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**MOSS POINT SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2016**

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

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## INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Moss Point School District

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Moss Point School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moss Point School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *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 my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2016, on my consideration of the Moss Point School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moss Point School District's internal control over financial reporting and compliance.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
December 7, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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MOSS POINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The following discussion and analysis of the Moss Point School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$5,274,286, including a prior period adjustment of (\$126,870), which represents a 107% increase from fiscal year 2015. Total net position for 2015 decreased \$28,932,586, including a prior period adjustment of (\$31,219,531), which represents an 85.4% decrease from fiscal year 2014.
- General revenues amounted to \$21,524,390 and \$20,912,140, or 76% and 82% 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 \$6,883,489, or 24% of total revenues for 2016, and \$4,627,246, or 18% of total revenues for 2015.
- The District had \$23,006,723 and \$23,252,441 in expenses for fiscal years 2016 and 2015; only \$6,883,489 for 2016 and \$4,627,246 for 2015 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$21,524,390 for 2016 and \$20,912,140 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$22,171,801 in revenues and \$18,306,284 in expenditures for 2016, and \$20,138,021 in revenues and \$18,322,749 in expenditures in 2015. The General Fund's fund balance increased by \$3,634,802, including a prior period adjustment of (\$126,870) and an increase in reserve for inventory of \$1,620, from 2015 to 2016, and increased by \$1,758,706, including a prior period adjustment of (\$118,537), from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$825,014 for 2016 and decreased by \$429,084 for 2015. The decrease for 2016 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$265,457 for 2016 and increased by \$284,285 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$41,382 for 2016 and increased by \$2,587 for 2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

## **Fund Financial Statements**

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

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

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

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

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

## **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

## **Notes to the financial statements**

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

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the 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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

## Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

## Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,203,811 as of June 30, 2016.

The District's financial position is a product of several financial transactions including the net result of activities, 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**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Percentage Change</b>
Current assets	\$ 14,092,171	\$ 11,633,462	21.13 %
Restricted assets	5,082,464	4,391,428	15.74 %
Capital assets, net	26,480,571	27,305,585	(3.02) %
<b>Total assets</b>	<b>45,655,206</b>	<b>43,330,475</b>	<b>5.37 %</b>
<b>Deferred outflows of resources</b>	<b>2,996,012</b>	<b>2,380,050</b>	<b>25.88 %</b>
Current liabilities	1,751,138	2,598,582	(32.61) %
Long-term debt outstanding	5,070,941	5,336,398	(4.97) %
Net pension liability	30,845,876	26,703,972	15.51 %
<b>Total liabilities</b>	<b>37,667,955</b>	<b>34,638,952</b>	<b>8.74 %</b>
<b>Deferred inflows of resources</b>	<b>779,452</b>	<b>6,142,048</b>	<b>(87.31) %</b>
<b>Net position:</b>			
Net investment in capital assets	21,858,032	22,565,406	(3.13) %
Restricted	4,110,082	3,638,736	12.95 %
Unrestricted	(15,764,303)	(21,274,617)	25.90 %
<b>Total net position</b>	<b>\$ 10,203,811</b>	<b>\$ 4,929,525</b>	<b>106.99 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$15,764,303)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	28,512,641
Unrestricted net position, exclusive of the net pension liability effect	<u>\$12,748,338</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 \$825,014.
- The principal retirement of \$306,839 of long-term debt.
- Inclusion of net pension liability of \$30,845,876.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$28,407,879 and \$25,539,386, respectively. The total cost of all programs and services was \$23,006,723 for 2016 and \$23,252,441 for 2015.

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

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2016</b>	<b>Year Ended June 30, 2015</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 836,186	\$ 352,352	137.32 %
Operating grants and contributions	6,047,303	4,274,894	41.46 %
General revenues:			
Property taxes	8,873,918	9,195,028	(3.49) %
Grants and contributions not restricted	11,873,035	11,525,378	3.02 %
Investment earnings	79,604	52,934	50.38 %
Sixteenth section sources	2,448	1,926	27.10 %
Other	695,385	136,874	408.05 %
<b>Total revenues</b>	<b>28,407,879</b>	<b>25,539,386</b>	<b>11.23 %</b>
<b>Expenses:</b>			
Instruction	10,630,149	9,858,643	7.83 %
Support services	10,675,482	10,928,468	(2.31) %
Non-instructional	1,339,177	1,294,917	3.42 %
Pension expense	267,989	1,060,743	(74.74) %
Interest on long-term liabilities	93,926	109,670	(14.36) %
<b>Total expenses</b>	<b>23,006,723</b>	<b>23,252,441</b>	<b>(1.06) %</b>
<b>Increase (Decrease) in net position</b>	<b>5,401,156</b>	<b>2,286,945</b>	<b>136.17 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>4,929,525</b>	<b>33,862,111</b>	<b>(85.44) %</b>
<b>Prior Period Adjustment</b>	<b>(126,870)</b>	<b>(31,219,531)</b>	<b>99.59 %</b>
<b>Net Position, July 1, as restated</b>	<b>4,802,655</b>	<b>2,642,580</b>	<b>81.74 %</b>
<b>Net Position, June 30</b>	<b>\$ 10,203,811</b>	<b>\$ 4,929,525</b>	<b>106.99 %</b>

