



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

Bay St. Louis - Waveland School District

Audited Financial Statements
For the Year Ended June 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

Bay St. Louis - Waveland School District

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	21
Exhibit B - Statement of Activities	22
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	25
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	26
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	27
Notes to the Financial Statements	29
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	57
Budgetary Comparison Schedule - Title I A Basic Fund	58
Schedule of the District's Proportionate Share of the Net Pension Liability	59
Schedule of District Contributions (PERS)	60
Schedule of the District's Proportionate Share of the Net OPEB Liability	61
Schedule of District Contributions (OPEB)	62
Notes to the Required Supplementary Information	63
 SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	69
 OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	71
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	72
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
Independent Auditor's Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance	76
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	82
AUDITEE'S CORRECTIVE ACTION PLAN	85

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis - Waveland School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bay St. Louis - Waveland School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis - Waveland School District, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 19 and 57 to 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay St. Louis - Waveland School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the Bay St. Louis - Waveland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bay St. Louis - Waveland School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay St. Louis - Waveland School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 11, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

The following discussion and analysis of Bay St. Louis - Waveland School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 2018 decreased \$3,494,678, including a prior period adjustment of (\$1,659,073), due primarily to the effect of recording the net OPEB liability, which represents a 12% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,839,092, which represents a 6% decrease from fiscal year 2016.
- General revenues amounted to \$17,293,754 and \$17,798,040, or 84% and 84% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,307,592, or 16% of total revenues for 2018, and \$3,294,142, or 16% of total revenues for 2017.
- The District had \$22,436,951 and \$22,931,274 in expenses for fiscal years 2018 and 2017; only \$3,307,592 for 2018 and only \$3,294,142 for 2017 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$17,293,754 for 2018 and \$17,798,040 for 2017 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$16,953,480 in revenues and \$16,866,688 in expenditures for 2018, and \$16,935,003 in revenues and \$20,379,555 in expenditures for 2017. The General Fund's fund balance decreased by \$207,266, including a prior period adjustment of \$34,826, from 2017 to 2018, and decreased by \$3,996,553, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$544,714 for 2018 and increased by \$3,392,054 for 2017. The decrease for 2018 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$772,516 for 2018 and decreased by \$853,970 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$25,468 for 2018 and increased by \$68,137 for 2017.

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,

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, OPEB 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

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on 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.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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 \$26,450,662 as of June 30, 2018.

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

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 9,339,347	9,810,327	(5)%
Restricted assets	0	746,101	(100)%
Capital assets, net	48,195,090	48,739,804	(1)%
Total assets	<u>57,534,437</u>	<u>59,296,232</u>	(3)%
Deferred outflows of resources	<u>5,368,322</u>	<u>5,848,305</u>	(8)%
Current liabilities	651,758	1,168,043	(44)%
Long-term debt outstanding	3,288,599	4,035,647	(19)%
Net OPEB Liability	1,593,763		N/A
Net pension liability	27,404,330	29,294,494	(6)%
Total liabilities	<u>32,938,450</u>	<u>34,498,184</u>	(5)%
Deferred inflows of resources	<u>3,513,647</u>	<u>701,013</u>	401%
Net position:			
Net investment in capital assets	45,267,090	45,104,804	0%
Restricted	1,246,851	2,108,617	(41)%
Unrestricted	(20,063,279)	(17,268,081)	(16)%
Total net position	<u>\$ 26,450,662</u>	<u>29,945,340</u>	12%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (20,063,279)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows	<u>27,143,418</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 7,080,139</u>

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$544,714.
- The principal retirement of \$944,097 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,593,763.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$20,601,346 and \$21,092,182 , respectively. The total cost of all programs and services was \$22,436,951 for 2018 and \$22,931,274 for 2017.

