936
Prepaid items	405,322	-	-	405,322
Total assets	<u>13,293,584</u>	<u>601,626</u>	<u>2,091,561</u>	<u>15,986,771</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,501,766	\$ 225,115	\$ 175,479	\$ 1,902,360
Unearned income	-	-	1,431	1,431
Due to other funds	-	-	258,046	258,046
Total Liabilities	<u>1,501,766</u>	<u>225,115</u>	<u>434,956</u>	<u>2,161,837</u>
Deferred Inflows of Resources:				
Deferred revenue	-	-	47,391	47,391
Total Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>47,391</u>	<u>47,391</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	40,936	40,936
Prepaid items	405,322	-	-	405,322
Restricted:				
Debt service	-	-	735,582	735,582
Capital projects	4,800,923	376,511	-	5,177,434
Grant activities	-	-	781,680	781,680
Unemployment benefits	-	-	51,016	51,016
Assigned:				
Activity funds	90,695	-	-	90,695
Capital improvements	3,993,831	-	-	3,993,831
Unassigned	<u>2,501,047</u>	<u>-</u>	<u>-</u>	<u>2,501,047</u>
Total Fund Balances	<u>11,791,818</u>	<u>376,511</u>	<u>1,609,214</u>	<u>13,777,543</u>
Total Liabilities Deferred Inflows of Resources and Fund Balances	<u>\$ 13,293,584</u>	<u>\$ 601,626</u>	<u>\$ 2,091,561</u>	<u>\$ 15,986,771</u>

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 13,777,543

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

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

Land	\$ 600,512	
Construction in progress	957,877	
Buildings	47,186,064	
Building improvements	3,792,431	
Improvements other than buildings	2,431,464	
Mobile equipment	741,998	
Furniture and equipment	1,883,399	
Accumulated depreciation	<u>(12,245,995)</u>	45,347,750

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

Net pension liability	(26,278,647)	
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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	4,525,706	
Deferred inflows of resources related to pensions	<u>(705,803)</u>	(22,458,744)

3. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.

47,391

4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(1,415,000)	
Three mill notes payable	(3,080,000)	
Shortfall notes payable	(269,644)	
Compensated absences	(124,973)	
Accrued interest payable	<u>(39,891)</u>	(4,929,508)

Net position of governmental activities

\$ 31,784,432

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

Exhibit D

	General Fund	Local Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 7,725,877	\$ -	\$ 1,186,006	\$ 8,911,883
State sources	9,091,155	-	336,584	9,427,739
Federal sources	134,218	-	3,701,091	3,835,309
Sixteenth section sources	6,322	-	-	6,322
Total Revenues	16,957,572	-	5,223,681	22,181,253
Expenditures:				
Instruction	8,793,733	-	1,202,106	9,995,839
Support services	7,956,747	-	1,118,573	9,075,320
Noninstructional services	-	-	1,159,487	1,159,487
Sixteenth section	1,311	-	-	1,311
Facilities acquisition and construction	702,304	255,573	-	957,877
Debt service:				
Principal	-	-	878,875	878,875
Interest	-	-	219,254	219,254
Other	-	-	2,550	2,550
Total Expenditures	17,454,095	255,573	4,580,845	22,290,513
Excess (Deficiency) of Revenues over (under) Expenditures	(496,523)	(255,573)	642,836	(109,260)
Other Financing Sources (Uses):				
Operating transfers in	1,010,503	-	419,509	1,430,012
Other financing sources	250,000	-	-	250,000
Operating transfers out	(411,169)	-	(1,018,843)	(1,430,012)
Other financing uses	(18,923)	-	(31)	(18,954)
Total Other Financing Sources (Uses)	830,411	-	(599,365)	231,046
Net Change in Fund Balances	333,888	(255,573)	43,471	121,786
Fund Balances:				
July 1, 2015	11,457,930	632,084	1,537,826	13,627,840
Increase in reserve for inventory	-	-	27,917	27,917
June 30, 2016	\$ 11,791,818	\$ 376,511	\$ 1,609,214	\$ 13,777,543

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 121,786

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

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

Capital outlay	\$ 1,212,731	
Depreciation expense	<u>(1,454,005)</u>	(241,274)

2. 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 assets sold.

