



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

BILOXI PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

BILOXI PUBLIC SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	6
BASIC FINANCIAL STATEMENTS.....	15
Government-wide Financial Statements	
Exhibit A – Statement of Net Position.....	16
Exhibit B – Statement of Activities.....	17
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet.....	18
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	21
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities.....	22
Notes to the Financial Statements.....	23
REQUIRED SUPPLEMENTAL INFORMATION.....	45
Budgetary Comparison Schedule – General Fund.....	46
Schedule of the District’s Proportionate Share of the Net Pension Liability.....	47
Schedule of District Contributions.....	48
Notes to the Required Supplemental Information.....	49
SUPPLEMENTAL INFORMATION.....	50
Schedule of Expenditures of Federal Awards.....	51
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds.....	52
OTHER INFORMATION.....	53
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	54
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years.....	55
REPORTS ON INTERNAL CONTROL AND COMPLIANCE.....	56
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Independent Auditor’s Report on Compliance For Each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance.....	59
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	64

INDEPENDENT AUDITOR'S REPORT

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Biloxi Public 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 Biloxi Public School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Biloxi Public 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 Biloxi Public 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, 46, 47 and 48, 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 Biloxi Public 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 December 22, 2016, on our consideration of the Biloxi Public 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 Biloxi Public School District's internal control over financial reporting and compliance.

Cunningham CPAs, PLLC

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The following discussion and analysis of Biloxi Public 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 \$2,215,720, including a prior period adjustment of (\$168,915), which represents a 7% increase from fiscal year 2015. Total net position for 2015 decreased \$55,414,422, including a prior period adjustment of (\$59,276,810), which represents a 62% decrease from fiscal year 2014.
- General revenues amounted to \$57,413,127 and \$52,426,319, or 86% and 85% 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 \$9,517,505, or 14% of total revenues for 2016, and \$8,933,636, or 15% of total revenues for 2015.
- The District had \$64,545,997 and \$57,497,567 in expenses for fiscal years 2016 and 2015; only \$9,517,505 for 2016 and \$8,933,636 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$57,413,127 for 2016 were adequate to provide for these programs and \$52,426,319 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$53,780,057 in revenues and \$48,325,487 in expenditures for 2016, and \$49,451,632 in revenues and \$45,957,751 in expenditures in 2015. The General Fund's fund balance increased by \$328,505, including an increase in reserve for inventory of \$489, from 2015 to 2016, and increased by \$30,576 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$5,192,958 for 2016 and decreased by \$2,523,498 for 2015. The increase for 2016 was due primarily to construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$37,067,563 for 2016 and decreased by \$5,972,847 for 2015. This increase for 2016 was due primarily to the issuance of trust certificates payable net of principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$33,512 for 2016 and decreased by \$15,929 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

BILOXI PUBLIC 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

BILOXI PUBLIC SCHOOL DISTRICT
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 \$36,245,811 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.

BILOXI PUBLIC SCHOOL DISTRICT
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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 18,851,252	\$ 17,247,452	9.30 %
Restricted assets	40,213,834	1,814,497	2116.25 %
Capital assets, net	108,768,881	103,575,923	5.01 %
Total assets	<u>167,833,967</u>	<u>122,637,872</u>	36.85 %
 Deferred outflows of resources	 <u>14,199,170</u>	 <u>6,165,867</u>	 130.29 %
 Current liabilities	 6,742,989	 3,471,588	 94.23 %
Long-term debt outstanding	64,440,269	27,372,706	135.42 %
Net pension liability	<u>72,652,732</u>	<u>55,835,577</u>	30.12 %
Total liabilities	<u>143,835,990</u>	<u>86,679,871</u>	65.94 %
 Deferred inflows of resources	 <u>1,951,336</u>	 <u>8,093,777</u>	 -75.89 %
 Net position:			
Net investment in capital assets	79,782,647	77,832,523	2.51 %
Restricted	10,089,445	8,019,062	25.82 %
Unrestricted	<u>(53,626,281)</u>	<u>(51,821,494)</u>	-3.48 %
Total net position	<u>\$ 36,245,811</u>	<u>\$ 34,030,091</u>	6.51 %

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)	\$ (53,626,281)
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>60,924,869</u>
 Unrestricted net position, exclusive of the net pension liability effect	 <u>\$ 7,298,588</u>

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

- Increase in net capital assets in the amount of \$5,192,958.
- The principal retirement of \$5,011,923 of long-term debt.
- Issuing \$38,000,000 of trust certificates at a premium of \$4,294,020.

BILOXI PUBLIC 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 \$66,930,632 and \$61,359,955, respectively. The total cost of all programs and services was \$64,545,997 for 2016 and \$57,497,567 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	\$ 1,591,912	\$ 1,442,168	10.38 %
Operating grants and contributions	7,925,593	7,491,468	5.79 %
General revenues:			
Property and gaming taxes	29,103,329	28,251,694	3.01 %
Grants and contributions not restricted	26,513,040	23,761,057	11.58 %
Investment earnings	139,020	43,285	221.17 %
Sixteenth section sources	9,668	10,902	(11.32) %
Other	1,648,070	359,381	358.59 %
Total revenues	66,930,632	61,359,955	9.08 %
Expenses:			
Instruction	29,975,351	29,808,046	0.56 %
Support services	21,371,292	19,769,156	8.10 %
Non-instructional	4,190,205	2,998,614	39.74 %
Pension expense	7,268,826	3,781,526	92.22 %
Interest on long-term liabilities and other debt costs	1,740,323	1,140,225	52.63 %
Total expenses	64,545,997	57,497,567	12.26 %
Increase (Decrease) in net position	2,384,635	3,862,388	(38.26) %
Net Position, July 1, as previously reported	34,030,091	89,444,513	(61.95) %
Prior Period Adjustment	(168,915)	(59,276,810)	99.72 %
Net Position, July 1, as restated	33,861,176	30,167,703	12.24 %
Net Position, June 30	\$ 36,245,811	\$ 34,030,091	6.51 %