### Governmental activities

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

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ 10,630,149	\$ 9,858,643	7.83 %
Support services	10,675,482	10,928,468	(2.31) %
Non-instructional	1,339,177	1,294,917	3.42 %
Pension Expense	267,989	1,060,743	(74.74) %
Interest on long-term liabilities	93,926	109,670	(14.36) %
<b>Total expenses</b>	<b>\$ 23,006,723</b>	<b>\$ 23,252,441</b>	<b>(1.06) %</b>



	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	
Instruction	\$ (6,369,221)	\$ (7,856,926)	(18.93) %
Support services	(9,653,543)	(9,791,621)	(1.41) %
Non-instructional	261,445	193,765	34.93 %
Pension Expense	(267,989)	(1,060,743)	(74.74) %
Interest on long-term liabilities	(93,926)	(109,670)	(14.36) %
<b>Total net (expense) revenue</b>	<b>\$ (16,123,234)</b>	<b>\$ (18,625,195)</b>	<b>(13.43) %</b>

- Net cost of governmental activities (\$16,123,234 for 2016 and \$18,625,195 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$8,873,918 for 2016 and \$9,195,028 for 2015) and state and federal revenues (\$11,873,035 for 2016 and \$11,525,378 for 2015). In addition, there was \$2,448 and \$1,926 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$79,604 for 2016 and \$52,934 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 \$18,069,711, an increase of \$4,072,993, which includes a prior period adjustment of (\$126,870) and a decrease in reserve for inventory of \$848. \$9,162,405 or 51% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$8,907,306 or 49% 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 \$3,634,802, which includes a prior period adjustment of (\$126,870) and an increase in reserve for inventory of \$1,620. The fund balance of Other Governmental Funds showed an increase in the amount of \$420,176, which includes a decrease in reserve for inventory of \$2,468. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I A Basic Fund	no increase or decrease
Magnolia Capital Project Fund	no increase or decrease
QZAB Sinking Fund	\$18,015

## 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 and major special revenue fund(s) 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 \$39,743,632, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a decrease of \$228,035 from 2015. Total accumulated depreciation as of June 30, 2016, was \$13,263,061, and total depreciation expense for the year was \$1,088,828, resulting in total net capital assets of \$26,480,571.

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

	June 30, 2016	June 30, 2015	Percentage Change
Land	\$ 494,587	\$ 494,587	0.00 %
Buildings	23,867,227	24,492,434	(2.55) %
Building improvements	532,558	563,125	(5.43) %
Improvements other than buildings	377,960	400,369	(5.60) %
Mobile equipment	941,328	880,389	6.92 %
Furniture and equipment	158,246	344,586	(54.08) %
Leased property under capital leases	108,665	130,095	(16.47) %
<b>Total</b>	<b>\$ 26,480,571</b>	<b>\$ 27,305,585</b>	<b>(3.02) %</b>

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

**Debt Administration.** At June 30, 2016, the District had \$5,070,941 in outstanding long-term debt, of which \$2,217,227 is due within one year. The liability for compensated absences increased \$41,382 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	June 30, 2016	June 30, 2015	Percentage Change
Shortfall notes payable	383,558	648,274	(40.83) %
Obligations under capital leases	140,034	182,157	(23.12) %
Qualified zone academy bonds payable	1,978,180	1,978,180	0.00 %
Qualified school construction bonds payable	2,387,650	2,387,650	0.00 %
Compensated absences payable	181,519	140,137	29.53 %
<b>Total</b>	<b>\$ 5,070,941</b>	<b>\$ 5,336,398</b>	<b>(4.97) %</b>

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

#### **CURRENT ISSUE**

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

The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

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MOSS POINT SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2016

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,781,509
Due from other governments	1,192,923
Inventories	55,677
Prepaid items	62,062
Restricted assets (Note 4)	5,082,464
Non-depreciable capital assets (Note 5)	494,587
Depreciable capital assets, net (Note 5)	25,985,984
<b>Total Assets</b>	<u>45,655,206</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	2,996,012
<b>Total Deferred Outflows of Resources</b>	<u>2,996,012</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	232,816
Interest payable on long-term liabilities	646,214
Other payables	872,108
<b>Long-term liabilities (Due within one year) (Note 6)</b>	
Capital related liabilities	2,018,423
Non-capital related liabilities	198,804
<b>Long-term liabilities (Due beyond one year) (Note 6)</b>	
Capital related liabilities	2,487,441
Non-capital related liabilities	366,273
Net pension liability (Note 7)	30,845,876
<b>Total Liabilities</b>	<u>37,667,955</u>
<b>Deferred Inflows of Resources</b>	
Deferred credit on bonds payable - Qualified school construction bonds	116,675
Deferred inflows - pensions (Note 7)	662,777
<b>Total Deferred Inflows of Resources</b>	<u>779,452</u>
<b>Net Position</b>	
Net investment in capital assets	21,858,032
Restricted net position	
Expendable	
School-based activities	442,512
Debt service	3,498,485
Forestry improvements	482
Unemployment benefits	161,674
Non-expendable	
Sixteenth section	6,929
Unrestricted	<u>(15,764,303)</u>
<b>Total Net Position</b>	<u>\$ 10,203,811</u>