(6,492)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	878,875	
Accrued interest payable	<u>11,496</u>	890,371

4. The statement of activities reports pension expense and other activity related to net pension liability:

Pension expense	(2,455,900)	
Contributions made after the measurement date	<u>1,651,368</u>	(804,532)

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

Change in compensated absences	10,956	
Change in inventory reserve	<u>27,917</u>	38,873

6. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.

47,391

7. The District received reimbursements from FEMA for prior period expenditures related to hurricane Katrina. A prior period adjustment was made in the government-wide financial statements in order to match those revenues to the related expenses in accordance with the economic resources measurement focus and the accrual basis of accounting. In prior periods, a receivable and related revenue should have been recorded and recognized for this reimbursement. However the governmental fund financial statements are prepared under the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, the revenue related to this FEMA reimbursement could only be recognize during the current period.

(993,882)

Change in net position of governmental activities	<u>\$ (947,759)</u>
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The notes to the financial statements are an integral part of this statement.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2016****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 87,021
Total Assets	<u>\$ 87,021</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 13,500
Due to student clubs	73,521
Total Liabilities	<u>\$ 87,021</u>

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Petal 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, Bay St. Louis/Waveland 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, deferred outflows, liabilities, and deferred inflows 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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Local Capital Projects Fund - This capital projects funds is used to account for various construction projects throughout the district.

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:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

operations.

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related 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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

statements.

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$4,525,706 of deferred outflows related to its pension plan.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The district reports \$705,803 of deferred inflows related to its pension plan.

See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

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.

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

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.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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 and investments are imposed by statutes as follows:

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,701,041 and \$87,021, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. 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.

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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 258,046
Total		<u>\$ 258,046</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 411,169
Other governmental funds	General Fund	1,010,503
	Other governmental funds	8,340
Total		<u>\$ 1,430,012</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

Note 4 – Restricted Assets

The restricted assets represent unspent proceeds of long-term debt of \$601,626 of the Local Capital Projects Fund.

Also, the restricted assets represent the cash balance, totaling \$8,656, \$3,511 and \$702,898, of the Shortfall Notes Payable Debt Service Fund, Three Mill Notes Debt Service Fund and General Obligations Bonds Debt Service Fund, respectively.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 600,512	\$ -	\$ -	\$ 600,512
Construction-in-progress	-	957,877	-	957,877
Total non-depreciable capital assets	600,512	957,877	-	1,558,389
<u>Depreciable capital assets:</u>				
Buildings	47,186,064	-	-	47,186,064
Building improvements	3,792,431	-	-	3,792,431
Improvements other than buildings	2,431,464	-	-	2,431,464
Mobile equipment	557,198	247,500	(62,700)	741,998
Furniture and equipment	1,898,199	7,354	(22,154)	1,883,399
Total depreciable capital assets	55,865,356	254,854	(84,854)	56,035,356
<u>Less accumulated depreciation for:</u>				
Buildings	8,287,681	943,721	-	9,231,402
Building improvements	146,420	151,697	-	298,117
Improvements other than buildings	487,124	87,135	-	574,259
Mobile equipment	439,630	58,853	(56,430)	442,053
Furniture and equipment	1,509,497	212,599	(21,932)	1,700,164
Total accumulated depreciation	10,870,352	1,454,005	(78,362)	12,245,995
Total depreciable capital assets, net	44,995,004	(1,199,151)	(6,492)	43,789,361
Governmental activities capital assets, net	\$ 45,595,516	\$ (241,274)	\$ (6,492)	\$ 45,347,750

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 633,926
Support services	360,834
Non-instructional	459,245
Total depreciation expense - Governmental activities	\$ 1,454,005

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Bay High Renovations	\$ 373,871	\$ 3,020,952
Athletic Complex	584,006	2,156,482
Total construction in progress	\$ 957,877	\$ 5,177,434

Construction projects included in governmental activities are funded by the local capital improvements fund and the local capital projects funds.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 6 – Long-term Liabilities

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

	Balance			Balance		Amounts due within one year
	7/1/2015	Additions	Reductions	6/30/2016		
A. General obligation bonds payable	\$ 2,070,000	\$ -	\$ (655,000)	\$ 1,415,000	\$	690,000
B. Three mill notes payable	3,245,000	-	(165,000)	3,080,000		170,000
C. Shortfall notes payable	328,519	-	(58,875)	269,644		62,107
D. Compensated absences payable	135,929	-	(10,956)	124,973		-
Total	\$ 5,779,448	\$ -	\$ (889,831)	\$ 4,889,617	\$	922,107