Governmental activities

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

BILOXI PUBLIC 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	\$ 29,975,351	\$ 29,808,046	0.56 %
Support services	21,371,292	19,769,156	8.10 %
Non-instructional	4,190,205	2,998,614	39.74 %
Pension Expense	7,268,826	3,781,526	92.22 %
Interest on long-term liabilities and other debt costs	1,740,323	1,140,225	52.63 %
Total expenses	\$ 64,545,997	\$ 57,497,567	12.26 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (26,817,583)	\$ (27,015,640)	(0.73) %
Support services	(18,682,665)	(17,035,667)	9.67 %
Non-instructional	(519,095)	409,127	(226.88) %
Pension Expense	(7,268,826)	(3,781,526)	92.22 %
Interest on long-term liabilities and other debt costs	(1,740,323)	(1,140,225)	52.63 %
Total net (expense) revenue	\$ (55,028,492)	\$ (48,563,931)	13.31 %

- Net cost of governmental activities (\$55,028,492 for 2016 and \$48,563,931 for 2015) was financed by general revenue, which is primarily made up of property and gaming taxes (\$29,103,329 for 2016 and \$28,251,694 for 2015) and state and federal revenues (\$26,513,040 for 2016 and \$23,761,057 for 2015). In addition, there was \$9,668 and \$10,902 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$139,020 for 2016 and \$43,285 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 \$51,957,632, an increase of \$37,115,520, which includes an increase in inventory of \$31,621. \$5,683,969 or 11% 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 \$46,273,663 or 89% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

General Fund for the fiscal year was \$328,505, including an increase in reserve for inventory of \$489. The fund balance of Other Governmental Funds showed an increase in the amount of \$2,634,757, which includes an increase in reserve for inventory of \$31,132, 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>
Jr. High School Construction Fund	\$ 34,152,258

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 \$157,605,093, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$8,109,327 from 2015. Total accumulated depreciation as of June 30, 2016, was \$48,836,212, and total depreciation expense for the year was \$3,384,150, resulting in total net capital assets of \$108,768,881.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 6,394,218	\$ 6,541,949	(2.26) %
Construction in Progress	7,804,075	-	N/A %
Buildings	80,752,794	82,723,849	(2.38) %
Building improvements	5,696,738	5,954,325	(4.33) %
Improvements other than buildings	5,706,103	6,099,236	(6.45) %
Mobile equipment	1,834,084	1,599,137	14.69 %
Furniture and equipment	580,869	653,286	(11.09) %
Leased property under capital leases	-	4,141	(100.00) %
Total	\$ 108,768,881	\$ 103,575,923	5.01 %

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

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Debt Administration. At June 30, 2016, the District had \$64,440,269 in outstanding long-term debt, of which \$5,465,656 is due within one year. The liability for compensated absences decreased \$33,512 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 12,155,000	\$ 14,970,000	(18.80) %
Premium on debt issuance	318,161	428,069	(25.68) %
Limited obligation refunding bonds payable	2,170,000	3,050,000	(28.85) %
Premium on debt issuance	52,478	94,457	(44.44) %
Three mill notes payable	4,370,000	5,475,000	(20.18) %
Premium on debt issuance	21,248	-	N/A %
Shortfall notes payable	329,351	489,814	(32.76) %
Trust certificates payable	38,000,000	-	N/A %
Premium on debt issuance	4,222,453	-	N/A %
Obligation under capital leases	14,123	44,399	(68.19) %
Qualified school construction bonds payable	2,335,000	2,335,000	0.00 %
Compensated absences payable	452,455	485,967	(6.90) %
Total	<u>\$ 64,440,269</u>	<u>\$ 27,372,706</u>	<u>135.42 %</u>

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

CURRENT ISSUES

The Biloxi Public 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 Biloxi Public School District, 160 St. Peters Street, Biloxi, MS 39533.

FINANCIAL STATEMENTS

BILOXI PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,369,582
Due from other governments	3,380,585
Inventories	59,930
Prepaid items	1,041,155
Restricted assets	40,213,834
Capital assets, non-depreciable:	
Land	6,394,218
Construction in progress	7,804,075
Capital assets, net of accumulated depreciation:	
Buildings	80,752,794
Building improvements	5,696,738
Improvements other than buildings	5,706,103
Mobile equipment	1,834,084
Furniture and equipment	580,869
Total Assets	<u>167,833,967</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	13,679,199
Deferred outflows - bond refunding	519,971
Total deferred outflows of resources	<u>14,199,170</u>
Liabilities	
Accounts payable and accrued liabilities	6,066,299
Interest payable on long-term liabilities	676,690
Long-term liabilities, due within one year:	
Capital related liabilities	5,302,401
Non-capital related liabilities	163,255
Long-term liabilities, due beyond one year:	
Capital related liabilities	58,356,062
Non-capital related liabilities	618,551
Net pension liability	72,652,732
Total Liabilities	<u>143,835,990</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,951,336
Total deferred inflows of resources	<u>1,951,336</u>
Net Position	
Invested in capital assets, net of related debt	79,782,647
Restricted for:	
Expendable:	
School-based activities	1,892,607
Debt service	2,162,743
Capital improvements	5,890,141
Unemployment benefits	135,704
Non-expendable:	
Sixteenth section	8,250
Unrestricted	(53,626,281)
Total Net Position	<u>\$ 36,245,811</u>