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

MOSS POINT SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2016

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 10,630,149	765,885	3,495,043	(6,369,221)
Support services	10,675,482		1,021,939	(9,653,543)
Non-instructional	1,339,177	70,301	1,530,321	261,445
Pension expense	267,989			(267,989)
Interest on long-term liabilities	93,926			(93,926)
<b>Total Governmental Activities</b>	<b>23,006,723</b>	<b>836,186</b>	<b>6,047,303</b>	<b>(16,123,234)</b>
<b>General Revenues</b>				
Taxes				
General purpose levies				8,109,539
Debt purpose levies				764,379
Unrestricted grants and contributions				
State				11,764,316
Federal				108,719
Unrestricted investment earnings				79,604
Sixteenth section sources				2,448
Other				695,385
<b>Total General Revenues</b>				<b>21,524,390</b>
<b>Changes in Net Position</b>				<b>5,401,156</b>
<b>Net Position - Beginning, as previously reported</b>				<b>4,929,525</b>
<b>Prior Period Adjustments (Note 9)</b>				<b>(126,870)</b>
<b>Net Position - Beginning - as restated</b>				<b>4,802,655</b>
<b>Net Position - Ending</b>				<b>\$ 10,203,811</b>

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

MOSS POINT SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2016

Exhibit C

	Major Funds				Other	Total
	General	Title I A	Magnolia	QZAB	Governmental	Governmental
	Fund	Basic	Capital	Sinking	Funds	Funds
		Fund	Project Fund	Fund		
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 12,781,509		388,011		1,006,493	14,176,013
Cash with fiscal agent (Note 2)	3,323			23,910	734,880	762,113
Investments (Note 2)				2,483,591	442,256	2,925,847
Due from other governments	261,687	399,415	116,080		415,741	1,192,923
Due from other funds (Note 3)	1,221,609				13,278	1,234,887
Inventories	46,897				8,780	55,677
Prepaid items	62,062					62,062
<b>Total Assets</b>	<b>14,377,087</b>	<b>399,415</b>	<b>504,091</b>	<b>2,507,501</b>	<b>2,621,428</b>	<b>20,409,522</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	204,617	7,401			20,798	232,816
Due to other funds (Note 3)	667,596	392,014	504,091		458,636	2,022,337
Other payables	82,500				2,158	84,658
<b>Total Liabilities</b>	<b>954,713</b>	<b>399,415</b>	<b>504,091</b>	<b>0</b>	<b>481,592</b>	<b>2,339,811</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Inventory	46,897				8,780	55,677
Permanent fund principal					6,929	6,929
Prepaid items	62,062					62,062
<b>Restricted</b>						
Debt service				2,507,501	1,637,198	4,144,699
Forestry improvements					482	482
Unemployment benefits					161,674	161,674
Grant activities					324,773	324,773
<b>Assigned</b>						
School activities	51,546					51,546
Facility repairs and renovations	4,099,464					4,099,464
Unassigned	9,162,405					9,162,405
<b>Total Fund Balances</b>	<b>13,422,374</b>	<b>0</b>	<b>0</b>	<b>2,507,501</b>	<b>2,139,836</b>	<b>18,069,711</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,377,087</b>	<b>399,415</b>	<b>504,091</b>	<b>2,507,501</b>	<b>2,621,428</b>	<b>20,409,522</b>

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

MOSS POINT SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 18,069,711

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	494,587	
Buildings	32,623,815	
Building improvements	764,187	
Improvement other than buildings	560,223	
Mobile equipment	2,330,425	
Furniture and equipment	2,818,870	
Leased property under capital lease	151,525	
Accumulated depreciation	<u>(13,263,061)</u>	26,480,571

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	(30,845,876)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,996,012	
Deferred inflows of resources related to pensions	<u>(662,777)</u>	2,333,235

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

Qualified zone academy bonds payable	(1,978,180)	
Qualified school construction bonds payable	(2,387,650)	
Shortfall notes payable	(383,558)	
Obligations under capital lease	(140,034)	
Compensated absences	(181,519)	
Deferred credit on bonds payable	(116,675)	
Accrued interest payable	<u>(646,214)</u>	<u>(5,833,830)</u>

Total Net Position - Governmental Activities	<u>\$ 10,203,811</u>
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The notes to the financial statements are an integral part of this statement.