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2007	4.00%	11/20/2007	9/1/2017	\$ 5,845,000	\$ 1,415,000
Total				\$ 5,845,000	\$ 1,415,000

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

Year Ending June 30	Principal		Interest		Total
2017	\$	690,000	\$	42,800	\$ 732,800
2018		725,000		14,500	739,500
Total	\$	1,415,000	\$	57,300	\$ 1,472,300

This debt will be retired from the Bond Sinking Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2015.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2016**

B. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill notes payable	3.00%-4.55%	6/10/2010	6/1/2030	\$ 4,000,000	\$ 3,080,000
Total				<u>\$ 4,000,000</u>	<u>\$ 3,080,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 170,000	\$ 126,569	\$ 296,569
2018	175,000	121,043	296,043
2019	180,000	115,138	295,138
2020	190,000	108,838	298,838
2021	195,000	94,540	289,540
2022-2026	1,105,000	394,473	1,499,473
2027-2030	1,065,000	239,760	1,304,760
Total	<u>\$ 3,080,000</u>	<u>\$ 1,200,361</u>	<u>\$ 4,280,361</u>

This debt will be retired from the Three Mill Note fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall notes, Series 2009	4.50%	8/1/2009	8/1/2019	\$ 580,000	\$ 269,644
Total				<u>\$ 580,000</u>	<u>\$ 269,644</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 62,107	\$ 14,803	\$ 76,910
2018	65,516	11,394	76,910
2019	69,113	7,797	76,910
2020	72,908	4,002	76,910
Total	<u>\$ 269,644</u>	<u>\$ 37,996</u>	<u>\$ 307,640</u>

This debt will be retired from the Shortfall 2009 Fund.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

D. Compensated absences payable

As more fully explained in Note 1(F)(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.

Note 8 – Prior Year Defeasance of Debt

In prior years, the Bay St. Louis/Waveland School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2016, \$1,405,000 of bonds outstanding is defeased.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2017	\$ 2,400
2018	2,400
2019	2,400
2020	2,400
2021	2,400
2022-2026	12,000
2027-2031	12,000
2032-2036	12,000
2037-2041	12,000
Thereafter	69,600
Total	<u>\$ 129,600</u>

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 10 – 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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$1,651,368, \$1,649,956 and \$1,637,699, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$26,278,647 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was .17 percent, which was based on a measurement date of June 30, 2015.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

This was no change from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,455,900. At June 30, 2016 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	\$ 610,523	\$ -
Net difference between projected and actual earnings on pension plan investments	-	705,803
Changes of assumptions	2,263,815	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	1,651,368	-
Total	\$ 4,525,706	\$ 705,803

\$1,651,368 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:	
2017	\$ 733,389
2018	707,884
2019	342,897
2020	384,365
Total	\$ 2,168,535

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 34,637,665	\$ 26,278,647	\$ 19,342,226

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 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.

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(15,905,770) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$4,525,706 balance of the deferred outflow of resources at June 30, 2016 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(15,905,770) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$705,803 balance of the deferred inflow of resources at June 30, 2016 will be recognized as revenue and increase unrestricted net position over the next 4 years.

Note 14 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To adjust beginning FEMA receivable	\$ <u>993,882</u>