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

BILOXI PUBLIC SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 29,975,351	\$ 711,146	\$ 2,446,622	\$ -	\$ (26,817,583)
Support services	21,371,292	-	2,688,627	-	(18,682,665)
Non-instructional	4,190,205	880,766	2,790,344	-	(519,095)
Pension expense	7,268,826	-	-	-	(7,268,826)
Interest on long-term liabilities and other debt service costs	1,740,323	-	-	-	(1,740,323)
Total Governmental Activities	<u>\$ 64,545,997</u>	<u>\$ 1,591,912</u>	<u>\$ 7,925,593</u>	<u>\$ -</u>	<u>\$ (55,028,492)</u>

General Revenues:

Taxes:

General purpose levies	21,054,455
Debt purpose levies	2,250,039
Gaming	5,798,835

Unrestricted grants and contributions:

State	24,755,525
Federal	1,757,515
Unrestricted investment earnings	139,020
Sixteenth section	9,668
Other	1,648,070

Total General Revenues	<u>57,413,127</u>
------------------------	-------------------

Change in Net Position	<u>2,384,635</u>
------------------------	------------------

Net Position - Beginning, as originally reported	34,030,091
Prior period adjustment	<u>(168,915)</u>
Net Position - Beginning, as restated	<u>33,861,176</u>

Net Position - Ending	<u>\$ 36,245,811</u>
-----------------------	----------------------

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

BILOXI PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2016

Exhibit C

	Major Funds			
	General Fund	New Jr. High Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,211,728	\$ 36,828,165	\$ 10,272,138	\$ 53,312,031
Cash with fiscal agents	802,371	-	469,014	1,271,385
Due from other governments	1,092,147	-	1,329,603	2,421,750
Due from other funds	1,940,150	6,466	984,112	2,930,728
Inventories	2,467	-	57,463	59,930
Total assets	10,048,863	36,834,631	13,112,330	59,995,824
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,088,763	\$ 2,292,305	\$ 685,231	\$ 6,066,299
Due to other funds	561,708	390,068	1,020,117	1,971,893
Total Liabilities	3,650,471	2,682,373	1,705,348	8,038,192
Nonspendable:				
Inventory	2,467	-	57,463	59,930
Permanent fund principal	-	-	8,250	8,250
Restricted:				
Debt service	-	-	2,839,433	2,839,433
Grant activities	-	-	1,120,721	1,120,721
Unemployment benefits	-	-	135,704	135,704
Committed:				
Capital projects	-	34,152,258	5,890,141	40,042,399
Assigned:				
Activity funds	711,956	-	-	711,956
Future capital projects	-	-	1,355,270	1,355,270
Unassigned	5,683,969	-	-	5,683,969
Total Fund Balances	6,398,392	34,152,258	11,406,982	51,957,632
Total Liabilities and Fund Balances	\$ 10,048,863	\$ 36,834,631	\$ 13,112,330	\$ 59,995,824

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

BILOXI PUBLIC 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 \$ 51,957,632

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

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

Land	\$ 6,394,218	
Construction in progress	7,804,075	
Buildings	115,260,666	
Building improvements	10,743,487	
Improvements other than buildings	9,828,321	
Mobile equipment	4,847,021	
Furniture and equipment	2,727,305	
Accumulated depreciation	<u>(48,836,212)</u>	108,768,881

- 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	(72,652,732)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	13,679,199	
Deferred inflows of resources related to pensions	<u>(1,951,336)</u>	(60,924,869)

- 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 refunding bonds	(12,155,000)	
Limited obligation refunding bonds	(2,170,000)	
Three mill notes payable	(4,370,000)	
Shortfall notes payable	(329,351)	
Quality school construction bonds	(2,335,000)	
Trust certificates payable	(38,000,000)	
Obligations under capital leases	(14,123)	
Unamortized premiums	(4,614,340)	
Compensated absences	(452,455)	
Accrued interest payable	<u>(676,690)</u>	(65,116,959)

- Items that are normally expenses in the governmental funds are capitalized as prepaid expenses in the Statement of Net Assets. 1,041,155

- In situations where current and advance refunding result in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources. 519,971

Net position of governmental activities	<u>\$ 36,245,811</u>
--	-----------------------------

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

BILOXI PUBLIC SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds			
	General Fund	New Jr. High Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 27,970,920	\$ 6,883	\$ 3,605,402	\$ 31,583,205
State sources	24,124,173	-	1,733,955	25,858,128
Federal sources	1,675,297	-	6,905,207	8,580,504
Sixteenth section sources	9,667	-	-	9,667
Total Revenues	53,780,057	6,883	12,244,564	66,031,504
Expenditures:				
Instruction	28,019,722	-	3,469,128	31,488,850
Support services	20,078,785	383,602	2,705,654	23,168,041
Noninstructional services	27,186	-	3,116,487	3,143,673
Facilities acquisition and construction	-	7,247,476	752,792	8,000,268
Debt service:				
Principal	51,460	-	4,960,463	5,011,923
Interest	147,084	-	669,621	816,705
Other	1,250	517,567	6,200	525,017
Total Expenditures	48,325,487	8,148,645	15,680,345	72,154,477
Excess (Deficiency) of Revenues over (under) Expenditures	5,454,570	(8,141,762)	(3,435,781)	(6,122,973)
Other Financing Sources (Uses):				
Proceeds of loans	-	38,000,000	-	38,000,000
Premium on debt issuance	-	4,294,020	-	4,294,020
Sale of other property	500	-	-	500
Operating transfers in	300,045	-	6,541,465	6,841,510
Other financing sources	912,352	-	-	912,352
Operating transfers out	(6,339,451)	-	(502,059)	(6,841,510)
Total Other Financing Sources (Uses)	(5,126,554)	42,294,020	6,039,406	43,206,872
Net Change in Fund Balances	328,016	34,152,258	2,603,625	37,083,899
Fund Balances:				
July 1, 2015	6,069,887	-	8,772,225	14,842,112
Increase in reserve for inventory	489	-	31,132	31,621
June 30, 2016	\$ 6,398,392	\$ 34,152,258	\$ 11,406,982	\$ 51,957,632

