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HARRISON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

HARRISON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Harrison County 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 Harrison County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Harrison County 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 Harrison County 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 and budgetary comparison information, the Schedule of the District's Proportionate share of the Net Pension Liability, and the Schedule of District Contributions on pages 6-15 and 53-54, 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 Harrison County 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 13, 2016, on our consideration of the Harrison County 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 Harrison County School District's internal control over financial reporting and compliance.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
Gulfport, Mississippi

December 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

The following discussion and analysis of Harrison County 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 \$5,955,447, including a prior period adjustment increase of \$951,024 from revenue accruals, which represents a 423,875.23% increase from fiscal year 2015. Total net position for 2015 decreased \$131,570,983, including a prior period adjustment of (\$135,194,290), which represents a 100.0% decrease from fiscal year 2014.
- General revenues amounted to \$112,856,162 and \$104,571,851, or 78% and 81% 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 \$29,816,814, or 22% of total revenues for 2016, and \$23,773,291, or 19% of total revenues for 2015.
- The District had \$139,168,553 and \$124,721,835 in expenses for fiscal years 2016 and 2015; only \$29,816,814 for 2016 and \$23,773,291 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$112,856,162 for 2016 and \$104,571,851 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$108,673,266 in revenues and \$102,468,401 in expenditures for 2016, and \$100,564,924 in revenues and \$99,286,991 in expenditures in 2015. The General Fund's fund balance increased from 2015 to 2016 by \$5,406,547 including a prior period adjustment of \$951,024, and decreased by \$146,070 from 2014 to 2015 including an increase of \$1,164,863 for a fund reclassification.
- Capital assets, net of accumulated depreciation, decreased by \$2,778,911 for 2016 and decreased by \$2,958,800 for 2015. The decrease for 2016 was due to the addition of construction projects within the District coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$5,015,482 for 2016 and decreased by \$3,550,536 for 2015. The decrease for 2016 was due primarily to the repayment of general/limited obligation bonds/principal payments on outstanding long-term debt. The liability for compensated absences increased by \$348,303 for 2016 and decreased by \$75,339 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, supplementary, 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

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences amongst 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.

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the 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.

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

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, are 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 exceeded liabilities and deferred inflows of resources by \$5,956,852 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.

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

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 45,546,547	\$ 37,869,982	20.27 %
Restricted assets	9,841,929	8,447,764	16.50 %
Capital assets, net	136,084,455	138,863,366	-2.00 %
Total assets	<u>191,472,931</u>	<u>185,181,112</u>	3.40 %
 Deferred outflows of resources	 <u>51,021,772</u>	 <u>16,410,969</u>	210.90 %
Current liabilities	7,236,008	6,744,104	7.29 %
Long-term debt outstanding	41,066,029	46,081,511	-10.88 %
Net pension liability	174,057,396	129,878,408	34.02
Total liabilities	<u>222,359,433</u>	<u>182,704,023</u>	21.70 %
 Deferred inflows of resources	 <u>14,178,418</u>	 <u>18,886,653</u>	-24.93 %
 Net position:			
Net investment in capital assets	98,306,300	96,138,034	2.26 %
Restricted	31,706,130	27,102,389	16.99 %
Unrestricted	(124,055,578)	(123,239,018)	0.66 %
Total net position	<u>\$ 5,956,852</u>	<u>\$ 1,405</u>	423875.23 %

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (124,055,578)
Less: unrestricted deficit in net position resulting from recognition of the net pension liability and related deferrals	<u>138,286,474</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 14,230,896</u></u>

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

- Decrease in net capital assets in the amount of \$2,778,911.
- The principal retirement of \$5,282,758 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$142,672,976 and \$128,345,142, respectively. The total cost of all programs and services was \$139,168,553 for 2016 and \$124,721,835 for 2015. Total special item was \$1,500,000 for 2016.

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

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,606,918	\$ 2,308,264	12.94 %
Operating grants and contributions	18,654,778	18,824,711	(0.90) %
Capital grants and contributions	8,555,118	2,640,316	224.02 %
General revenues:			
Property and gaming taxes	48,200,999	45,965,485	4.86 %
Grants and contributions not restricted	61,702,842	56,043,112	10.10 %
Investment earnings	311,186	191,079	62.86 %
Sixteenth section sources	2,097,964	2,299,628	(8.77) %
Other	543,171	72,547	648.72 %
Total revenues	142,672,976	128,345,142	11.16 %
Expenses:			
Instruction	66,386,662	64,669,532	2.66 %
Support services	47,616,348	41,221,872	15.51 %
Non-instructional	7,499,578	7,552,421	(0.70) %
Sixteenth section	764,414	746,781	2.36 %
Pension expense	16,206,303	9,507,462	70.46 %
Interest on long-term liabilities	695,248	1,023,767	(32.09) %
Total expenses	139,168,553	124,721,835	11.58 %
Special item-BP Settlement	1,500,000	-	N/A %
Increase (Decrease) in net position	5,004,423	3,623,307	38.12 %
Net Position, July 1, as previously reported	1,405	131,572,388	(100.00) %
Prior Period Adjustment	951,024	(135,194,290)	(100.70) %
Net Position, July 1, as restated	952,429	(3,621,902)	(126.30) %
Net Position, June 30	\$ 5,956,852	\$ 1,405	423,875.23 %

Governmental activities

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

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2016	2015	Change
Instruction	\$ 66,386,662	\$ 64,669,532	2.66 %
Support services	47,616,348	41,221,872	15.51 %
Non-instructional	7,499,578	7,552,421	(0.70) %
Sixteenth section	764,414	746,781	2.36 %
Pension expense	16,206,303	9,507,462	70.46 %
Interest on long-term liabilities	695,248	1,023,767	(32.09) %
Total expenses	\$ <u>139,168,553</u>	\$ <u>124,721,835</u>	11.58 %

	Net (Expense) Revenue		Percentage
	2016	2015	Change
Instruction	\$ (58,635,971)	\$ (57,306,034)	2.32 %
Support services	(33,764,403)	(32,798,887)	2.94 %
Non-instructional	714,600	434,387	64.51 %
Sixteenth section	(764,414)	(746,781)	2.36 %
Pension expense	(16,206,303)	(9,507,462)	70.46 %
Interest on long-term liabilities	(695,248)	(1,023,767)	(32.09) %
Total net (expense) revenue	\$ <u>(109,351,739)</u>	\$ <u>(100,948,544)</u>	8.32 %

- Net cost of governmental activities, (\$109,351,739 for 2016 and \$100,948,544 for 2015) was financed by general revenue, which is primarily made up of property and gaming taxes (\$48,200,999 for 2016 and \$45,965,485 for 2015) and state and federal revenues (\$61,702,842 for 2016 and \$56,043,112 for 2015). In addition, there was \$2,097,964 and \$2,299,628 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$311,186 for 2016 and \$191,079 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 \$48,305,427, an increase of \$8,572,493, which includes a prior period adjustment of \$951,024 and a decrease in inventory of \$8,997. \$16,388,047 or 34% 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

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

fund balance of \$31,917,380 or 66% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$5,406,547, which includes a \$951,024 increase from a prior period adjustment. The fund balance of Other Governmental Funds showed an increase in the amount of \$170,689, which includes a decrease in reserve for inventory of \$8,997. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
District Building Fund	\$ 2,995,257

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 \$201,750,744, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,192,171 from 2015. Total accumulated depreciation as of June 30, 2016, was \$65,666,289, and total depreciation expense for the year was \$5,289,604, resulting in total net capital assets of \$136,084,455.