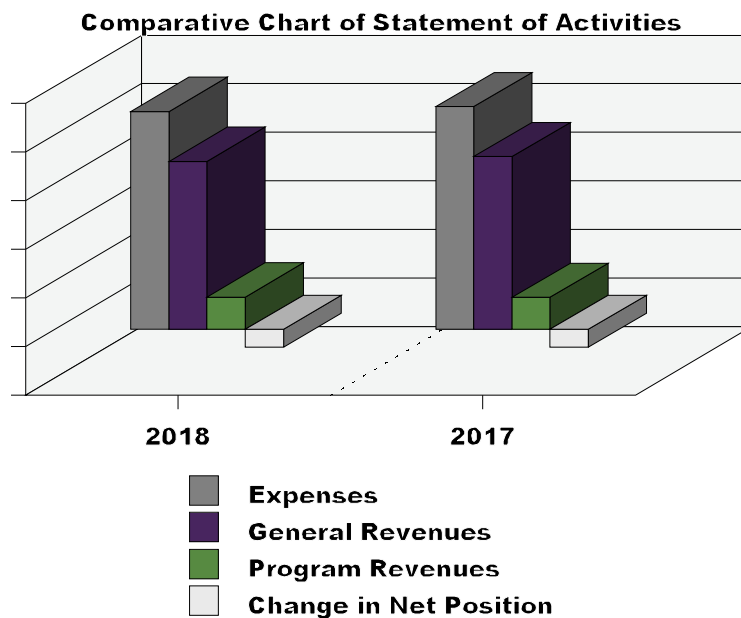
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 225,478	239,184	(6)%
Operating grants and contributions	3,082,114	3,054,958	1%
General Revenues:			
Property taxes	8,415,655	8,431,625	0%
Grants and contributions not restricted	8,538,354	8,998,764	(5)%
Unrestricted investment earnings	46,163	60,487	(24)%
Sixteenth section sources	4,715	6,244	(24)%
Other	288,867	300,920	(4)%
Total revenues	20,601,346	21,092,182	(2)%
Expenses:			
Instruction	9,515,713	9,863,279	(4)%
Support services	8,120,597	7,922,996	2%
Non-instructional	1,488,033	1,619,789	(8)%
Sixteenth section	0	1,333	(100)%
Pension expense	3,073,239	3,354,099	(8)%
OPEB expense	90,088		N/A
Interest on long-term liabilities	149,281	169,778	(12)%
Total expenses	22,436,951	22,931,274	(2)%
Increase (Decrease) in net position	(1,835,605)	(1,839,092)	0%
Net Position, July 1, as previously reported	29,945,340	31,784,432	(6)%
Prior Period Adjustment	(1,659,073)		N/A
Net Position, July 1, as restated	28,286,267	31,784,432	(11)%
Net Position, June 30	\$ 26,450,662	29,945,340	(12)%

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018



Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, pension expense, OPEB 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.

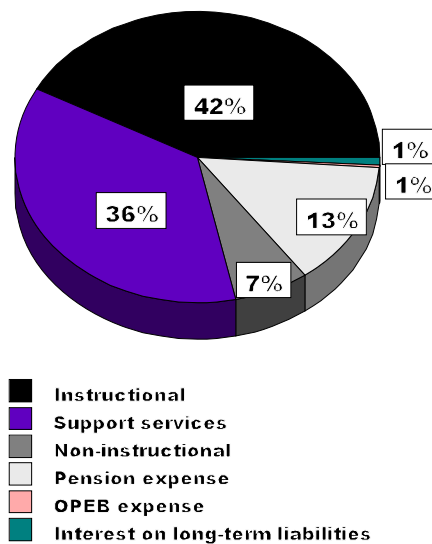
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2018	2017	
Instruction	\$ 9,515,713	9,863,279	(4)%
Support services	8,120,597	7,922,996	2%
Non-instructional	1,488,033	1,619,789	(8)%
Sixteenth section	0	1,333	(100)%
Pension expense	3,073,239	3,354,099	(8)%
OPEB expense	90,088		N/A
Interest on long-term liabilities	149,281	169,778	(12)%
Total expenses	\$ 22,436,951	22,931,274	(2)%