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

BILOXI PUBLIC 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 \$ 37,083,899

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	\$ 8,738,563	
Depreciation expense	<u>(3,384,150)</u>	5,354,413

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.

(13,724)

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:

Bonds and notes issued	(38,000,000)	
Premium on debt issuance	(4,294,020)	
Payments of debt principal	5,011,923	
Amortization of deferred amount on refunding	(133,554)	
Accrued interest payable	<u>(467,253)</u>	(37,882,904)

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

Pension expense	(7,268,826)	
Contributions made after the measurement date	<u>4,760,969</u>	(2,507,857)

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	33,512	
Change in prepaid items	83,469	
Amortization of premiums	202,206	
Change in inventory reserve	<u>31,621</u>	350,808

Change in net position of governmental activities

\$ 2,384,635

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

BILOXI PUBLIC SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2016****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,011,544
Due from other funds	177,462
Total Assets	<u>\$ 2,189,006</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 871,837
Due to student clubs	180,872
Due to other funds	1,136,297
Total Liabilities	<u>\$ 2,189,006</u>

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

BILOXI PUBLIC 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 Biloxi 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, Biloxi Public 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.

Blended component unit

The Biloxi Public School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 15).

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

BILOXI PUBLIC SCHOOL DISTRICT

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

acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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.

New Jr. High Construction Fund – This fund accounts for financial resources to be used for the construction of the new Jr. High School.

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.

BILOXI PUBLIC SCHOOL DISTRICT

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

BILOXI PUBLIC SCHOOL DISTRICT

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

BILOXI PUBLIC SCHOOL DISTRICT

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

balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy 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.

BILOXI PUBLIC SCHOOL DISTRICT

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

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 \$13,679,199 of deferred outflows related to its pension plan and \$519,971 related to a bond refunding

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 \$1,951,336 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.

BILOXI PUBLIC SCHOOL DISTRICT

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

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 receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the result of the school board approving the commitment of funds.

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

BILOXI PUBLIC SCHOOL DISTRICT

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

used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

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 \$53,312,031 and \$2,011,544, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,271,385.

BILOXI PUBLIC SCHOOL DISTRICT

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

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	New Jr. High Construction Fund	\$ 390,068
	Other governmental funds	818,803
	Fiduciary funds	731,279
New Jr. High Construction Fund	Fiduciary funds	6,466
Other governmental funds	General Fund	559,734
	Other governmental funds	25,826
	Fiduciary funds	398,552
Fiduciary funds	General Fund	1,974
	Other governmental funds	175,488
Total		<u>\$ 3,108,190</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.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 6,339,451
Other governmental funds	General Fund	300,045
	Other governmental funds	202,014
Total		<u>\$ 6,841,510</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 the cash balance totaling \$8,725, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the cash with fiscal agents balance, totaling \$469,014, of the MAEP Limited Obligation Bond/Note Fund.

The restricted assets represent the cash with fiscal agent balance, totaling \$802,371, of the Qualified School Construction Bond sinking fund.

The restricted assets represent the cash balance, totaling \$36,828,165, of the unspent loan proceeds of the New Jr. High Construction Fund.

Also, the restricted assets represent the cash balance, totaling \$2,105,559, of the other debt service funds, whose revenues are derived from ad valorem receipts or pledged gaming revenues.

BILOXI PUBLIC 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	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,541,949	\$ -	\$ -	\$ (147,731)	\$ 6,394,218
Construction-in-progress	-	7,804,075	-	-	7,804,075
Total non-depreciable capital assets	6,541,949	7,804,075	-	(147,731)	14,198,293
<u>Depreciable capital assets:</u>					
Buildings	115,064,473	196,193	-	-	115,260,666
Building improvements	10,743,487	-	-	-	10,743,487
Improvements other than buildings	9,828,321	-	-	-	9,828,321
Mobile equipment	4,319,266	527,755	-	-	4,847,021
Furniture and equipment	2,698,889	210,540	(481,505)	299,381	2,727,305
Leased property under capital leases	299,381	-	-	(299,381)	-
Total depreciable capital assets	142,953,817	934,488	(481,505)	-	143,406,800
<u>Less accumulated depreciation for:</u>					
Buildings	32,340,624	2,167,248	-	-	34,507,872
Building improvements	4,789,162	257,587	-	-	5,046,749
Improvements other than buildings	3,729,085	393,133	-	-	4,122,218
Mobile equipment	2,720,129	292,808	-	-	3,012,937
Furniture and equipment	2,045,603	273,374	(467,781)	295,240	2,146,436
Leased property under capital leases	295,240	-	-	(295,240)	-
Total accumulated depreciation	45,919,843	3,384,150	(467,781)	-	48,836,212
Total depreciable capital assets, net	97,033,974	(2,449,662)	(13,724)	-	94,570,588
Governmental activities capital assets, net	\$ 103,575,923	\$ 5,354,413	\$ (13,724)	\$ (147,731)	\$ 108,768,881

Adjustments were made in order to reconcile to the subsidiary ledger.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 1,864,423
Support services	438,782
Non-instructional	1,080,945
Total depreciation expense - Governmental activities	<u>\$ 3,384,150</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2016</u>	<u>Remaining Commitment</u>
New Jr. High School	\$ 7,247,476	\$ 31,584,274
Natatorium	410,666	-
Multi-purpose Building	145,933	-
Total construction in progress	<u>\$ 7,804,075</u>	<u>\$ 31,584,274</u>

Construction projects included in governmental activities are funded by the Future Building Fund and the new Jr. High Construction Fund.