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 3,494,698	\$ 3,494,698	0.00 %
Construction in progress	481,542	11,998	3,913.52 %
Buildings	113,793,487	116,769,163	(2.55) %
Building improvements	5,233,589	5,584,918	(6.29) %
Improvements other than buildings	5,125,080	5,411,622	(5.29) %
Mobile equipment	4,813,212	4,301,641	11.89 %
Furniture and equipment	1,197,247	1,070,126	11.88 %
Leased property under capital leases	1,945,600	2,219,200	(12.33) %
Total	<u>\$ 136,084,455</u>	<u>\$ 138,863,366</u>	(2.00) %

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

Administration. At June 30, 2016, the District had \$41,066,029 in outstanding long-term debt, of which \$4,730,945 is due within one year. The liability for compensated absences increased \$348,303 from the prior year.

The District maintains an A2 bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,745,000	\$ 3,405,000	(48.75) %
Premium	-	102,124	(100.00) %
Limited obligation bonds payable	4,280,000	5,835,000	(26.65) %
Premium	54,254	108,507	(50.00) %
Three mill notes payable	13,995,000	14,965,000	(6.48) %
Premium	334,628	371,900	(10.02) %
Shortfall note	112,622	-	N/A %
Obligations under capital leases	-	766,944	(100.00) %
Obligations under energy efficiency leases	949,388	1,280,202	(25.84) %
Qualified zone academy bonds payable	2,500,000	2,500,000	0.00 %
Qualified school construction bonds payable	16,000,000	16,000,000	0.00 %
Compensated absences payable	1,095,137	746,834	46.64 %
Total	<u>\$ 41,066,029</u>	<u>\$ 46,081,511</u>	(10.88) %

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

Harrison County School District
Management Discussion and Analysis
For the Year Ended June 30, 2016

CURRENT ISSUES

The Harrison County 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 tax millage has remained the lowest of all Gulf Coast school districts. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

The enrollment for the 2015-2016 year has increased by 1.83% from 13,411 to 13,657.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Business Office of the Harrison County School District, Highway 49, Gulfport, MS 39503.

FINANCIAL STATEMENTS

HARRISON COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 40,052,023
Due from other governments	5,244,525
Other receivables, net	10,508
Inventories	239,491
Restricted assets	9,841,929
Capital assets, not being depreciated:	
Land	3,494,698
Construction in progress	481,542
Capital assets, net of accumulated depreciation:	
Buildings	113,793,487
Building improvements	5,233,589
Improvements other than buildings	5,125,080
Mobile equipment	4,813,212
Furniture and equipment	1,197,247
Leased property under capital leases	1,945,600
Total assets	<u>191,472,931</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on bond refunding	1,130,727
Deferred amounts on pension	49,891,045
Total deferred outflows of resources	<u>51,021,772</u>
LIABILITIES	
Accounts payable and accrued liabilities	7,024,758
Interest payable on long-term liabilities	211,250
Long-term liabilities (due within one year)	
Capital-related liabilities	4,350,000
Non-capital related liabilities	380,945
Long-term liabilities (due beyond one year)	
Capital-related liabilities	34,558,882
Non-capital liabilities	1,776,202
Net pension liability	174,057,396
Total liabilities	<u>222,359,433</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on student lunch overpayments	58,295
Deferred amounts on pension	14,120,123
Total deferred inflows of resources	<u>14,178,418</u>
NET POSITION	
Net investment in capital assets	98,306,300
Restricted for:	
Expendable:	
School-based activities	6,575,789
Debt service	11,129,820
Capital improvements	11,256,343
Forestry improvements	127,102
Unemployment benefits	369,128
Nonexpendable:	
Sixteenth section	2,008,457
Inventory	239,491
Unrestricted	<u>(124,055,578)</u>
Total net position	<u>\$ 5,956,852</u>

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

HARRISON COUNTY 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
Governmental Activities:					
Instruction	\$ 66,386,662	\$ 1,277,190	\$ 6,473,501	\$ -	\$ (58,635,971)
Support services	47,616,348	178,178	5,118,649	8,555,118	(33,764,403)
Non-instructional	7,499,578	1,151,550	7,062,628	-	714,600
Sixteenth section	764,414	-	-	-	(764,414)
Pension expense	16,206,303	-	-	-	(16,206,303)
Interest on long-term liabilities	695,248	-	-	-	(695,248)
Total governmental activities	\$ 139,168,553	\$ 2,606,918	\$ 18,654,778	\$ 8,555,118	\$ (109,351,739)
General Revenues:					
Taxes:					
General purpose levies					42,250,218
Debt purpose levies					4,185,017
Gaming					1,765,764
Unrestricted grants and contributions:					
State					61,702,750
Federal					92
Unrestricted investment earnings					311,186
Sixteenth section sources					2,097,964
Other					543,171
Total general revenues					112,856,162
Special item - BP oil settlement					1,500,000
Total general revenues & special items					114,356,162
Change in Net Position					5,004,423
Net Position - Beginning as previously stated					1,405
Prior period adjustment					951,024
Net Position - Beginning as restated					952,429
Net Position - Ending					\$ 5,956,852