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

	Net (Expense) Revenue		
	2018	2017	Percentage Change
Instruction	\$ (8,325,131)	(8,768,335)	5%
Support services	(7,101,648)	(6,861,138)	(4)%
Non-instructional	(389,972)	(482,449)	19%
Sixteenth section	0	(1,333)	100%
Pension expense	(3,073,239)	(3,354,099)	8%
OPEB expense	(90,088)		N/A
Interest on long-term liabilities	(149,281)	(169,778)	12%
Total net (expense) revenue	\$ (19,129,359)	(19,637,132)	3%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$19,129,359 for 2018 and \$19,637,132 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$8,415,655 for 2018 and \$8,431,625 for 2017) and state and federal revenues (\$8,538,354 for 2018 and \$8,998,764 for 2017). In addition, there was \$4,715 and \$6,244 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$46,163 for 2018 and \$60,487 for 2017.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$8,697,613, a decrease of \$713,718, which includes a prior period adjustment totaling \$34,742 and a decrease in inventory of \$472. \$3,568,791 or 41% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$5,128,822 or 59% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$207,266, including a prior period adjustment totaling \$34,826. The fund balance of Other Governmental Funds showed a decrease in the amount of \$506,452, which includes a prior period adjustment totaling (\$84) and a decrease of inventory of \$472. The increase (decrease) in the fund balances for the other major fund was as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

Over the course of 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 each major special revenue fund is provided in this report as required supplementary information.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$63,220,981, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$828,555 from 2017. Total accumulated depreciation as of June 30, 2018, was \$15,025,891, and total depreciation expense for the year was \$1,406,903, resulting in total net capital assets of \$48,195,090.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 600,512	600,512	0%
Construction in progress	273,661	2,881,540	(91)%
Buildings	42,031,651	39,707,313	6%
Building improvements	2,985,139	3,239,726	(8)%
Improvements other than buildings	1,888,716	1,872,961	1%
Mobile equipment	364,285	348,886	4%
Furniture and equipment	51,126	88,866	(42)%
Total	<u>\$ 48,195,090</u>	<u>48,739,804</u>	<u>(1)%</u>

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2018, the District had \$3,288,599 in outstanding long-term debt, of which \$225,694 is due within one year. The liability for compensated absences increased \$25,468 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 0	725,000	(100)%
Three mill notes payable	2,928,000	2,910,000	1%
Shortfall notes payable	142,021	207,537	(32)%
Compensated absences payable	218,578	193,110	13%
Total	<u>\$ 3,288,599</u>	<u>4,035,647</u>	<u>(19)%</u>

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Bay St. Louis - Waveland School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls 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.

Enrollment for the 2017 - 2018 year decreased by 1% to 1,719 students. The change in student enrollment from prior year reflects the corrected student enrollment totaling 1,743.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Bay St. Louis - Waveland School District, 200 North Second Street, Bay St. Louis, MS 39520.

FINANCIAL STATEMENTS

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 8,383,135
<i>Due from other governments</i>	488,013
<i>Inventories</i>	42,029
<i>Prepaid items</i>	426,170
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	600,512
<i>Construction in progress</i>	273,661
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	42,031,651
<i>Building improvements</i>	2,985,139
<i>Improvements other than buildings</i>	1,888,716
<i>Mobile equipment</i>	364,285
<i>Furniture and equipment</i>	51,126
Total Assets	<u>57,534,437</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,237,783
Deferred outflows - OPEB	130,539
Total Deferred Outflows of Resources	<u>5,368,322</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	641,734
<i>Interest payable on long-term liabilities</i>	10,024
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	156,581
<i>Non-capital related liabilities</i>	69,113
<i>Net OPEB liability</i>	64,432
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	2,771,419
<i>Non-capital related liabilities</i>	291,486
<i>Net pension liability</i>	27,404,330
<i>Net OPEB liability</i>	1,529,331
Total Liabilities	<u>32,938,450</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	3,432,493
Deferred inflows - OPEB	81,154
Total Deferred Inflows of Resources	<u>3,513,647</u>
Net Position:	
Net Investment in Capital Assets	45,267,090
Restricted For:	
Expendable:	
School-based activities	823,482
Ad valorem	147,261
Debt service	224,558
Unemployment benefits	51,550
Unrestricted	(20,063,279)
Total Net Position	<u>\$ 26,450,662</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 9,515,713	\$ 112,906	\$ 1,077,676	\$ (8,325,131)
<i>Support services</i>	8,120,597	--	1,018,949	(7,101,648)
<i>Noninstructional services</i>	1,488,033	112,572	985,489	(389,972)
<i>Pension expense</i>	3,073,239	--	--	(3,073,239)
<i>OPEB expense</i>	90,088	--	--	(90,088)
<i>Interest on long-term liabilities</i>	149,281	--	--	(149,281)
Total Governmental Activities	<u>\$ 22,436,951</u>	<u>\$ 225,478</u>	<u>\$ 3,082,114</u>	<u>(19,129,359)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				7,844,286
<i>Debt purpose levies</i>				571,369
Unrestricted grants and contributions:				
<i>State</i>				8,476,778
<i>Federal</i>				61,576
<i>Unrestricted investment earnings</i>				46,163
<i>Sixteenth section sources</i>				4,715
<i>Other</i>				288,867
Total General Revenues				<u>17,293,754</u>
Change in Net Position				<u>(1,835,605)</u>
Net Position - Beginning, as previously reported				29,945,340
Prior Period Adjustment				<u>(1,659,073)</u>
Net Position - Beginning, as restated				28,286,267
Net Position - Ending				<u>\$ 26,450,662</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2018