## MOSS POINT SCHOOL DISTRICT

Exhibit D

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

	Major Funds				Other	Total
	General	Title I A	Magnolia	QZAB	Governmental	Governmental
	Fund	Basic	Capital	Sinking	Funds	Funds
		Fund	Project Fund	Fund		
Revenues						
Local sources	\$ 8,515,083			18,015	872,458	9,405,556
State sources	11,724,842				782,281	12,507,123
Federal sources	1,910,697	1,064,369	116,080		2,687,466	5,778,612
Sixteenth section sources	21,179				24	21,203
Total Revenues	22,171,801	1,064,369	116,080	18,015	4,342,229	27,712,494
Expenditures						
Instruction	8,783,907	527,256	116,080		1,648,825	11,076,068
Support services	9,474,230	332,161			1,398,220	11,204,611
Noninstructional services	73	60,360			1,465,578	1,526,011
Debt service						
Principal (Note 6)	42,123				264,716	306,839
Interest	5,951				7,679	13,630
Other					4,492	4,492
Total Expenditures	18,306,284	919,777	116,080	0	4,789,510	24,131,651
Excess (Deficiency) of Revenues Over Expenditures	3,865,517	144,592	0	18,015	(447,281)	3,580,843
Other Financing Sources (Uses)						
Insurances loss recoveries	244,926					244,926
Operating transfers in (Note 3)	43,036				1,150,014	1,193,050
Payment held by bond escrow agent				10,782	724,153	734,935
Other financing sources (Note 16)	375,000					375,000
Operating transfers out (Note 3)	(768,427)	(144,592)			(280,031)	(1,193,050)
Payment to bond escrow agent				(10,782)	(724,153)	(734,935)
Other financing uses					(58)	(58)
Total Other Financing Sources (Uses)	(105,465)	(144,592)	0	0	869,925	619,868
Net Change in Fund Balances	3,760,052	0	0	18,015	422,644	4,200,711
Fund Balances						
July 1, 2015, as previously reported	9,787,572	0	0	2,489,486	1,719,660	13,996,718
Prior period adjustments (Note 9)	(126,870)					(126,870)
July 1, 2015, as restated	9,660,702	0	0	2,489,486	1,719,660	13,869,848
Change in reserve for inventory	1,620				(2,468)	(848)
June 30, 2016	\$ 13,422,374	0	0	2,507,501	2,139,836	18,069,711

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

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

Exhibit D-1

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ 4,200,711
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	317,421	
Depreciation expense	<u>(1,088,828)</u>	(771,407)
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(53,607)
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	306,839	
Accrued interest payable	<u>(75,804)</u>	231,035
Reconciling items applicable to pension liability and related accounts:		
Pension contributions made subsequent to the measurement date	2,029,126	
Pension expense for the current year	<u>(267,989)</u>	1,761,137
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	(41,382)	
Change in inventory reserve	(848)	
Amortization of deferred charges	<u>75,517</u>	33,287
Changes in Net Position of Governmental Activities		<u>\$ 5,401,156</u>

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

MOSS POINT SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2016

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 943,772
Due from other funds (Note 3)	<u>791,890</u>
Total Assets	<u><u>1,735,662</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,666,425
Due to other funds (Note 3)	4,440
Due to student clubs	<u>64,797</u>
Total Liabilities	<u><u>\$ 1,735,662</u></u>

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

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MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2016

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Moss Point since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

**B. Government-wide and Fund Financial Statements**

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or 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.

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2016

Title I A Basic Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with educationally deprived students.

Magnolia Capital Project Fund - This fund is used to account for construction and renovation projects in the school district and is financed with the local funds.

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2016

are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

**D. Encumbrances**

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

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2016

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources 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 and Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:



MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2016

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

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

7. Deferred outflows/inflows of resources

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

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

8. Compensated Absences

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

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

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

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

MOSS POINT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2016

11. Fund Balances

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

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

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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

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

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

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

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

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of

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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 \$14,176,013 and \$943,772, respectively.

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

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$762,113.

#### Investments

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
External investment pool			
US Treasury - state and local governments	AAAm	Less than 1	\$ 442,256
US Treasury Notes DTD	AAA	Less than 1	2,483,591
Total			<u>\$ 2,925,847</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 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.

The district has the following recurring fair value measurements as of June 30, 2016:

- The listed investments of \$2,925,847 are valued using quoted market prices (Level 1 inputs).

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I A Basic Fund	\$ 371,151
	Major fund - Magnolia Capital Project Fund	504,091
	Other governmental funds	341,927
	Fiduciary Funds	4,440
Other governmental funds	Other governmental funds	13,278
Fiduciary funds	General Fund	667,596
	Major fund - Title I A Basic Fund	20,863
	Other governmental funds	103,431
Total		<u>\$ 2,026,777</u>

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 768,427
	Other governmental funds	144,592
Major fund - Title I A Basic Fund	General Fund	43,036
Other governmental funds	Other governmental funds	236,995
Total		<u>\$ 1,193,050</u>

The transfer out of the General Fund was for the purpose of funding the vocational program and unemployment compensation fund in the Other Governmental Funds. The transfer from the Title I A Basic Fund was to the consolidated administrative cost fund in the Other Governmental Funds. The transfer within the Other Governmental Funds was to fund debt payments.