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

HARRISON COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds		Other	Total
	General	District	Governmental	Governmental
	Fund	Building Fund	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 23,184,397	\$ 4,828,499	\$ 14,047,584	\$ 42,060,480
Cash with fiscal agents	-	-	1,436,892	1,436,892
Investments	-	-	6,396,580	6,396,580
Due from other governments	1,808,775	-	3,435,750	5,244,525
Other receivables	-	-	10,508	10,508
Due from other funds	-	660,368	1,432,594	2,092,962
Inventories	-	-	239,491	239,491
Total assets	<u>\$ 24,993,172</u>	<u>\$ 5,488,867</u>	<u>\$ 26,999,399</u>	<u>\$ 57,481,438</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable & accrued liabilities	\$ 6,052,507	\$ 57,207	\$ 915,040	\$ 7,024,754
Due to other funds	-	39,788	2,053,174	2,092,962
Total liabilities	<u>6,052,507</u>	<u>96,995</u>	<u>2,968,214</u>	<u>9,117,716</u>
Deferred inflows of resources				
Student lunch overpayments	-	-	58,295	58,295
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>58,295</u>	<u>58,295</u>
Fund Balances:				
Nonspendable:				
Permanent fund purposes	-	-	2,008,457	2,008,457
Inventory	-	-	239,491	239,491
Restricted for:				
Unemployment benefits	-	-	369,128	369,128
Capital projects	-	5,391,872	5,864,471	11,256,343
Forestry improvements	-	-	127,102	127,102
Debt service	-	-	11,341,070	11,341,070
Child nutrition	-	-	2,718,005	2,718,005
Instructional	-	-	356,630	356,630
Support services	-	-	948,536	948,536
Assigned:				
Activities	643,756	-	-	643,756
Athletics	19,859	-	-	19,859
Support services	1,889,003	-	-	1,889,003
Unassigned	16,388,047	-	-	16,388,047
Total fund balances	<u>18,940,665</u>	<u>5,391,872</u>	<u>23,972,890</u>	<u>48,305,427</u>
Total liabilities, deferred inflows of resources, & fund balances	<u>\$ 24,993,172</u>	<u>\$ 5,488,867</u>	<u>\$ 26,999,399</u>	<u>\$ 57,481,438</u>

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

HARRISON COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds	\$ 48,305,427	
Amounts reported for governmental activities in the statement of net position are different because:		
1 Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds:		
Land	3,494,698	
Construction in progress	481,542	
Buildings	157,104,946	
Building improvements	9,099,549	
Improvements other than buildings	7,296,243	
Mobile equipment	13,048,815	
Furniture and equipment	8,184,951	
Leased property under capital leases	3,040,000	
Accumulated depreciation	<u>(65,666,289)</u>	136,084,455
2 Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(174,057,396)
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	49,891,045	
Deferred inflows of resources related to pensions	<u>(14,120,123)</u>	35,770,922
3 Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(1,745,000)	
Limited obligation bonds	(4,280,000)	
Notes payable	(13,995,000)	
Shortfall notes payable	(112,622)	
Capital lease obligations	(949,388)	
Qualified zone academy bonds	(2,500,000)	
Qualified school construction bonds	(16,000,000)	
Deferred outflow due to amount on refunding	1,130,727	
Unamortized premiums	(388,886)	
Compensated absences	(1,095,137)	
Accrued interest payable	<u>(211,250)</u>	(40,146,556)
Net Position - Governmental Activities	\$	<u><u>5,956,852</u></u>

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

HARRISON COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds		Other	Total
	General	District	Governmental	Governmental
	Fund	Building Fund	Funds	Funds
REVENUES				
Local sources	\$ 43,573,077	\$ 5,091	\$ 8,191,229	\$ 51,769,397
State sources	62,274,618	-	3,075,241	65,349,859
Federal sources	741,075	-	22,817,514	23,558,589
Sixteenth section revenue	2,084,496	-	13,468	2,097,964
Total revenues	108,673,266	5,091	34,097,452	142,775,809
EXPENDITURES				
Instruction	65,803,317	-	7,840,304	73,643,621
Support services	34,778,949	578,588	12,895,180	48,252,717
Noninstructional services	1,326	-	7,661,948	7,663,274
Sixteenth section	727,558	-	36,856	764,414
Facilities acquisition and construction	-	469,544	9,185	478,729
Debt Service:				
Principal	1,097,758	-	4,185,000	5,282,758
Interest	59,493	-	614,385	673,878
Other	-	-	24,463	24,463
Total expenditures	102,468,401	1,048,132	33,267,321	136,783,854
Excess (deficiency) of revenues over expenditures	6,204,865	(1,043,041)	830,131	5,991,955
OTHER FINANCING SOURCES (USES)				
Insurance loss recoveries	25,889	-	-	25,889
Proceeds of shortfall note	-	-	112,622	112,622
Payments held by escrow agents	-	-	1,183,430	1,183,430
Transfers in	260,175	4,435,805	3,919,990	8,615,970
Transfers out	(3,535,406)	(397,507)	(4,683,057)	(8,615,970)
Payment to QZAB escrow agent	-	-	(1,183,430)	(1,183,430)
Total other financing sources and uses	(3,249,342)	4,038,298	(650,445)	138,511
Special items	1,500,000	-	-	1,500,000
Net change in fund balances	4,455,523	2,995,257	179,686	7,630,466
Fund Balances:				
July 1, 2015	13,534,118	2,396,615	23,802,201	39,732,934
Prior period adjustment	951,024	-	-	951,024
July 1, 2015, restated	14,485,142	2,396,615	23,802,201	40,683,958
Decrease in reserve for inventory	-	-	(8,997)	(8,997)
June 30, 2016	\$ 18,940,665	\$ 5,391,872	\$ 23,972,890	\$ 48,305,427

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

HARRISON COUNTY 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

	<u>Amount</u>	
Net change in fund balances - governmental funds	\$ 7,630,466	
Amounts reported for governmental activities in the statement of activities are different because:		
1 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	2,639,415	
Depreciation	<u>(5,289,604)</u>	(2,650,189)
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.		(128,722)
3 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	5,282,758	
Proceeds of shortfall note	(112,622)	
Accrued interest payable	<u>7,865</u>	5,178,001
4 Pension expense		(16,206,303)
Deferred outflow of current year pension contributions		11,543,242
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	(348,303)	
Change in inventory reserve	(8,997)	
Amortization of deferred charges, premiums and discounts	<u>(4,772)</u>	<u>(362,072)</u>
Change in net position of governmental activities		<u>\$ 5,004,423</u>

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

HARRISON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	<u>Loss Escrow Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 25,000	\$ 273,758	\$ 298,758
 Total Assets	 <u>\$ 25,000</u>	 <u>\$ 273,758</u>	 <u>\$ 298,758</u>
 Liabilities			
Due to others	\$ 25,000	\$ -	\$ 25,000
Due to student clubs	<u>-</u>	<u>273,758</u>	<u>273,758</u>
 Total Liabilities	 <u>\$ 25,000</u>	 <u>\$ 273,758</u>	 <u>\$ 298,758</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Harrison County School District
Notes to Financial Statements
For the 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 Standard 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 a "primary government." The school district is governed by a five-member board to which each member is elected by the citizens of each defined county district.

For financial accounting purposes, Harrison County 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 burdens on the District.

B. Government-wide and Fund Financial Statements

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

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

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

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

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.

District Building Fund – This capital projects fund is used to account for District building projects and maintenance.

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:

Loss Escrow Fund – This fiduciary fund is used to report the district's match on any tort claims filed against the district.

Agency Funds – These fiduciary funds are used to report the various funds held on behalf of the students of the different schools within the District.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

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 tax, 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 county 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.