	General Fund	Title I A Basic Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
<i>Cash and cash equivalents</i>	\$ 7,285,026	\$ --	\$ 1,098,109	\$ 8,383,135
<i>Due from other governments</i>	277,324	97,710	112,979	488,013
<i>Due from other funds</i>	146,644	--	--	146,644
<i>Inventories</i>	--	--	42,029	42,029
<i>Prepaid items</i>	426,170	--	--	426,170
Total Assets	<u>\$ 8,135,164</u>	<u>\$ 97,710</u>	<u>\$ 1,253,117</u>	<u>\$ 9,485,991</u>
Liabilities and Fund Balances				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 547,165	\$ 1,068	\$ 93,501	\$ 641,734
<i>Due to other funds</i>	--	96,642	50,002	146,644
Total Liabilities	<u>547,165</u>	<u>97,710</u>	<u>143,503</u>	<u>788,378</u>
Fund Balances:				
Nonspendable:				
Inventory	--	--	42,029	42,029
Prepaid items	426,170	--	--	426,170
Restricted:				
Unemployment benefits	--	--	51,550	51,550
Debt service	--	--	234,582	234,582
Ad valorem	147,261	--	--	147,261
Grant activities	--	--	413,986	413,986
Food service	--	--	367,467	367,467
Assigned:				
Capital improvements	3,346,408	--	--	3,346,408
Activity funds	49,378	--	--	49,378
Other purposes	49,991	--	--	49,991
Unassigned	<u>3,568,791</u>	<u>--</u>	<u>--</u>	<u>3,568,791</u>
Total Fund Balances	<u>7,587,999</u>	<u>--</u>	<u>1,109,614</u>	<u>8,697,613</u>
Total Liabilities and Fund Balances	<u>\$ 8,135,164</u>	<u>\$ 97,710</u>	<u>\$ 1,253,117</u>	<u>\$ 9,485,991</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018*

Total fund balances for governmental funds	\$ 8,697,613
--	--------------

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

Capital assets used in governmental activities are not reported in the funds.	48,195,090
Liabilities due in one year are not recognized in the funds.	(290,126)
Payables for bond interest which are not due in the current period are not reported in the funds.	(10,024)
Payables for notes which are not due in the current period are not reported in the funds.	(2,844,327)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(218,578)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(27,404,330)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(3,432,493)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	5,237,783
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,529,331)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(81,154)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	<u>130,539</u>

Net position of governmental activities	\$ <u>26,450,662</u>
---	----------------------