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance of the Debt Service Funds of \$2,925,847 which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$1,394,504 and cash with fiscal agent totaling \$762,113 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

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	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 494,587			494,587
Total non-depreciable capital assets	494,587	0	0	494,587
<u>Depreciable capital assets:</u>				
Buildings	32,623,815			32,623,815
Building improvements	764,187			764,187
Improvements other than buildings	560,223			560,223
Mobile equipment	2,553,678	281,991	(505,244)	2,330,425
Furniture and equipment	2,823,652	35,430	(40,212)	2,818,870
Leased property under capital leases	151,525			151,525
Total depreciable capital assets	39,477,080	317,421	(545,456)	39,249,045
<u>Less accumulated depreciation for:</u>				
Buildings	8,131,381	625,207		8,756,588
Building improvements	201,062	30,567		231,629
Improvements other than buildings	159,854	22,409		182,263
Mobile equipment	1,673,289	167,847	(452,039)	1,389,097
Furniture and equipment	2,479,066	221,368	(39,810)	2,660,624
Leased property under capital leases	21,430	21,430		42,860
Total accumulated depreciation	12,666,082	1,088,828	(491,849)	13,263,061
Total depreciable capital assets, net	26,810,998	(771,407)	(53,607)	25,985,984
Governmental activities capital assets, net	\$ 27,305,585	(771,407)	(53,607)	26,480,571

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 771,557
Support services	302,041
Non-instructional	15,230
Total depreciation expense - Governmental activities	\$ 1,088,828

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Qualified zone academy bonds payable	\$ 1,978,180			1,978,180	1,978,180
B. Qualified school construction bonds payable	2,387,650			2,387,650	0
C. Shortfall notes payable	648,274		264,716	383,558	189,728
D. Obligations under capital leases	182,157		42,123	140,034	40,243
E. Compensated absences payable	140,137	41,382		181,519	9,076
Total	\$ 5,336,398	41,382	306,839	5,070,941	2,217,227

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**A. Qualified zone academy bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds	0	12/15/2006	12/14/2016	<u>\$ 1,978,180</u>	<u>1,978,180</u>

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

**B. Qualified school construction bonds payable**

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

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

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

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes, 2015	2.05	3/20/2015	7/31/2017	<u>\$ 575,284</u>	<u>383,558</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 189,728	7,994	197,722
2018	<u>193,830</u>	<u>7,027</u>	<u>200,857</u>
Total	<u>\$ 383,558</u>	<u>15,021</u>	<u>398,579</u>

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

**D. Obligations under capital leases**

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

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

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lease purchase, series 2014	3.31	11/21/2014	1/29/2020	\$ 204,230	140,034

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 40,243	4,133	44,376
2018	41,595	2,781	44,376
2019	42,993	1,383	44,376
2020	15,203	152	15,355
Total	\$ 140,034	8,449	148,483

This debt will be retired from the General Fund.

**E. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in 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.

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*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 \$2,029,126, \$1,963,476 and \$2,077,738, 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 \$30,845,876 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 .199546 percent, which was based on a measurement date of June 30, 2015. This was a decrease of .016344 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 \$267,989. 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	\$ 523,989	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	662,777
Changes of assumptions	1,942,947	0
Changes in proportion and differences between District contributions and proportionate share of contributions	(1,500,050)	0
District contributions subsequent to the measurement date	2,029,126	0
Total	\$ <u>2,996,012</u>	\$ <u>662,777</u>

\$2,029,126 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 344,429
2018	344,429
2019	90,480
2020	(475,228)

*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



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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	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 40,657,691	\$ 30,845,876	\$ 22,703,905

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

#### Note 8 – Sixteenth Section Lands

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

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Year Ending June 30	Amount
2017	\$ 7,270
2018	7,270
2019	7,270
2020	7,270
2021	7,270
2022 – 2026	36,350
2027 – 2031	36,350
2032 – 2036	36,350
2037 – 2041	12,040
Total	<u>\$ 157,440</u>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
Restatement of a prior year receivable / current year revenue	<u>\$ (126,870)</u>

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

Fund	Explanation	Amount
General Fund	Restatement of a prior year receivable / current year revenue	<u>\$ (126,870)</u>

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi 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.

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**Note 12 – Qualified Zone Academy Bonds**

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account. The amount on deposit at June 30, 2016 was \$2,507,476. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The debt is scheduled to be paid in full during the fiscal year ending June 30, 2017.

**Note 13 – Qualified School Construction Bonds**

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$1,117,136. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2017	\$ 366,000
2018	295,700
2019	262,100
2020	262,100
2021	262,100
Total	<u>\$ 1,448,000</u>

**Note 14 - Insurance loss recoveries**

The School District received \$244,926 in insurance loss recoveries related to fire damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
<u>\$ 244,926</u>	100%	Instruction

**Note 15 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(15,764,303) includes:

- a. The effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

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- b. The effect of deferring the recognition of revenue from the deferred credit on bonds payable (Qualified School Construction Bonds) that resulted for the issuance of an interest free debt obligation. The \$116,675 balance of the deferred inflow of resources at June 30, 2016 will be recognized as revenue and increase unrestricted net position over the remaining four years of the outstanding debt obligation.

**Note 16 – Other Financing Sources**

The school district received \$375,000 as a settlement for economic loss of ad valorem taxes due to the BP Deepwater Horizon Oil Spill.