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 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.

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

Investments for the district are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

(**) The estimated useful life will vary as deemed appropriate for the District's specific intangible assets. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term 'depreciation' includes the amortization of intangible assets.

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two deferred inflows which is a deferred amount of unused prepaid lunch monies from students and a deferred pension amount.

See Notes 8 and 16 for details.

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

8. Compensated Absences

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

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

9. Long-term Liabilities, and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

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 school board's policy. Currently there is no committed fund balance for this school district.

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

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

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

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to

Harrison County School District
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For the Year Ended June 30, 2016

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$42,060,480, and \$298,758 respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$40,052,023 and restricted assets cash of \$9,841,929.

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. As of June 30, 2016, none of the school district's bank balance of \$46,792,299 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$1,436,892.

Investments

At June 30, 2016, the District had the following investments: (reported as restricted assets on Exhibit A)

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury Note	4-6	\$ 2,189,571	AA+
US Treasury STRIPS	4-6	1,730,609	AAA
MS Noncallable & Tax Exempt	4	463,128	AA
QSCB Trust 2012-A	N/A	<u>2,013,272</u>	AA
Total		\$ <u><u>6,396,580</u></u>	

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure

Harrison County School District
Notes to Financial Statements
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the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

Custodial credit risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the school district will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the District did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2016, the District did not have any investments to which this would apply.

Note 3 - Interfund 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
District Building Fund	Other governmental funds	\$ 660,368
Other governmental funds	District Building Fund	39,788
	Other governmental funds	<u>1,392,806</u>
Total		<u>\$ 2,092,962</u>

Amounts due to and from other funds represent amounts advanced or received for timing differences between revenue and expenditures and cash balance.

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 3,522,483
	General fund	12,923
District Building Fund	Other governmental funds	397,507
Other governmental funds	District Building fund	4,435,805
	General fund	<u>247,252</u>
Total		<u>\$ 8,615,970</u>

Transfers represent board approved operating transfers for school operations and planning purposes.

Note 4 - Restricted Assets

The restricted assets, totaling \$9,841,929, include the cash balance of \$2,008,457 of Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. Also, the restricted assets include the cash with fiscal agents and investments, totaling \$21,825 and \$2,274,605, respectively, of the QZAB Bond Requirement Funds. Also the restricted assets include cash with fiscal agents and investments of \$601,676 and \$4,121,975, respectively of the QSCB Bond Retirement Funds, and cash with fiscal agents of \$813,391 of the MAEP Limited Obligation Bond Fund.

Note 5 - Capital Assets

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

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Governmental Activities:	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Non-depreciable capital assets:				
Land	\$ 3,494,698	\$ -	\$ -	\$ 3,494,698
Construction in progress	11,998	469,544	-	481,542
Total non-depreciable capital assets	3,506,696	469,544	-	3,976,240
Depreciable capital assets:				
Buildings	157,095,761	9,185	-	157,104,946
Building improvements	9,099,549	-	-	9,099,549
Improvements other than buildings	7,296,243	-	-	7,296,243
Mobile equipment	12,827,107	1,487,587	(1,265,879)	13,048,815
Furniture and equipment	7,693,217	673,099	(181,365)	8,184,951
Leased property under capital leases	3,040,000	-	-	3,040,000
Total depreciable capital assets	197,051,877	2,169,871	(1,447,244)	197,774,504
Less accumulated depreciation for:				
Buildings	(40,326,598)	(2,984,861)	-	(43,311,459)
Building improvements	(3,514,631)	(351,329)	-	(3,865,960)
Improvements other than buildings	(1,884,621)	(286,542)	-	(2,171,163)
Mobile equipment	(8,525,466)	(843,172)	1,133,035	(8,235,603)
Furniture and equipment	(6,623,091)	(550,100)	185,487	(6,987,704)
Leased property under capital leases	(820,800)	(273,600)	-	(1,094,400)
Total accumulated depreciation	(61,695,207)	(5,289,604)	1,318,522	(65,666,289)
Total depreciable capital assets, net	135,356,670	(3,119,733)	(128,722)	132,108,215
Governmental activities capital assets, net	\$ 138,863,366	\$ (2,650,189)	\$ (128,722)	\$ 136,084,455

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 475,324
Support services	4,607,287
Non-instructional	206,993
Total depreciation expense	<u>\$ 5,289,604</u>

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

Commitments under construction contracts at June 30, 2016, are summarized as follows:

	Spent thru June 30, 2016	Remaining Commitment
Governmental Activities:		
WWE ballfield renovations	\$ 11,998	\$ 92,400
HCH tennis courts	234,772	65,000
HCH tennis courts	234,772	65,000
Total governmental activities	<u>\$ 481,542</u>	<u>\$ 222,400</u>

The school district will use construction funds to complete these project commitments.

Note 6 - Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amount due within one year
A. General obligation bonds	\$ 3,405,000	\$ -	\$ 1,660,000	\$ 1,745,000	\$ 1,745,000
Add deferred amounts:					
For issuance premiums	102,124		102,124	-	
Less deferred amounts:					
On refunding	(57,075)		(57,075)	-	
Total general obligation bonds	<u>3,450,049</u>	-	<u>1,705,049</u>	<u>1,745,000</u>	<u>1,745,000</u>
B. Limited obligations bonds	5,835,000	-	1,555,000	4,280,000	1,590,000
Add deferred amounts:					
For issuance premiums	108,507		54,253	54,254	
Total limited obligation bonds	<u>5,943,507</u>	-	<u>1,609,253</u>	<u>4,334,254</u>	<u>1,590,000</u>
C. Three mill notes	14,965,000	-	970,000	13,995,000	1,015,000
Add deferred amounts:					
For issuance premiums	371,900	-	37,272	334,628	
Less deferred amounts:					
On refunding	(1,272,068)	-	(141,341)	(1,130,727)	
Total three mill notes	<u>14,064,832</u>	-	<u>865,931</u>	<u>13,198,901</u>	<u>1,015,000</u>
D. Shortfall note	-	112,622	-	112,622	36,688
D. Obligations under capital leases	766,944	-	766,944	-	-
E. Obligations under energy efficiency lease	1,280,202	-	330,814	949,388	344,257
F. Qualified zone academy bonds	2,500,000	-	-	2,500,000	-
G. Qualified school construction bonds	16,000,000	-	-	16,000,000	-
H. Compensated absences	746,834	348,303	-	1,095,137	-
Total	<u>\$ 44,752,368</u>	<u>\$ 460,925</u>	<u>\$ 5,277,991</u>	<u>\$ 39,935,302</u>	<u>\$ 4,730,945</u>

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2005	3.25%-5.0%	7/5/2005	3/3/2017	\$ 13,955,000	\$ 1,745,000

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

Year Ending			
June 30,	Principal	Interest	Total
2017	\$ 1,745,000	\$ 87,250	\$ 1,832,250

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 bonding indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such a 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 .40% of property assessments as of October 1, 2015. This debt will be retired from the Debt Service Fund.