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Title I A Basic Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 8,302,963	\$ --	\$ 696,267	\$ 8,999,230
State sources	8,534,094	--	401,510	8,935,604
Federal sources	111,708	842,730	1,730,426	2,684,864
Sixteenth section sources	4,715	--	--	4,715
Total Revenues	<u>16,953,480</u>	<u>842,730</u>	<u>2,828,203</u>	<u>20,624,413</u>
Expenditures:				
Instruction	8,687,832	460,200	822,629	9,970,661
Support services	7,395,830	366,966	670,124	8,432,920
Noninstructional services	--	2,876	1,053,551	1,056,427
Facilities acquisition and construction	783,026	--	--	783,026
Debt service:				
Principal	--	--	944,097	944,097
Interest	--	--	158,152	158,152
Other	--	--	4,051	4,051
Total Expenditures	<u>16,866,688</u>	<u>830,042</u>	<u>3,652,604</u>	<u>21,349,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>86,792</u>	<u>12,688</u>	<u>(824,401)</u>	<u>(724,921)</u>
Other Financing Sources (Uses):				
Operating transfers in	12,688	--	413,582	426,270
Other financing sources	31,100	--	--	31,100
Operating transfers out	(318,505)	(12,688)	(95,077)	(426,270)
Other financing uses	(54,167)	--	--	(54,167)
Total Other Financing Sources (Uses)	<u>(328,884)</u>	<u>(12,688)</u>	<u>318,505</u>	<u>(23,067)</u>
Net change in fund balances	<u>(242,092)</u>	<u>--</u>	<u>(505,896)</u>	<u>(747,988)</u>
Fund Balances:				
July 1, 2017, as previously reported	7,795,265	--	1,616,066	9,411,331
Prior period adjustments	34,826	--	(84)	34,742
July 1, 2017, as restated	<u>7,830,091</u>	<u>--</u>	<u>1,615,982</u>	<u>9,446,073</u>
Increase (Decrease) in inventory	--	--	(472)	(472)
June 30, 2018	<u>\$ 7,587,999</u>	<u>\$ --</u>	<u>\$ 1,109,614</u>	<u>\$ 8,697,613</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018*

Net change in fund balances - total governmental funds	\$ (747,988)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	862,529
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,406,903)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(340)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	944,097
(Increase) decrease in accrued interest from beginning of period to end of period.	12,922
Change in inventory affects fund balance in the funds but expense in the SOA.	(472)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(25,468)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,621,401
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(3,073,239)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	67,944
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(90,088)
Change in net position of governmental activities	\$ <u>(1,835,605)</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**FIDUCIARY FUNDS**JUNE 30, 2018*

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 651,800
<i>Due from local sources</i>	7,420
Total Assets	<u>\$ 659,220</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	\$ 578,143
<i>Due to student clubs</i>	79,245
<i>Other payables</i>	1,832
Total Liabilities	<u>\$ 659,220</u>

The accompanying notes are an integral part of this statement.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

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 Bay St. Louis and Waveland since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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.

Title I A Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

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:

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

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

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.

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.

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Financial Accounting for Local and State School Systems, 2014, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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 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.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement 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 school district have deferred outflows which are presented as deferred outflows for pension and OPEB.

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 and so will not be recognized as an inflow of resources (revenue) until then. The school district have deferred inflows which are presented as deferred inflows for pension and OPEB.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 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.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017.

12. 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. 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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

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

When an expenditure 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 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.

The goal of the District is to maintain an unassigned fund balance in the General Fund of at least 7% at fiscal year of its actual revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District will develop a restoration plan to achieve and maintain the minimum fund balance.

13. New Pronouncements

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 2 - Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,383,135 and \$651,800, 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. As of June 30, 2018, none of the district's bank balance of \$9,236,931 was exposed to custodial credit risk.

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I A Basic Fund	\$ 96,642
	Other Governmental Funds	50,002
Total		<u>\$ 146,644</u>

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I A Basic Fund	\$ 12,688
Other Governmental Funds	General Fund	318,505
	Other Governmental Funds	95,077
Total		<u>\$ 426,270</u>