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Bay St. Louis/Waveland School District evaluated the activity of the district through October 28, 2016, (the date the financial statements were available to be issued), and determined that the no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Positive (Negative) Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,850,760	\$ 7,725,875	\$ 7,725,877	\$ (124,885)	\$ 2
State sources	9,120,120	9,091,155	9,091,155	(28,965)	-
Federal sources	130,450	134,218	134,218	3,768	-
Sixteenth section	-	6,322	6,322	6,322	-
Total Revenues	17,101,330	16,957,570	16,957,572	(143,760)	2
Expenditures:					
Instruction	8,827,114	8,793,733	8,793,733	33,381	-
Support services	7,970,551	7,920,668	7,956,747	49,883	(36,079)
Noninstructional services	-	-	-	-	-
Sixteenth section	-	1,311	1,311	(1,311)	-
Facilities acquisition and construction	2,725,000	702,304	702,304	2,022,696	-
Total Expenditures	19,522,665	17,418,016	17,454,095	2,104,649	(36,079)
Excess (Deficiency) of Revenues over (under) Expenditures	(2,421,335)	(460,446)	(496,523)	1,960,889	(36,077)
Other Financing Sources (Uses):					
Operating transfers in	2,176,862	3,050,546	1,010,503	873,684	(2,040,043)
Other financing sources	32,299	281,100	250,000	248,801	(31,100)
Operating transfers out	(2,702,080)	(2,368,182)	(411,169)	333,898	1,957,013
Other financing uses	(50,000)	(50,000)	(18,923)	-	31,077
Total Other Financing Sources (Uses)	(542,919)	913,464	830,411	1,456,383	(83,053)
Net Change in Fund Balances	(2,964,254)	453,018	333,888	3,417,272	(119,130)
Fund Balances:					
July 1, 2015	11,457,930	11,457,930	11,457,930	-	-
June 30, 2016	\$ 8,493,676	\$ 11,910,948	\$ 11,791,818	\$ 3,417,272	\$ (119,130)

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT**Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****PERS****Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	\$ 26,278,647	\$ 20,634,887
District's proportionate share of the net pension liability	0.17%	0.17%
District's covered-employee payroll	10,475,924	10,398,089
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.85%	198.45%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT**Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****PERS****Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,651,368	\$ 1,649,956
Contributions in relation to the contractually required contribution	1,651,368	1,649,956
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	10,484,876	10,475,924
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(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. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

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	\$ 236,567
National school lunch program	10.555	827,890
Summer food service program for children	10.559	7,079
Total child nutrition cluster		<u>1,071,536</u>
Fresh fruit and vegetables program	10.582	26,785
Total passed-through Mississippi Department of Education		<u>1,098,321</u>
Total U.S. Department of Agriculture		<u>1,098,321</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	53,544
Total U.S. Department of Defense		<u>53,544</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	55,315
Total Federal Communications Commission		<u>55,315</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	889,829
Career and technical education - basic grants to states	84.048	1,166
Twenty-first century community learning centers	84.287	509
Improving teacher quality-State Grants	84.367	161,766
Subtotal		<u>1,053,270</u>
Special education cluster:		
Special education - grants to states	84.027	574,092
Special education - preschool grants	84.173	28,917
Total special education cluster		<u>603,009</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	25,359
Total passed-through Mississippi Department of Education		<u>25,359</u>
Total U.S. Department of Health and Human Services		<u>25,359</u>
Total for All Federal Awards		<u>\$ 2,888,818</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. Donated commodities of \$84,397 are included in the National School Lunch Program.

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,922,967	10,560,920	944,968	1,063,786	1,353,293
Other	8,367,546	1,687,087	229,639	32,259	6,418,561
Total	\$ 22,290,513	12,248,007	1,174,607	1,096,045	7,771,854
Total number of students *	1,912				
Cost per student	\$ 11,658	6,406	614	573	4,065

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

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

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

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

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

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

OTHER INFORMATION

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 7,725,877	\$ 7,429,414	\$ 7,601,912	\$ 7,575,387
State sources	9,091,155	8,607,111	8,448,118	8,290,282
Federal sources	134,218	142,249	111,599	142,031
Sixteenth section sources	6,322	10,692	-	-
Total Revenues	16,957,572	16,189,466	16,161,629	16,007,700
Expenditures:				
Instruction	8,793,733	8,668,607	8,564,372	8,397,376
Support services	7,956,747	7,772,256	8,653,194	7,120,295
Noninstructional services	-	-	-	1,635
Sixteenth section	1,311	-	-	-
Facilities acquisition and construction	702,304	3,014,546	693,509	695,022
Total Expenditures	17,454,095	19,455,409	17,911,075	16,214,328
Excess (Deficiency) of Revenues over (under) Expenditures	(496,523)	(3,265,943)	(1,749,446)	(206,628)
Other Financing Sources (Uses):				
Insurance recovery	-	1,199	-	58,417
Operating transfers in	1,010,503	5,429,000	5,116,108	37,762
Other financing sources	250,000	-	31,100	31,100
Operating transfers out	(411,169)	(240,913)	(367,803)	(358,699)
Other financing uses	(18,923)	(15,292)	(50,000)	(50,000)
Total Other Financing Sources (Uses)	830,411	5,173,994	4,729,405	(281,420)
Net Change in Fund Balances	333,888	1,908,051	2,979,959	(488,048)
Fund Balances:				
Beginning of period, as previously reported	11,457,930	9,425,617	6,444,009	6,932,057
Prior period adjustments	-	-	1,649	-
Fund reclassification	-	124,262	-	-
Beginning of period, as restated	11,457,930	9,549,879	6,445,658	6,932,057
End of Period	\$ 11,791,818	\$ 11,457,930	\$ 9,425,617	\$ 6,444,009