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
State aid capital improvement Refunding bonds Series 2013	3.625-3.8%	5/23/2013	2/1/2018	\$7,110,000	\$ 4,280,000

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

Refunding bonds series 2013:

Year Ending			
June 30,	Principal	Interest	Total
2017	\$ 1,590,000	\$ 69,700	\$ 1,659,700
2018	2,690,000	37,650	2,727,650
Total	<u>\$ 4,280,000</u>	<u>\$ 107,350</u>	<u>\$ 4,387,350</u>

Harrison County School District
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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. This debt will be retired from the MAEP State Aid Capital Improvement 98 Pledge Fund and the MAEP State Aid 1998 Refund Escrow Fund.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, 2007	4.0-5.0%	6/22/2007	6/1/2018	\$ 17,755,000	\$ 1,745,000
Refunding series 2014	4.0-5.0%	9/12/2014	10/1/2025	9,470,000	9,335,000
Refunding series 2015	4.0-5.0%	2/2/2015	2/1/2027	2,925,000	2,915,000
Total				<u>\$ 30,150,000</u>	<u>\$ 13,995,000</u>

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

Three mill note, 2007:

Year Ending June, 30	Principal	Interest	Total
2017	\$ 855,000	\$ 52,700	\$ 907,700
2018	890,000	17,900	907,900
Total	<u>\$ 1,745,000</u>	<u>\$ 70,600</u>	<u>\$ 1,815,600</u>

This debt will be retired from the Debt Service Fund and the EEF Buildings and Buses Fund.

Refunding Series 2014:

Year Ending June, 30	Principal	Interest	Total
2017	\$ 140,000	\$ 216,770	\$ 356,770
2018	140,000	213,970	353,970
2019	1,070,000	201,870	1,271,870
2020	1,090,000	180,270	1,270,270
2021	1,110,000	158,270	1,268,270
2022-2026	5,785,000	395,955	6,180,955
Total	<u>\$ 9,335,000</u>	<u>\$ 1,367,105</u>	<u>\$ 10,702,105</u>

This debt will be retired from the Debt Service Fund and the EEF Buildings and Buses Fund.

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Refunding Series 2015:

Year Ending June, 30	Principal	Interest	Total
2017	\$ 20,000	\$ 85,080	\$ 105,080
2018	20,000	84,780	104,780
2019	20,000	84,480	104,480
2020	20,000	84,180	104,180
2021	20,000	83,880	103,880
2022-2026	120,000	411,690	531,690
2027	2,695,000	68,525	2,763,525
Total	<u>\$ 2,915,000</u>	<u>\$ 902,615</u>	<u>\$ 3,817,615</u>

This debt will be retired from the Debt Service Fund and the EEF Buildings and Buses Fund.

Total three mill notes payable:

Year Ending June, 30	Principal	Interest	Total
2017	\$ 1,015,000	\$ 354,550	\$ 1,369,550
2018	1,050,000	316,650	1,366,650
2019	1,090,000	286,350	1,376,350
2020	1,110,000	264,450	1,374,450
2021	1,130,000	242,150	1,372,150
2022-2026	5,905,000	807,645	6,712,645
2027	2,695,000	68,525	2,763,525
Total	<u>\$ 13,995,000</u>	<u>\$ 2,340,320</u>	<u>\$ 16,335,320</u>

Advance Refunding Series 2014

On 9/30/2014, the district issued \$9,470,000 in limited tax notes with an average interest rate of 2.447% to advance refund \$8,555,000 of outstanding three mill notes with an average interest rate of 4.88%. The net proceeds of \$9,517,801, after \$190,701 of issuance premiums and payments of \$142,900 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the three mill notes.

As a result, the \$8,555,000 three mill notes are considered to be defeased and the liability for those notes has been removed from long-term liabilities.

The district advance refunded \$8,555,000 of the three mill notes to reduce its total debt service payments over the remaining 13 years of the debt by approximately \$11,972,809 and to realize an economic gain of \$600,108.

Advance Refunding Series 2015

On 4/29/2015, the district issued \$2,925,000 in limited tax notes with an average interest rate of

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2.966% to advance refund \$2,670,000 of outstanding three mill notes with an average interest rate of 4.375%. The net proceeds of \$2,915,580, after \$71,047 of issuance premiums and payments of \$80,467 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the three mill notes.

As a result, the \$2,670,000 three mill notes are considered to be defeased and the liability for those notes has been removed from long-term liabilities.

The district advance refunded \$2,670,000 of three mill notes to reduce its total debt service payments over the remaining 13 years of the debt by approximately \$4,054,322 and to realize an economic gain of \$148,044.

D. Shortfall note payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Hancock Bank	3.16%	6/1/2016	6/1/2019	\$ 112,622	\$ 112,622

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 36,688	\$ 2,590	\$ 39,278
2018	37,537	1,746	39,283
2019	38,397	883	39,280
Total	<u>\$ 112,622</u>	<u>\$ 5,219</u>	<u>\$ 117,841</u>

E. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Hancock Bank Energy Efficiency Lease	4.06%	6/15/2004	2/15/2019	\$ 4,168,343	\$ 949,388

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 344,257	\$ 31,631	\$ 375,888
2018	358,247	17,641	375,888
2019	246,884	4,019	250,903
Total	<u>\$ 949,388</u>	<u>\$ 53,291</u>	<u>\$ 1,002,679</u>

An energy efficiency lease agreement dated June 15, 2004, was executed by and between the District, the lessee, and Hancock Bank, the lessor. The agreement authorized the borrowing of \$4,168,343 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall not exceed (15) years and will be retired from the District Maintenance Fund.

The District entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

F. Qualified zone academy bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2008	N/A	6/17/2008	6/17/2020	\$ 2,500,000	\$ 2,500,000

This debt will be retired from the QZAB 2008 Debt Retirement Fund.

G. Qualified school construction bonds payable

As more fully explained in Note 14, 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
Series 2009	N/A	12/29/2009	9/15/2022	\$ 3,000,000	\$ 3,000,000
Series 2010	N/A	12/20/2010	12/15/2020	3,000,000	3,000,000
Series 2012	N/A	5/16/2012	12/15/2026	<u>10,000,000</u>	<u>10,000,000</u>
				<u>\$ 16,000,000</u>	<u>\$ 16,000,000</u>

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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 - Other Commitments

Commitments under construction contracts are described in Note 5.