**Note 17 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through December 7, 2016, the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

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MOSS POINT SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the 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	\$ 8,026,097	8,026,097	8,515,083	0	488,986
State sources	11,719,194	11,719,194	11,724,842	0	5,648
Federal sources	96,367	96,367	1,910,697	0	1,814,330
Sixteenth section sources	9,800	9,800	21,179	0	11,379
Total Revenues	19,851,458	19,851,458	22,171,801	0	2,320,343
Expenditures					
Instruction	8,602,669	8,602,669	8,783,907	0	(181,238)
Support services	10,340,481	10,340,481	9,474,230	0	866,251
Noninstructional services	0	0	73	0	(73)
Facilities acquisition and construction	20,000	20,000	0	0	20,000
Debt service					
Principal	0	0	42,123	0	(42,123)
Interest	0	0	5,951	0	(5,951)
Total Expenditures	18,963,150	18,963,150	18,306,284	0	656,866
Excess (Deficiency) of Revenues Over Expenditures	888,308	888,308	3,865,517	0	2,977,209
Other Financing Sources (Uses)					
Insurance loss recoveries	0	0	244,926	0	244,926
Operating transfers in	2,243,892	2,243,892	43,036	0	(2,200,856)
Other financing sources	0	0	375,000	0	375,000
Operating transfers out	(3,018,044)	(3,018,044)	(768,427)	0	2,249,617
Total Other Financing Sources (Uses)	(774,152)	(774,152)	(105,465)	0	668,687
Net Change in Fund Balances			3,760,052		
Fund Balances					
July 1, 2015, as previously reported			9,787,572		
Prior period adjustments			(126,870)		
July 1, 2015, as restated			9,660,702		
Change in reserve for inventory			1,620		
June 30, 2016			\$ 13,422,374		

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

MOSS POINT SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I A Basic 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					
Federal sources	\$ 1,995,130	1,995,130	1,064,369	0	(930,761)
Total Revenues	<u>1,995,130</u>	<u>1,995,130</u>	<u>1,064,369</u>	<u>0</u>	<u>(930,761)</u>
Expenditures					
Instruction	1,239,987	1,239,987	527,256	0	712,731
Support services	471,042	471,042	332,161	0	138,881
Noninstructional services	132,601	132,601	60,360	0	72,241
Total Expenditures	<u>1,843,630</u>	<u>1,843,630</u>	<u>919,777</u>	<u>0</u>	<u>923,853</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>151,500</u>	<u>151,500</u>	<u>144,592</u>	<u>0</u>	<u>(6,908)</u>
Other Financing Sources (Uses)					
Operating transfers out	151,500	151,500	(144,592)	0	(296,092)
Total Other Financing Sources (Uses)	<u>151,500</u>	<u>151,500</u>	<u>(144,592)</u>	<u>0</u>	<u>(296,092)</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2015			<u>0</u>		
June 30, 2016			<u>\$ 0</u>		

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



MOSS POINT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.199546%	0.22%
District's proportionate share of the net pension liability (asset)	<u>\$ 30,845,876</u>	<u>\$ 26,703,972</u>
District's covered-employee payroll	<u>\$ 12,466,514</u>	<u>\$ 13,191,987</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>247.43%</u>	<u>202.43%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.70%</u>	<u>67.21%</u>

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,029,126	\$ 1,963,476
Contributions in relation to the contractually required contribution	2,029,126	1,963,476
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 12,883,340	\$ 12,466,514
Contributions as a percentage of covered- employee payroll	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

MOSS POINT SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2016

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. The school board's final amended budget contained no changes from the original budget previously approved by the school board. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

(3) Pension Schedules

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.

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## SUPPLEMENTARY INFORMATION

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MOSS POINT SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 386,845
National school lunch program	10.555	1,086,035
Summer food service program for children	10.559	6,465
Total child nutrition cluster		<u>1,479,345</u>
Fresh fruits and vegetable program	10.582	<u>77,252</u>
Total U.S. Department of Agriculture		<u>1,556,597</u>
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve officers' training corps	12.xxx	<u>72,782</u>
Total U.S. Department of Defense		<u>72,782</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	<u>92,867</u>
Total Federal Communications Commission		<u>92,867</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,145,468
Career and technical education - basic grants to states	84.048	31,023
Improving teacher quality - state grants	84.367	223,323
Total		<u>1,399,814</u>
Special education cluster:		
Special education - grants to states	84.027	730,294
Special education - preschool grants	84.173	16,723
Total special education cluster		<u>747,017</u>
Total passed-through Mississippi Department of Education		<u>2,146,831</u>
Total U.S. Department of Education		<u>2,146,831</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	<u>15,852</u>
Total U.S. Department of Health and Human Services		<u>15,852</u>

MOSS POINT SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Homeland Security</u></b>		
Passed-through the Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters		
Total passed-through the Mississippi Emergency Management Agency	97.036	<u>126,887</u>
Total U.S. Department of Homeland Security		<u>126,887</u>
Total for All Federal Awards		<u><u>\$ 4,011,816</u></u>

NOTES TO SCHEDULE

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



MOSS POINT SCHOOL DISTRICT

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 17,455,924	11,784,394	1,171,263	1,331,226	3,169,041
Other	<u>6,675,727</u>	<u>2,280,040</u>	<u>336,209</u>	<u>15,834</u>	<u>4,043,644</u>
Total	<u>24,131,651</u>	<u>14,064,434</u>	<u>1,507,472</u>	<u>1,347,060</u>	<u>7,212,685</u>
Total number of students	<u>1,867</u>				
Cost per student	<u>\$ 12,925</u>	<u>\$ 7,533</u>	<u>\$ 807</u>	<u>\$ 722</u>	<u>\$ 3,863</u>

Notes to the schedule.