BILOXI PUBLIC 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 7/1/2015	Additions	Reductions	Adjustments	Balance 6/30/2016	Amounts due within one year
A. General obligation refunding bonds payable	\$ 14,970,000	\$ -	(2,815,000)	\$ -	\$ 12,155,000	\$ 2,920,000
Premium on debt issuance	428,069	-	(109,908)	-	318,161	109,908
B. Limited obligation bonds payable	3,050,000	-	(880,000)	-	2,170,000	895,000
Premium on debt issuance	94,457	-	(10,107)	(31,872)	52,478	10,107
C. Three mill notes payable	5,475,000	-	(1,105,000)	-	4,370,000	1,135,000
Premium on debt issuance	-	-	(10,624)	31,872	21,248	10,624
D. Shortfall notes payable	489,814	-	(160,463)	-	329,351	163,255
E. Qualified school construction bonds payable	2,335,000	-	-	-	2,335,000	-
F. Trust certificates payable	-	38,000,000	-	-	38,000,000	-
Premium on debt issuance	-	4,294,020	(71,567)	-	4,222,453	214,701
G. Obligations under capital leases	44,399	-	(51,460)	21,184	14,123	7,061
H. Compensated absences payable	485,967	-	(33,512)	-	452,455	-
Total - net	<u>\$ 27,372,706</u>	<u>\$ 42,294,020</u>	<u>\$ (5,247,641)</u>	<u>\$ 21,184</u>	<u>\$ 64,440,269</u>	<u>\$ 5,465,656</u>

Adjustments were made to record a capital lease incurred in a prior year and to correct premiums on debt issuances.

A. General obligations 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 2013	2.00%	4/25/2013	6/15/2018	\$ 7,300,000	\$ 1,210,000
General obligation refunding bonds, Series 2010	2.00%-3.50%	3/11/2010	4/1/2021	<u>20,505,000</u>	<u>10,945,000</u>
Total				<u>\$ 27,805,000</u>	<u>\$ 12,155,000</u>

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

BILOXI PUBLIC SCHOOL DISTRICT

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

1. General obligation refunding bond issue of 2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ 865,000	\$ 24,200	\$ 889,200
2018	345,000	6,900	351,900
Total	<u>\$ 1,210,000</u>	<u>\$ 31,100</u>	<u>\$ 1,241,100</u>

This debt will be retired from Fund 4031.

2. General obligation refunding bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,055,000	\$ 357,135	\$ 2,412,135
2018	2,120,000	295,486	2,415,486
2019	2,180,000	229,766	2,409,766
2020	2,260,000	157,824	2,417,824
2021	2,330,000	81,550	2,411,550
Total	<u>\$ 10,945,000</u>	<u>\$ 1,121,761</u>	<u>\$ 12,066,761</u>

This debt will be retired from Fund 4091. The school district pledged gaming tax revenues as collateral for issuance of these bonds. No ad valorem taxes will be assessed in payment of these bonds.

Total payments for all bond issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,920,000	\$ 381,335	\$ 3,301,335
2018	2,465,000	302,386	2,767,386
2019	2,180,000	229,766	2,409,766
2020	2,260,000	157,824	2,417,824
2021	2,330,000	81,550	2,411,550
Total	<u>\$ 12,155,000</u>	<u>\$ 1,152,861</u>	<u>\$ 13,307,861</u>

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 2.3% of property assessments as of October 1, 2015.

BILOXI PUBLIC SCHOOL DISTRICT

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

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State aid capital improvement refunding bonds, Series 2014	2.00%	2/20/2014	2/1/2018	\$ 3,760,000	\$ 2,170,000
Total				<u>\$ 3,760,000</u>	<u>\$ 2,170,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 895,000	\$ 34,450	\$ 929,450
2018	1,275,000	16,350	1,291,350
Total	<u>\$ 2,170,000</u>	<u>\$ 50,800</u>	<u>\$ 2,220,800</u>

This debt will be retired from Fund 4041.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note refunding, 2011	2.0%-3.0%	6/2/2011	5/1/2018	\$7,555,000	\$2,300,000
Limited tax note refunding, 2013	2.5%-3.375%	8/15/2013	5/1/2022	<u>\$2,070,000</u>	<u>\$2,070,000</u>
Total				<u>\$9,625,000</u>	<u>\$4,370,000</u>

BILOXI PUBLIC SCHOOL DISTRICT

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

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

1. Limited tax note refunding issued 6/2/11:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,135,000	\$ 62,758	\$ 1,197,758
2018	1,165,000	34,951	1,199,951
Total	<u>\$ 2,300,000</u>	<u>\$ 97,709</u>	<u>\$ 2,397,709</u>

This debt will be retired from Fund 4021.

2. Limited tax notes issued 8/15/13:

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 61,031	\$ 61,031
2018	-	61,031	61,031
2019	495,000	61,031	556,031
2020	510,000	48,656	558,656
2021	525,000	34,631	559,631
2022	540,000	18,225	558,225
Total	<u>\$ 2,070,000</u>	<u>\$ 284,605</u>	<u>\$ 2,354,605</u>

This debt will be retired from Fund 4021.