In March 2014 the school district replaced copiers formerly under lease purchase with a forty-eight month operating lease, and has only one other older operating lease for a digital mailing machine remaining. Future lease payments for these remaining operating leases are as follows:

Year Ending June 30,	Amount
2017	\$ 113,580
2018	94,650
Total	<u>\$ 208,230</u>

Note 8 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age

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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 \$11,543,242, \$11,079,906 and \$10,293,049, 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 \$174,057,396 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 1.1260 percent, which was based on a measurement date of June 30, 2015. This was an increase of .0560 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$16,206,303. 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	\$ 3,975,918	\$ -
Net difference between projected and actual earnings on pension plan investments	10,184,220	14,120,123
Changes of assumptions	14,994,451	-
Change in proportionate share	9,193,214	-
District's contributions subsequent to the measurement date	11,543,242	-
Total	\$ <u>49,891,045</u>	\$ <u>14,120,123</u>

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

\$11,543,242 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (8,691,289)
2018	(8,374,467)
2019	(4,615,869)
2020	<u>(2,546,055)</u>
Total	<u><u>(24,227,680)</u></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.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 229,423,592	\$ 174,057,396	\$ 128,113,803

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

Note 9 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2017	\$ 2,267,801
2018	2,366,484
2019	2,470,758
2020	2,550,978
2021	2,696,428
2022-2026	15,429,195
2027-2031	19,295,194
2032-2036	23,986,610
2037-2041	28,393,455
Thereafter	62,417,679
Total	<u>\$ 161,874,582</u>

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities and Exhibit D Statement of Revenues, Expenditures, and Changes in Fund Balance:

Unaccrued Property Taxes	\$ 951,024
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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.

Note 12 - Risk Management

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

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 - Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with CyberLearning, entered into such an arrangement dated June 17, 2008.

Series 2008

The agreement schedules CyberLearning to provide a total of 2,200 software licenses. This contribution has a present value of \$152,556. This agreement establishes a method of repayment for a qualified interest-free debt instrument, and requires the school district to deposit funds annually into a sinking fund account on or before July 1 each year. The amount on deposit at June 30, 2016 was \$2,297,324. The amount accumulated in the sinking fund account at the end of the twelve year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district:

Year Ending June 30,	Amount
2017	\$ 260,000

Note 14 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for the district 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 \$1,183,430.

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 at June 30, 2016 was \$4,732,541. The amount accumulated in the sinking fund at the end of the fourteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits, inclusive of interest earnings from the prior twelve months, to be made to the sinking fund by the school district:

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

Year Ending June 30,	Amount
2017	\$ 1,219,769
2018	1,219,769
2019	1,219,769
2020	1,219,769
2021	1,219,769
2022-2026	3,276,771
2027	805,000
Total	<u>\$ 10,180,616</u>

Note 15 - Insurance Loss Recoveries

The school district received \$25,889 in insurance loss recoveries related to automobile damages. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 25,889	100%	Support Services

Note 16 - Effect of Deferred Amounts on Net Position

Deferred Outflow

The net investment in capital assets net position amount of \$98,306,300 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of school district debt. The \$1,130,727 balance of the deferred outflow related to the advance refunding at June 30, 2016 will be recognized as an expense and decrease the net investment in capital assets net position over the next 8 years. The unrestricted net position amount of (\$124,055,578) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$49,891,045 of deferred outflows related to pensions will be amortized to pension expense in future years. See Note 8 for details on amortization of deferred outflows related to pensions.

Deferred Inflow

The restricted for school-based activities net position amount of \$6,575,789 relative to child nutrition includes the effect of deferring the recognition of revenue from the student lunch overpayments into the online account "My Lunch Money". The \$58,295 balance of the deferred inflow related to the school lunch overpayments at June 30, 2016 will be recognized as revenue during the fiscal year ending 2017. The unrestricted net position amount of (\$124,055,578) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$14,120,123 of deferred inflow related to the net difference between projected and actual earnings on pension plan investments will be recognized as an increase of net pension liability over the next 3 years. See Note 8 for details on amortization of deferred inflows related to pensions.

Harrison County School District
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 17-Special Items

The Deepwater Horizon oil rig, operated by BP, exploded on April 20, 2010 causing an oil spill in the Gulf of Mexico. The total settlement amount the District received was \$1,500,000.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements were 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 Harrison County School District evaluated the activity of the district through December 13, 2016, (the date the financial statements were available to be issued), and determined that there were no subsequent events that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HARRISON COUNTY 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	\$ 39,709,042	\$ 43,573,077	\$ 43,573,077	\$ 3,864,035	\$ -
State sources	62,191,193	62,274,618	62,274,618	83,425	-
Federal sources	1,088,047	741,075	741,075	(346,972)	-
Sixteenth section revenue	2,075,000	2,084,496	2,084,496	9,496	-
Total Revenues	105,063,282	108,673,266	108,673,266	3,609,984	-
Expenditures:					
Instruction	76,079,715	65,781,378	65,803,317	10,298,337	(21,939)
Support services	38,903,534	35,801,674	34,778,949	3,101,860	1,022,725
Noninstructional services	5,796	1,326	1,326	4,470	-
Sixteenth section	803,686	727,558	727,558	76,128	-
Debt Service:					
Principal	-	-	1,097,758	-	(1,097,758)
Interest	-	-	59,493	-	(59,493)
Total Expenditures	115,792,731	102,311,936	102,468,401	13,480,795	(156,465)
Excess (Deficiency) of Revenues over Expenditures	(10,729,449)	6,361,330	6,204,865	17,090,779	(156,465)
Other Financing Sources (Uses):					
Insurance loss recoveries	-	25,889	25,889	25,889	-
Operating transfers in	17,190,259	13,572,426	260,175	(3,617,833)	(13,312,251)
Operating transfers out	(17,999,662)	(16,883,593)	(3,535,406)	1,116,069	13,348,187
Total Other Financing Sources (Uses)	(809,403)	(3,285,278)	(3,249,342)	(2,475,875)	35,936
Special items	-	1,500,000	1,500,000	1,500,000	-
Net Change in Fund Balances	(11,538,852)	4,576,052	4,455,523	16,114,904	(120,529)
Fund Balances:					
July 1, 2015, as previously reported	13,534,117	13,534,117	13,534,118	-	1
Prior period adjustments	-	-	951,024	-	951,024
July 1, 2015, restated	13,534,117	13,534,117	14,485,142	-	951,025
June 30, 2016	\$ 1,995,265	\$ 18,110,169	\$ 18,940,665	\$ 16,114,904	\$ 830,496

The notes to the Required Supplementary Information are an integral part of this schedule.

HARRISON COUNTY 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 (asset)	1.1260%	1.0700%
District's proportionate share of the net pension liability (asset)	\$ 174,057,396	\$ 129,878,408
Total	<u>\$ 174,057,396</u>	<u>\$ 129,878,408</u>
District's covered-employee payroll	70,348,610	65,352,692
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.42%	198.73%
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.