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

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

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

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

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

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## OTHER INFORMATION

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

	UNAUDITED			
	2016	2015*	2014*	2013*
Revenues				
Local sources	8,515,083	8,626,248	7,545,390	7,966,084
State sources	11,724,842	11,415,365	11,673,740	12,091,413
Federal sources	1,910,697	87,212	973,062	198,413
Sixteenth section sources	21,179	9,196	10,037	0
Total Revenues	22,171,801	20,138,021	20,202,229	20,255,910
Expenditures				
Instruction	8,783,907	8,476,258	9,960,592	10,192,306
Support services	9,474,230	9,802,754	9,893,796	10,346,476
Noninstructional services	73	0	35,098	0
Facilities acquisition and construction	0	15,000	0	0
Debt service				
Principal	42,123	22,073	0	0
Interest	5,951	3,814	0	0
Other	0	2,850	0	2,083
Total Expenditures	18,306,284	18,322,749	19,889,486	20,540,865
Excess (Deficiency) of Revenues Over Expenditures	3,865,517	1,815,272	312,743	(284,955)
Other Financing Sources (Uses)				
Proceeds of loans	0	575,284	83,202	128,518
Inception of capital leases	0	204,230	0	0
Insurances loss recoveries	244,926	31,829	1,517	66,600
Sale of transportation equipment	0	1,200	11,295	0
Sale of other property	0	36,779	0	0
Operating transfers in	43,036	19,236	526,644	28,029
Other financing sources	375,000	0	0	0
Operating transfers out	(768,427)	(806,587)	(864,674)	(698,479)
Payment to refunded bond escrow agent	0	0	(866,005)	0
Total Other Financing Sources (Uses)	(105,465)	61,971	(1,108,021)	(475,332)
Net Change in Fund Balances	3,760,052	1,877,243	(795,278)	(760,287)
Fund Balances				
July 1, as previously reported	9,787,572	8,028,866	8,824,144	8,809,302
Prior period adjustments	(126,870)	(118,537)	0	771,534
July 1, as restated	9,660,702	7,910,329	8,824,144	9,580,836
Change in reserve for inventory	1,620	0	0	3,595
June 30	\$ 13,422,374	9,787,572	8,028,866	8,824,144

\* Source - Prior year audit reports.

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

	UNAUDITED			
	2016	2015*	2014*	2013*
Revenues				
Local sources	\$ 9,405,556	9,584,427	8,346,205	8,748,348
State sources	12,507,123	11,964,839	12,111,870	12,587,955
Federal sources	5,778,612	3,844,026	4,549,476	15,720,975
Sixteenth section sources	21,203	9,220	10,054	15,214
Total Revenues	<u>27,712,494</u>	<u>25,402,512</u>	<u>25,017,605</u>	<u>37,072,492</u>
Expenditures				
Instruction	11,076,068	10,518,552	11,633,676	12,197,948
Support services	11,204,611	11,550,485	11,989,111	12,175,447
Noninstructional services	1,526,011	1,463,361	1,551,378	1,598,964
Facilities acquisition and construction	0	72,344	415,796	13,854,701
Debt service				
Principal	306,839	497,816	228,306	224,972
Interest	13,630	10,016	10,426	13,341
Other	4,492	20,275	29,714	4,773
Total Expenditures	<u>24,131,651</u>	<u>24,132,849</u>	<u>25,858,407</u>	<u>40,070,146</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,580,843</u>	<u>1,269,663</u>	<u>(840,802)</u>	<u>(2,997,654)</u>
Other Financing Sources (Uses)				
Payment held by bond escrow agent	734,935	0	0	0
Proceeds of loans	0	575,284	83,202	128,518
Inception of capital leases	0	204,230	0	0
Insurances loss recoveries	244,926	31,829	1,517	66,600
Sale of transportation equipment	0	1,200	11,295	0
Sale of other property	0	36,779	0	0
Operating transfers in	1,193,050	987,143	1,615,450	957,707
Other financing sources	375,000	0	0	499,795
Operating transfers out	(1,193,050)	(987,143)	(1,615,450)	(957,707)
Payment to refunded bond escrow agent	(734,935)	0	(866,005)	0
Other financing uses	(58)	(8,451)	(2,690)	(499,795)
Total Other Financing Sources (Uses)	<u>619,868</u>	<u>840,871</u>	<u>(772,681)</u>	<u>195,118</u>
Net Change in Fund Balances	<u>4,200,711</u>	<u>2,110,534</u>	<u>(1,613,483)</u>	<u>(2,802,536)</u>
Fund Balances				
July 1, as previously reported	13,996,718	12,013,812	13,625,279	15,651,057
Prior period adjustments	(126,870)	(118,537)	0	771,534
July 1, as restated	<u>13,869,848</u>	<u>11,895,275</u>	<u>13,625,279</u>	<u>16,422,591</u>
Change in reserve for inventory	<u>(848)</u>	<u>(9,091)</u>	<u>2,016</u>	<u>5,224</u>
June 30	<u>\$ 18,069,711</u>	<u>13,996,718</u>	<u>12,013,812</u>	<u>13,625,279</u>