Total payments for all three mill note issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,135,000	\$ 123,789	\$ 1,258,789
2018	1,165,000	95,982	1,260,982
2019	495,000	61,031	556,031
2020	510,000	48,656	558,656
2021	525,000	34,631	559,631
2022	540,000	18,225	558,225
Total	<u>\$ 4,370,000</u>	<u>\$ 382,314</u>	<u>\$ 4,752,314</u>

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2014 Shortfall Notes Payable	1.74%	8/1/2014	8/1/2017	\$489,814	\$329,351
Total				<u>\$489,814</u>	<u>\$329,351</u>

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

BILOXI PUBLIC SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 163,255	\$ 5,731	\$ 168,986
2018	166,096	2,890	168,986
Total	<u>\$ 329,351</u>	<u>\$ 8,621</u>	<u>\$ 337,972</u>

This debt will be retired from Fund 4012

E. Qualified school construction bonds payable

As more fully explained in Note 9, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Federally taxable limited-tax note, Series 2011	6.25%	3/30/2011	3/1/2026	\$ 2,335,000	\$ 2,335,000
Total				<u>\$ 2,335,000</u>	<u>\$ 2,335,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 145,938	\$ 145,938
2018	-	145,938	145,938
2019	-	145,938	145,938
2020	-	145,938	145,938
2021	-	145,938	145,938
2022-2026	2,335,000	729,690	3,064,690
Total	<u>\$ 2,335,000</u>	<u>\$ 1,459,380</u>	<u>\$ 3,794,380</u>

This debt will be retired from the QSCB debt service sinking fund.

F. Trust Certificates Payable

On March 17, 2016, the district issued \$38,000,000 of trust certificates to fund the construction of a new jr. high school building. See Note 15 for further information related to the trust certificates.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates	3.37-5.00%	3/17/2016	3/1/3036	\$ 38,000,000	\$ 38,000,000
Total				<u>\$ 38,000,000</u>	<u>\$ 38,000,000</u>

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

BILOXI PUBLIC SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 1,692,856	\$ 1,692,856
2018	-	1,629,488	1,629,488
2019	175,000	1,629,488	1,804,488
2020	180,000	1,622,488	1,802,488
2021	190,000	1,615,288	1,805,288
2022-2026	9,770,000	7,108,940	16,878,940
2027-2031	12,435,000	4,436,540	16,871,540
2032-2036	15,250,000	1,627,158	16,877,158
Total	<u>\$ 38,000,000</u>	<u>\$ 21,362,246</u>	<u>\$ 59,362,246</u>

This debt will be retired from the trust certificate debt service fund.

G. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of lawn mower costing \$28,245. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Reel Mower	4.50%	3/17/2015	4/1/2018	\$ 28,245	\$ 14,123
Total				<u>\$ 28,245</u>	<u>\$ 14,123</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 7,061	\$ 319	\$ 7,380
2018	7,062	319	7,381
Total	<u>\$ 14,123</u>	<u>\$ 638</u>	<u>\$ 14,761</u>

This debt will be retired from the district maintenance fund.

H. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Biloxi Public School District defeased certain limited obligation bonds payable 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, \$2,120,000 of limited obligation bonds is defeased.

In prior years, the Biloxi Public School District defeased certain general obligation bonds and certain general trust certificates payable notes payable 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

BILOXI PUBLIC SCHOOL DISTRICT

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

and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2016, \$1,180,000 of general obligation bonds and \$10,840,000 of trust certificates payable is defeased.

Note 8– Other Commitments

Commitments under construction contracts are described in Note 5.

The district also has an operating lease for laptop computers. Lease expenditures for the year ended June 30, 2016, amounted to \$170,794.

Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2017	\$ 170,794
2018	170,794
Total	<u>\$ 341,588</u>

Note 9– Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$117,635.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit in the sinking fund at June 30, 2016 was \$802,371. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2017	\$ 155,667
2018	155,667
2019	155,667
2020	155,667
2021	155,667
2022-2026	778,335
Total	<u>\$ 1,556,670</u>

BILOXI PUBLIC 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 \$4,760,969, \$4,641,324 and \$4,399,959, 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 \$72,652,732 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 .47 percent, which was based on a measurement date of June 30, 2015. This was .01 percent increase 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.

BILOXI PUBLIC SCHOOL DISTRICT

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

For the year ended June 30, 2016, the District recognized pension expense of \$7,268,826. 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	\$ 1,687,916	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,951,336
Changes of assumptions	6,258,783	-
Changes in proportion and differences between District contributions and proportionate share of contributions	971,531	-
District contributions subsequent to the measurement date	4,760,969	-
Total	<u>\$ 13,679,199</u>	<u>\$ 1,951,336</u>

\$4,760,969 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, 2017. 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	\$ 2,384,701
2018	2,314,274
2019	1,205,179
2020	1,062,740
Total	<u>\$ 6,966,894</u>

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.

BILOXI PUBLIC SCHOOL DISTRICT

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 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	\$ 95,762,956	\$ 72,652,732	\$ 53,475,566

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.

BILOXI PUBLIC 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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(53,626,281) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$13,679,199 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. Additionally, the net investment in capital assets component of net position includes the effect of deferring the recognition of expenses resulting from a deferred outflow of resources from bond refunding. The \$519,971 balance of deferred outflows of resources related to bond refunding will be recognized as expenses and decrease net position over the remaining years of the debt service requirements.