HARRISON COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,543,242	11,079,906
Contributions in relation to the contractually required contribution	\$ 11,543,242	11,079,906
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	73,290,425	70,348,610
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.

* 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.

Harrison County 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 noted.

(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

HARRISON COUNTY 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 Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,784,969
National school lunch program	10.555	4,829,199
Summer food service program for children	10.559	245,868
Total child nutrition cluster		<u>6,860,036</u>
Fresh fruit and vegetable program	10.582	30,731
Schools and Roads - Grants to States	10.665	142,586
Total U. S. Department of Agriculture		<u>7,033,353</u>
<u>U. S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	196,722
Total U. S. Department of Defense		<u>196,722</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	310,318
Total Federal Communications Commission		<u>310,318</u>
<u>U. S. Department of Education</u>		
Direct programs:		
Impact aid	84.041	40,319
Total		<u>40,319</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local education agencies	84.010	4,167,330
Career and technical education - basic grants to states	84.048	249,639
Education for homeless children and youth	84.196	127,418
English language acquisition state grants	84.365	47,420
Improving teacher quality state grants	84.367	483,716
Total		<u>5,075,523</u>
Special education cluster:		
Special education - grants to states	84.027	3,152,840
Special education - preschool grants	84.173	145,571
Total special education cluster		<u>3,298,411</u>
Total passed-through Mississippi Department of Education		<u>8,373,934</u>
Total U. S. Department of Education		<u>8,414,253</u>
<u>Social Security Administration</u>		
Passed-through Mississippi Department of Education:		
Social Security - work incentives planning and assistance program	96.008	51,030
Total Social Security Administration		<u>51,030</u>
<u>Department of Homeland Security</u>		
Hazard Mitigation Grant Program	97.039	6,816,802
Total Department of Homeland Security		<u>6,816,802</u>
Total for All Federal Awards		<u>\$ 22,822,478</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.

HARRISON COUNTY 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	\$ 98,894,795	\$ 75,770,688	\$ 1,753,242	\$ 7,250,425	\$ 14,120,440
Other	37,889,059	7,409,999	905,640	266,057	29,307,363
Total	<u>\$ 136,783,854</u>	<u>\$ 83,180,687</u>	<u>\$ 2,658,882</u>	<u>\$ 7,516,482</u>	<u>\$ 43,427,803</u>
Total number of students*	<u>13,657</u>				
Cost per student	<u>\$ 10,016</u>	<u>\$ 6,091</u>	<u>\$ 195</u>	<u>\$ 550</u>	<u>\$ 3,180</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. (all the 1000, 2100, & 2200 functional codes).

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

HARRISON COUNTY 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	\$ 43,573,077	\$ 40,990,392	\$ 39,554,321	\$ 36,008,693
State sources	62,274,618	56,428,446	53,833,883	53,700,929
Federal sources	741,075	852,415	579,737	1,147,526
Sixteenth section revenue	2,084,496	2,293,671	-	-
Total Revenues	108,673,266	100,564,924	93,967,941	90,857,148
Expenditures:				
Instruction	65,803,317	63,954,622	59,453,319	58,437,961
Support services	34,778,949	33,423,105	31,409,555	32,497,883
Noninstructional services	1,326	3,064	40,965	175,111
Sixteenth section	727,558	-	-	-
Facilities acquisition and construction	-	740,801	-	-
Debt service:				
Principal	1,097,758	1,078,295	1,099,214	1,208,116
Interest	59,493	87,104	139,280	93,634
Total Expenditures	102,468,401	99,286,991	92,142,333	92,412,705
Excess (Deficiency) of Revenues over Expenditures	6,204,865	1,277,933	1,825,608	(1,555,557)
Other Financing Sources (Uses):				
Inception of capital leases	-	-	-	3,040,000
Insurance loss recoveries	25,889	15,860	32,334	8,379
Sale of other property	-	-	30,219	-
Operating transfers in	260,175	534,529	328,147	237,431
Operating transfers out	(3,535,406)	(3,139,255)	(1,739,878)	(1,878,286)
Total Other Financing Sources (Uses)	(3,249,342)	(2,588,866)	(1,349,178)	1,407,524
Special items-BP Settlement	1,500,000	-	-	-
Net Change in Fund Balances	4,455,523	(1,310,933)	476,430	(148,033)
Fund Balances:				
Beginning of period, as previously stated	13,534,118	13,680,188	13,203,758	13,225,026
Prior period adjustments	951,024	-	-	126,765
Fund reclassification	-	1,164,863	-	-
Beginning of period, as restated	14,485,142	14,845,051	13,203,758	13,351,791
End of period	\$ 18,940,665	\$ 13,534,118	\$ 13,680,188	\$ 13,203,758

*SOURCE - PRIOR YEAR AUDIT REPORTS

HARRISON COUNTY 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	\$ 51,769,397	\$ 48,537,377	\$ 46,978,514	\$ 43,407,056
State sources	65,349,859	59,585,630	57,218,330	57,048,738
Federal sources	23,558,589	17,922,509	18,283,509	16,447,779
Sixteenth section sources	2,097,964	2,299,628	2,349,658	2,433,685
Total Revenues	142,775,809	128,345,144	124,830,011	119,337,258
Expenditures:				
Instruction	73,643,621	71,721,339	66,412,665	65,626,504
Support services	48,252,717	41,801,019	42,818,818	40,463,142
Noninstructional services	7,663,274	7,842,153	7,163,429	7,316,836
Sixteenth section	764,414	746,781	1,008,439	664,789
Facilities acquisition and construction	478,729	609,350	7,891,261	6,930,736
Debt service:				
Principal	5,282,758	4,713,295	6,613,214	4,667,466
Interest and other debt service costs	698,341	1,131,429	1,282,732	1,853,637
Total Expenditures	136,783,854	128,565,366	133,190,558	127,523,110
Excess (Deficiency) of Revenues over Expenditures	5,991,955	(220,222)	(8,360,547)	(8,185,852)
Other Financing Sources (Uses):				
Proceeds of loans	112,622	-	-	-
Proceeds of refunding bonds	-	12,395,000	-	7,110,000
Inception of capital leases	-	-	-	3,040,000
Insurance loss recoveries	25,889	293,332	104,834	8,379
Payment to refunded escrow agent	-	(12,638,409)	-	(7,246,861)
Premium on bond refunding	-	261,748	-	271,266
Payment to escrow agent for QZAB	(1,183,430)	(1,214,944)	(1,220,305)	(430,729)
Payment held by escrow agent for QZAB	1,183,430	1,214,944	1,220,305	430,729
Sale of other property	-	-	30,219	-
Operating transfers in	8,615,970	6,430,494	10,814,907	3,859,044
Operating transfers out	(8,615,970)	(6,430,494)	(10,814,907)	(3,859,044)
Total Other Financing Sources (Uses)	138,511	311,671	135,053	3,182,784
Special items-BP Settlement	1,500,000	-	-	-
Net Change in Fund Balances	7,630,466	91,449	(8,225,494)	(5,003,068)
Fund Balances:				
Beginning of period, as previously stated	39,732,934	39,599,661	47,810,751	52,671,593
Prior period adjustments	951,024	-	-	126,765
Beginning of period, as restated	40,683,958	39,599,661	47,810,751	52,798,358
Increase (Decrease) in reserve for inventory	(8,997)	41,824	14,404	15,461
End of period	\$ 48,305,427	\$ 39,732,934	\$ 39,599,661	\$ 47,810,751