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

### Independent Auditor's Report

Superintendent and School Board  
Moss Point School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moss Point School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Moss Point School District's basic financial statements, and have issued my report thereon dated December 7, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
December 7, 2016

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

### Independent Auditor's Report

Superintendent and School Board  
Moss Point School District

#### **Report on Compliance for Each Major Federal Program**

I have audited Moss Point School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Moss Point School District's major federal programs for the year ended June 30, 2016. Moss Point School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In my opinion, Moss Point School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

#### **Report on Internal Control Over Compliance**

Management of Moss Point School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of

compliance, I considered Moss Point School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Moss Point School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item [2016-001], that I consider to be a significant deficiency.

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

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

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
December 7, 2016

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

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

Superintendent and School Board  
Moss Point School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2016, which collectively comprise Moss Point School District's basic financial statements and have issued my report thereon dated December 7, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
December 7, 2016

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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MOSS POINT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2016

Section I: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |         |   |            |
|---------|---|------------|
| 4.      | Type of auditor's report issued on compliance for major federal programs:   | Unmodified |
| 5.      | Internal control over major programs:   |            |
| a.      | Material weaknesses identified?   | No         |
| b.      | Significant deficiency identified that are not considered to be material weaknesses?  | Yes        |
| 6.      | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  | Yes        |
| 7.      | Federal program identified as major program:  |            |
| a.      | Title I grants to local educational agencies cluster  |            |
| CFDA #: | 84.010  |            |
| b.      | Special education cluster   |            |
| CFDA #: | 84.027  |            |
| CFDA#:  | 84.173  |            |
| 8.      | The dollar threshold used to distinguish between type A and type B programs:  | \$750,000  |
| 9.      | Auditee qualified as a low-risk auditee?  | No         |
| 10.     | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ 315(b) of OMB Circular A-133? | Yes        |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2016-001

Program CFDA No.:	84.027	CFDA program title:	Special Ed – Grants to States
	84.173		Special Ed – Preschool Grants
	84.010		Title I – Grants to Local Educational Agencies

MOSS POINT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2016

Compliance Requirement - Cash Management

CONDITION: A deficiency in the administrative controls of the district permitted an excessive cash balance for three months for each of these programs. This is a repeat finding from the prior year audit.

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

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

QUESTIONED COST: None

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

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

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

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# Moss Point School District

## ADMINISTRATIVE OFFICES

4924 Church Street, Moss Point, MS 39563  
(228) 475-4558

[www.mosspointschools.org](http://www.mosspointschools.org)

### Corrective Action Plan

December 7, 2016

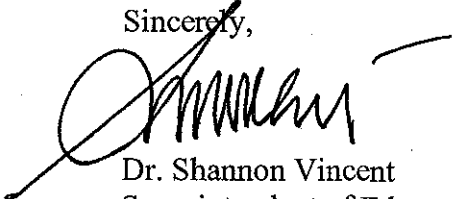
As required by Section 315(c) of OMB Circular A-133, the Moss Point School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

#### Finding 2016-001

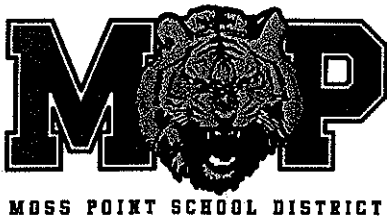
#### Corrective Action Plan

- a. Contact person responsible for corrective action: William T. Felter
- b. Description of correction action to be taken:  
Effective July 1, 2016, the Moss Point School District employed a new business administrator who is familiar with the federal reimbursement process and requesting funds from the Mississippi Department of Education. The district will no longer request funds that result in excess cash balances for any of the federal programs.
- c. Anticipated completion date of corrective action: July 1, 2016

Sincerely,



Dr. Shannon Vincent  
Superintendent of Education



**Dr. Shannon M. Vincent, Superintendent**

4924 Church Street, Moss Point, MS 39563

[P] (228) 474-2269 • [F] (228) 474-3302

<http://www.mosspointschools.org>

"EDUCATION: MOSS POINT'S ROADMAP TO SUCCESS"

## Summary Schedule of Prior Audit Findings

December 7, 2016

Financial and Compliance Audit Division

As required by Section \_\_.315(b) of OMB Circular A-133, the Moss Point School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2016.

<u>Finding</u>	<u>Status</u>
2015-001	Not Corrected
2015-002	Corrected

Sincerely,

Tommy Felter  
Chief Finance Officer