The unrestricted net position amount of \$(53,626,281) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,951,336 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 – 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	\$ 10,564
2018	10,564
2019	10,564
2020	10,564
2021	10,564
2022-2026	52,820
2027-2031	52,820
Thereafter	87,342
Total	<u>\$ 245,802</u>

BILOXI PUBLIC SCHOOL DISTRICT

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

Note 15 – Trust Certificates

A trust agreement dated March 17, 2016 was executed by and between the school district and Biloxi Public School District Leasing Authority, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$38,000,000 at a premium of \$4,294,020. Approximately \$41,776,453 was used to provide financing for the construction of a new school building (the "project"); the remainder of approximately \$517,567 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Note 16 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To reconcile capital assets to the subsidiary ledgers.	\$ (147,731)
2. To record capital lease incurred in a prior year.	(21,184)
Total	<u>\$ (168,915)</u>

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Biloxi Public School District evaluated the activity of the district through December 22, 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

BILOXI PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 26,593,275	\$ 27,970,920	\$ 27,970,920	\$ 1,377,645	\$ -
State sources	24,322,497	24,124,173	24,124,173	(198,324)	-
Federal sources	934,000	1,078,176	1,675,297	144,176	597,121
Sixteenth section sources	-	9,667	9,667	9,667	-
Total Revenues	51,849,772	53,182,936	53,780,057	1,333,164	597,121
Expenditures:					
Instruction	27,861,709	27,848,928	28,019,722	12,781	(170,794)
Support services	19,558,967	19,481,664	20,078,785	77,303	(597,121)
Noninstructional services	29,676	27,186	27,186	2,490	-
Debt service:					
Principal	250,700	222,862	51,460	27,838	171,402
Interest	203,050	28,841	147,084	174,209	(118,243)
Other	1,250	1,250	1,250	-	-
Total Expenditures	47,905,352	47,610,731	48,325,487	294,621	(714,756)
Excess (Deficiency) of Revenues over (under) Expenditures	3,944,420	5,572,205	5,454,570	1,627,785	(117,635)
Other Financing Sources (Uses):					
Sale of other property	-	500	500	500	-
Operating transfers in	3,875,688	3,980,465	300,045	104,777	(3,680,420)
Other financing sources	-	794,717	912,352	794,717	117,635
Operating transfers out	(7,849,603)	(10,019,871)	(6,339,451)	(2,170,268)	3,680,420
Total Other Financing Sources (Uses)	(3,973,915)	(5,244,189)	(5,126,554)	(1,270,274)	117,635
Net Change in Fund Balances	(29,495)	328,016	328,016	357,511	-
Fund Balances:					
July 1, 2015	6,069,887	6,069,887	6,069,887	-	-
Increase in reserve for inventory	-	489	489	489	-
June 30, 2016	\$ 6,040,392	\$ 6,398,392	\$ 6,398,392	\$ 358,000	\$ -

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

BILOXI PUBLIC 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	\$ 72,652,732	\$ 55,835,577
District's proportionate share of the net pension liability	0.47%	0.46%
District's covered-employee payroll	29,468,724	27,936,248
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	246.54%	199.87%
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.

BILOXI PUBLIC SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,760,969	\$ 4,641,324
Contributions in relation to the contractually required contribution	4,760,969	4,641,324
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	30,228,375	29,468,724
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.

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.

BILOXI PUBLIC 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

BILOXI PUBLIC 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	\$ 662,759
National school lunch program	10.555	2,037,922
Summer food service program for children	10.559	112,628
Total child nutrition cluster		<u>2,813,309</u>
Total passed-through Mississippi Department of Education		<u>2,813,309</u>
Child and adult care food program	10.558	16,212
Total U.S. Department of Agriculture		<u><u>2,829,521</u></u>
<u>U.S. Department of Defense</u>		
Direct Program:		
DODEA Grant Program	12.566	163,226
Reserve Officers' Training Corps	12.xxx	78,666
Air Force Reserve Officer Training Corps	12.xxx	5,162
Total U.S. Department of Defense		<u><u>247,054</u></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	649,885
Total Federal Communications Commission		<u><u>649,885</u></u>
<u>U.S. Department of Education</u>		
Direct program:		
Impact Aid	84.041	812,279
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	2,342
Total passed-through Mississippi Department of Rehabilitation Services		<u>2,342</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	2,030,527
Career and technical education - basic grants to states	84.048	59,032
English acquisition grants	84.365	69,577
Improving teacher quality-State Grants	84.367	499,610
Subtotal		<u>2,658,746</u>
Special education cluster:		
Special education - grants to states	84.027	1,190,868
Special education - preschool grants	84.173	57,683
Total special education cluster		<u>1,248,551</u>
Total passed-through Mississippi Department of Education		<u>3,907,297</u>
Total U.S. Department of Education		<u><u>4,721,918</u></u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	19,123
Total passed-through Mississippi Department of Education		<u>19,123</u>
Total U.S. Department of Health and Human Services		<u><u>19,123</u></u>
Total for All Federal Awards		<u><u>\$ 8,467,501</u></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 \$177,598 are included in the National School Lunch Program.
5. The district does not use a 10% de minimis indirect cost rate.