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**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
Harrison County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the financial statements of *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 Harrison County School District ("the District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We have identified two certain deficiencies in internal control (2016-1 and 2016-2), described in the accompanying schedule of findings and questioned costs that we have considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated December 13, 2016, which is included in this report.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
Certified Public Accountants
Gulfport, MS

December 13, 2016

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

Superintendent and School Board
Harrison County School District

Report on Compliance for Each Major Federal Program

We have audited the Harrison County School District (the 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 District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of the 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 District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the uniform guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Harrison County 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 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 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 District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we have identified a significant deficiency in internal control over compliance as described in the accompany schedule of findings and questioned costs as item 2016-3. 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.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
Certified Public Accountants
Gulfport, MS

December 13, 2016

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

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

Superintendent and School Board
Harrison County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harrison County School District (the District) as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Procurement procedures

Finding

Proper internal control over financial reporting requires that the Board approves of all invoices for payment.

Recommendation

We recommend that the District adhere to state policies and create a claims docket or some form of documentation for the Board to view for approval of payments.

School District's Response

The District will present the Board with a claims docket at board meetings.

2. Procurement procedures

Finding

Proper internal control over the purchasing function requires that management follow specific procedures for creating purchase orders and payment of related invoices.

During our audit testing, we noted several invoices with purchase orders created subsequent to receiving the products and invoices. This may cause the District to be noncompliant with state procurement laws.

Recommendation

We recommend that the District adhere to proper procurement policies and create purchase orders prior to purchasing items per state purchasing law.

School District's Response

The District continues to monitor all invoices and will look at every method to improve its efficiency and comply with all of the requirements involved in procurement procedures.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The Harrison County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on it.

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

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P. A.
Certified Public Accountants

Gulfport, Mississippi
December 13, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Harrison County 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? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | | | | | | | |
|---------------------|---|---------------------|---|--------|---------------------------------|----------------|---------------------------|--|
| 4. | Internal control over major programs: | | | | | | | |
| | a. Material weakness(es) identified? | No | | | | | | |
| | b. Significant deficiency(ies) identified? | Yes | | | | | | |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes | | | | | | |
| 7. | Identification of major programs: | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>97.039</td> <td>Hazard Mitigation Grant Program</td> </tr> <tr> <td>84.027, 84.173</td> <td>Special Education Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 97.039 | Hazard Mitigation Grant Program | 84.027, 84.173 | Special Education Cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | |
| 97.039 | Hazard Mitigation Grant Program | | | | | | | |
| 84.027, 84.173 | Special Education Cluster | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | |

Section II: Financial Statement Findings

2016-1 *Criteria:* Board Approval on Payments of Invoices

Significant Deficiency

Proper internal control over payments of invoices requires that board approval of invoices before payments are made is required.

Condition: During our audit testing and attendance at the board meeting, we noted that the board is not approving all invoices for payment. There was no claims docket or invoices present.

Cause: No claims docket is submitted to the board for approval.

Effect: This may cause the District to pay invoices that are fictitious and possibly harbor fraud issues.

Recommendation: We recommend that the District makes every effort to present to the board a claims docket or some form of documentation for the board to approve of all invoices before payment is made.

School District's Response: The District will have a claims docket of all invoices for payment at board meetings.

2016-2 *Criteria:* Purchase Orders Not Obtained Before Purchases Made

Significant Deficiency

Proper internal control over purchases should have management approve of purchases before purchases are made.

Condition: During our audit testing, we have noted that there were several invoices in the maintenance department that were dated before the purchase order date, and purchases were made before obtaining a purchase order.

Cause: State laws require that all purchases must first obtain a requisition and then a purchase order number before purchases can be made.

Effect: Without a purchase order, purchases are being made without proper approval, which could cause the District to be in noncompliance with state laws.

Recommendation: We recommend that the District adhere to state requirements on obtaining a purchase order prior to purchasing items.

School District's Response: The District will obtain purchase orders for all departments before purchases are made.

Section III: Federal Award Findings and Questioned Costs

2016-3 *Program:* U.S. Department of Agriculture, Passed through the Mississippi Department of Education: Child Nutrition Cluster, CFDA #10.553, #10.555, and #10.559

Significant Deficiency

Compliance Requirement: Procurement

Condition: During our testing of procurement, we noted that several times, invoices were obtained and products were delivered before a purchase order had been obtained.

Cause: State procurement laws require all purchases must first obtain a requisition and then a purchase order number before it can be purchased.

Effect: Without a purchase order, purchases are being made without the purchasing agent's approval, which could cause the District to be in noncompliance with state laws.

Recommendation: We recommend the District adhere to state requirements on procurement with regard to obtaining purchase orders prior to purchasing items.

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



HARRISON COUNTY SCHOOL DISTRICT

11072 Hwy 49
Gulfport, MS 39503
228-539-6500

Roy Gill
Superintendent

Mitchell King
Asst Superintendent

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section _315(c) of OMB Circular A-133, the Harrison County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2016:

Findings

Corrective Action Plan Details

2016-3

Federal award finding

- A. Name of Contact Person Responsible for Corrective Action:
Brad Barlow, Food Service Director, 228-539-6500
- B. Corrective Action Planned:
The District changed its purchasing process for food service to ensure purchase orders will be approved by the director and created prior to obtaining invoices.
- C. Anticipated Completion Date: October 31, 2016

Sincerely,

Roy Gill
Superintendent
Harrison County School District



HARRISON COUNTY SCHOOL DISTRICT

11072 Hwy 49
Gulfport, MS 39503
228-539-6500

Roy Gill
Superintendent

Mitchell King
Asst Superintendent

AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

As required by Section _315(c) of OMB Circular A-133, the Harrison County School District has prepared and hereby submits the following summary of prior federal audit findings as of June 30, 2016:

<u>Findings</u>	<u>Status</u>
2015-2	Not Corrected. The District acknowledges that this was not corrected by June 30, 2016 per prior year's audit report; however, as of October 2016, the District changed the purchasing process for food service to ensure purchase orders will be created prior to purchases being made.

Sincerely,

Roy Gill
Superintendent
Harrison County School District