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

Note 4 - Capital Assets

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

	Balance 7-1-2017	Additions	Deletions	Completed Construction	Adjustments	Balance 6-30-2018
<u>Non-depreciable capital assets:</u>						
Land	\$ 600,512					600,512
Construction in progress	2,881,540	783,026		(3,390,905)		273,661
Total non-depreciable capital assets	<u>3,482,052</u>	<u>783,026</u>	<u>0</u>	<u>(3,390,905)</u>	<u>0</u>	<u>874,173</u>
<u>Depreciable capital assets:</u>						
Buildings	49,937,464			3,390,905		53,328,369
Building improvements	3,792,431					3,792,431
Improvements other than buildings	2,431,464					2,431,464
Mobile equipment	841,652	67,500				909,152
Furniture and equipment	1,907,363	12,003	33,974			1,885,392
Total depreciable capital assets	<u>58,910,374</u>	<u>79,503</u>	<u>33,974</u>	<u>3,390,905</u>	<u>0</u>	<u>62,346,808</u>
<u>Less accumulated depreciation for:</u>						
Buildings	10,230,151	1,066,567				11,296,718
Building improvements	552,705	151,697			102,890	807,292
Improvements other than buildings	558,503	87,135			(102,890)	542,748
Mobile equipment	492,766	52,101				544,867
Furniture and equipment	1,818,497	49,403	33,634			1,834,266
Total accumulated depreciation	<u>13,652,622</u>	<u>1,406,903</u>	<u>33,634</u>	<u>0</u>	<u>0</u>	<u>15,025,891</u>
Total depreciable capital assets, net	<u>45,257,752</u>	<u>(1,327,400)</u>	<u>340</u>	<u>3,390,905</u>	<u>0</u>	<u>47,320,917</u>
Governmental activities capital assets, net	<u>\$ 48,739,804</u>	<u>(544,374)</u>	<u>340</u>	<u>0</u>	<u>0</u>	<u>48,195,090</u>

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Adjustments were made to properly present accumulated depreciation at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 625,471
Support services	275,265
Non-instructional	506,167
Total depreciation expense	\$ 1,406,903

The details of construction-in-progress are as follows:

Governmental Activities:	Spent to June 30, 2018	Remaining Commitments
Bay High SPED Reno	\$ 207,863	579,837
Construction Management	6,506	36,817
Architect Fees/Other Reimbursables	59,292	15,768
Total	\$ 273,661	632,422

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

Note 5 - Long-term liabilities

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

	Balance 7-1-2017	Additions	Reductions	Adjustments	Balance 6-30-2018	Amounts due within one year
A. General obligation bonds payable	\$ 725,000		725,000		0	
B. Three mill notes payable	2,910,000		153,581	171,581	2,928,000	156,581
C. Shortfall notes payable	207,537		65,516		142,021	69,113
D. Compensated absences payable	193,110	25,468			218,578	
Total	\$ 4,035,647	25,468	944,097	171,581	3,288,599	225,694

Adjustments were made to properly present long-term debt at year end.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

A. General obligation bonds payable

This debt was paid off and retired from the Bond Sinking Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes payable	3.00-4.55%	06-10-10	06-01-30	\$ 4,000,000	180,000
Limited tax refunding notes, Series 2017	2.00-3.00%	06-14-17	06-01-30	2,781,000	2,748,000
				<u>\$ 6,781,000</u>	<u>2,928,000</u>

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

1. Three mill notes payable Series 2010

Year Ending June 30	Principal	Interest	Total
2019	\$ <u>125,581</u>	<u>115,138</u>	<u>240,719</u>

The total principal payment outstanding on this debt total \$180,000. The school district will pay \$125,581 and the remaining \$54,419 will be paid from an escrow account. This debt will be retired from the Three Mill Note Fund.

2. Limited tax refunding notes, Series 2017

Year Ending June 30	Principal	Interest	Total
2019	\$ 31,000	68,529	99,529
2020	222,000	68,033	290,033
2021	223,000	64,481	287,481
2022	230,000	60,021	290,021
2023	232,000	55,421	287,421
2024 - 2028	1,260,000	185,379	1,445,379
2029 - 2030	<u>550,000</u>	<u>24,900</u>	<u>574,900</u>
Total	\$ <u>2,748,000</u>	<u>526,764</u>	<u>3,274,764</u>

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 156,581	183,667	340,248
2020	222,000	68,033	290,033
2021	223,000	64,481	287,481
2022	230,000	60,021	290,021
2023	232,000	55,421	287,421
2024 - 2028	1,260,000	185,379	1,445,379
2029 - 2030	550,000	24,900	574,900
Total	\$ 2,873,581	641,902	3,515,483

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes, Series 2009	4.50%	08-01-09	08-01-19	\$ 580,000	142,021

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 69,113	7,797	76,910
2020	72,908	4,002	76,910
Total	\$ 142,021	11,799	153,820

This debt will be retired from the Shortfall 2009 Fund.