BILOXI PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 40,609,459	33,275,936	1,400,325	2,405,613	3,527,585
Other	31,545,018	4,800,179	307,516	1,295	26,436,028
Total	<u>\$ 72,154,477</u>	<u>38,076,115</u>	<u>1,707,841</u>	<u>2,406,908</u>	<u>29,963,613</u>
Total number of students *	<u>5,358</u>				
Cost per student	<u>\$ 13,467</u>	<u>7,106</u>	<u>319</u>	<u>449</u>	<u>5,592</u>

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

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

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

School Administration - includes expenditures for the following 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

BILOXI PUBLIC 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	\$ 27,970,920	\$ 26,230,826	\$ 25,392,492	\$ 24,562,432
State sources	24,124,173	21,988,039	20,769,383	19,973,823
Federal sources	1,675,297	1,221,864	900,885	1,001,422
Sixteenth section sources	9,667	10,903	-	-
Total Revenues	53,780,057	49,451,632	47,062,760	45,537,677
Expenditures:				
Instruction	28,019,722	27,336,828	25,745,190	24,884,895
Support services	20,078,785	18,357,435	18,618,296	17,867,437
Noninstructional services	27,186	26,428	28,553	25,709
Debt service:				
Principal	51,460	86,093	82,607	79,263
Interest	147,084	149,717	36,708	29,992
Other	1,250	1,250	1,250	1,250
Total Expenditures	48,325,487	45,957,751	44,512,604	42,888,546
Excess (Deficiency) of Revenues over (under) Expenditures	5,454,570	3,493,881	2,550,156	2,649,131
Other Financing Sources (Uses):				
Proceeds of loans	-	489,814	-	-
Forgiveness of prior year debt	-	-	379,792	-
Insurance loss recoveries	-	5,970	-	-
Sale of other property	500	-	-	110,111
Other financing sources	912,352	-	-	-
Operating transfers in	300,045	400,023	481,342	109,999
Operating transfers out	(6,339,451)	(4,360,145)	(3,518,582)	(2,896,141)
Total Other Financing Sources (Uses)	(5,126,554)	(3,464,338)	(2,657,448)	(2,676,031)
Net Change in Fund Balances	328,016	29,543	(107,292)	(26,900)
Fund Balances:				
Beginning of period, as originally reported	6,069,887	6,039,311	6,147,015	6,185,558
Fund reclassification	-	703	-	-
Beginning of period, as restated	6,069,887	6,040,014	6,147,015	6,185,558
Increase (Decrease) in reserve for inventory	489	330	(412)	(11,643)
End of Period	\$ 6,398,392	\$ 6,069,887	\$ 6,039,311	\$ 6,147,015

*SOURCE - PRIOR YEAR AUDIT REPORTS

BILOXI PUBLIC 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	\$ 31,583,205	\$ 30,090,556	\$ 29,561,573	\$ 29,628,899
State sources	25,858,128	23,681,632	22,392,282	21,674,821
Federal sources	8,580,504	7,570,894	6,470,847	6,825,863
Sixteenth section sources	9,667	10,903	11,962	9,054
Total Revenues	66,031,504	61,353,985	58,436,664	58,138,637
Expenditures:				
Instruction	31,488,850	30,229,428	28,129,674	27,538,147
Support services	23,168,041	21,097,641	21,253,040	20,389,193
Noninstructional services	3,143,673	2,960,700	2,911,289	2,823,563
Facilities acquisition and construction	8,000,268	540,692	1,375,975	-
Debt service:				
Principal	5,011,923	6,316,093	6,402,607	6,477,909
Interest	816,705	942,797	1,009,129	1,222,322
Other	525,017	7,114	120,591	80,936
Total Expenditures	72,154,477	62,094,465	61,202,305	58,532,070
Excess (Deficiency) of Revenues over (under) Expenditures	(6,122,973)	(740,480)	(2,765,641)	(393,433)
Other Financing Sources (Uses):				
Proceeds of loans	38,000,000	489,814	2,070,000	-
Forgiveness of prior year debt	-	-	379,792	-
Refunding bonds issued	-	-	3,760,000	7,300,000
Premium on debt issuance	4,294,020	-	59,081	129,003
Insurance loss recoveries	-	5,970	-	-
Sale of other property	500	-	-	110,111
Other financing sources	912,352	-	-	-
Operating transfers in	6,841,510	4,760,168	4,381,786	3,211,454
Operating transfers out	(6,841,510)	(4,760,168)	(4,381,786)	(3,211,454)
Payment to refunded bond escrow agent	-	-	(3,773,606)	(7,357,167)
Other financing uses	-	-	-	(6,103)
Total Other Financing Sources (Uses)	43,206,872	495,784	2,495,267	175,844
Net Change in Fund Balances	37,083,899	(244,696)	(270,374)	(217,589)
Fund Balances:				
Beginning of period	14,842,112	15,092,094	15,344,983	15,567,862
Increase (Decrease) in reserve for inventory	31,621	(5,286)	17,485	(5,290)
End of Period	\$ 51,957,632	\$ 14,842,112	\$ 15,092,094	\$ 15,344,983

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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
Biloxi Public School District
Biloxi, 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 Biloxi Public School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Biloxi Public School District's basic financial statements, and have issued our report thereon dated December 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Biloxi Public 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 Biloxi Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Biloxi Public 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 Biloxi Public 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.

Cunningham CPAs, PLLC

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 22, 2016

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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
Biloxi Public School District
Biloxi, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the Biloxi Public 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 Biloxi Public School District's major federal programs for the year ended June 30, 2016. Biloxi Public 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 Biloxi Public 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).¹ 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 Biloxi Public 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 Biloxi Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Biloxi Public 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 Biloxi Public 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 Biloxi Public 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 Biloxi Public 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.

Cunningham CPAs, PLLC

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 22, 2016

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

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
Biloxi Public School District
Biloxi, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2016, which collectively comprise Biloxi Public School District's basic financial statements and have issued our report thereon dated December 22, 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.

Cunningham CPAs, PLLC

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 22, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BILOXI PUBLIC 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
32.xxx	The school and libraries program of the universal service fund.

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

BILOXI PUBLIC 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.