*SOURCE - PRIOR YEAR AUDIT REPORTS

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 8,911,883	\$ 8,577,980	\$ 8,918,074	\$ 8,927,819
State sources	9,427,739	8,875,344	8,696,082	8,570,987
Federal sources	3,835,309	8,450,317	8,649,207	5,336,132
Sixteenth section sources	6,322	10,692	2,400	6,628
Total Revenues	22,181,253	25,914,333	26,265,763	22,841,566
Expenditures:				
Instruction	9,995,839	9,814,048	10,152,876	10,323,475
Support services	9,075,320	8,855,264	9,650,968	8,459,933
Noninstructional services	1,159,487	1,146,045	1,148,831	1,249,469
Sixteenth section	1,311	-	1,117	1,252
Facilities acquisition and construction	957,877	3,191,470	4,484,954	1,140,022
Debt service:				
Principal	878,875	840,811	802,906	770,153
Interest	219,254	252,718	284,673	315,226
Other	2,550	2,550	2,550	2,550
Total Expenditures	22,290,513	24,102,906	26,528,875	22,262,080
Excess (Deficiency) of Revenues over (under) Expenditures	(109,260)	1,811,427	(263,112)	579,486
Other Financing Sources (Uses):				
Insurance recovery	-	1,199	-	58,417
Sale of other property	-	-	737,030	-
Operating transfers in	1,430,012	5,679,232	5,494,740	405,358
Other financing sources	250,000	-	31,100	31,100
Operating transfers out	(1,430,012)	(5,679,232)	(5,494,740)	(405,358)
Other financing uses	(18,954)	(18,060)	(50,000)	(50,000)
Total Other Financing Sources (Uses)	231,046	(16,861)	718,130	39,517
Net Change in Fund Balances	121,786	1,794,566	455,018	619,003
Fund Balances:				
Beginning of period, as previously reported	13,627,840	11,845,847	11,453,039	10,834,226
Prior period adjustments	-	-	(70,842)	-
Beginning of period, as restated	13,627,840	11,845,847	11,382,197	10,834,226
Increase (Decrease) in reserve for inventory	27,917	(12,573)	8,632	(190)
End of Period	\$ 13,777,543	\$ 13,627,840	\$ 11,845,847	\$ 11,453,039

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Bay St. Louis/Waveland School District
Bay St. Louis, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis/Waveland School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Bay St. Louis/Waveland School District's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay St. Louis/Waveland School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bay St. Louis/Waveland School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay St. Louis/Waveland School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay St. Louis/Waveland School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is stylized, with the word "Cunningham" written in a cursive script and "CPAs" in a more blocky, sans-serif style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 28, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Bay St. Louis/Waveland School District
Bay St. Louis, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the Bay St. Louis/Waveland School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bay St. Louis/Waveland School District's major federal programs for the year ended June 30, 2016. Bay St. Louis/Waveland 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bay St. Louis/Waveland School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bay St. Louis/Waveland School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Bay St. Louis/Waveland School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Bay St. Louis/Waveland 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, 2016.

Report on Internal Control over Compliance

Management of the Bay St. Louis/Waveland 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 our audit of compliance, we considered the Bay St. Louis/Waveland 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bay St. Louis/Waveland School District's internal control over compliance.

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

Our consideration of 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'Cunningham CPAs', is written over the printed name and firm name.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 28, 2016

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

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

Superintendent and School Board
Bay St. Louis/Waveland School District
Bay St. Louis, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis/Waveland School District as of and for the year ended June 30, 2016, which collectively comprise Bay St. Louis/Waveland School District's basic financial statements and have issued our report thereon dated October 28, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported no 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None reported
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition Cluster:	
10.553	School breakfast program
10.555	National school lunch program
10.559	Summer food service program for children

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? Yes

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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