D. 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.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 6 - Prior Year Defeasance of Debt

In prior years, the Bay St. Louis - Waveland School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2018, \$0 of bonds outstanding are defeased.

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 4.

Note 8 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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.

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, 2018 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, 2018, 2017, and 2016, were \$1,621,401, \$1,665,640 and \$1,651,368, 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, 2018, the school district reported a liability of \$27,404,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 0.164854 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.000957% percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,073,239. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,203,765	\$ 199,962
Net difference between projected and actual earnings on pension plan investments	1,712,651	
Changes of assumptions	27,988	
Changes in proportion and differences between District contributions and proportionate share of contributions	671,978	3,232,531
District contributions subsequent to the measurement date	1,621,401	
Total	<u>\$ 5,237,783</u>	<u>\$ 3,432,493</u>

\$1,621,401 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, 2019. 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 Ending June 30:	
2019	\$ 277,253
2020	396,643
2021	39,347
2022	(529,354)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

(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	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 members. 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%, 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%) or 1-percentage-point higher (8.75%) 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	\$ <u>35,942,608</u>	\$ <u>27,404,330</u>	\$ <u>20,315,704</u>

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 9 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issued a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/ junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$67,944 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported a liability of \$1,593,763 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.20312828 percent. This was an increase of 0.00901127 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$90,088. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$	\$ 81,154
Changes in proportion and differences between District contributions and proportionate share of contributions	62,595	
District contributions subsequent to the measurement date	67,944	
Total	\$ 130,539	\$ 81,154

\$67,944 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Year Ending June 30:		
2019	\$	(3,256)
2020		(3,256)
2021		(3,256)
2022		(3,256)
2023		(3,256)
Thereafter		(2,279)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023
Pre-Medicare	

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage point higher (4.56 percent) than the current discount rate:

		1% Decrease (2.56%)		Discount Rate (3.56%)		1% Increase (4.56%)
Net OPEB liability	\$	1,635,853	\$	1,593,763	\$	1,562,418

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Healthcare Cost Trend Rates Current		1% Increase
Net OPEB liability	\$	1,471,947	\$	1,593,763	\$ 1,732,828

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 10 - Risk Management

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

Note 11 - Contingencies

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 12 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>	<u>Amount</u>
1. Adjustments were made to properly present long-term debt at year end.		\$ (171,581)
2. To adjust prepaid items to actual.		34,742
3. Implementation of GASB 75:		
Net OPEB liability (06-30-17)	(1,584,944)	
Deferred outflows - contributions made during fiscal year 2017	62,710	
Total prior period adjustment related to GASB 75		(1,522,234)
Total		\$ (1,659,073)

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	See explanation above.	\$ 34,826
Other Governmental Funds	See explanation above.	(84)
Total		\$ 34,742

Note 13 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$20,063,279) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,621,401 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$3,616,382 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$20,063,279) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,432,493 balance of deferred inflow of resources, at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$20,063,279) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$67,944 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2018

The \$62,595 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$20,063,279) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$81,154 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 14 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2019	\$	2,400
2020		2,400
2021		2,400
2022		2,400
2023		2,400
2024 - 2028		12,000
2029 - 2033		12,000
2034 - 2038		12,000
2039 - 2043		12,000
2044 - 2048		12,000
2049 - 2053		12,000
2054 - 2058		12,000
2059 - 2063		12,000
2064 - 2068		12,000
2069 - 2072		9,600
Total	\$	<u>129,600</u>

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 15 - Other Matters

The former Business Manager and former Superintendent are siblings and were employed at the district as such during this fiscal year, which poses a potential conflict of interest. The former Superintendent's resignation, submitted in March, was effective June 30, 2018. The former Business Manager worked for the school district until December 14, 2018.

Note 16 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 8,194,525	8,302,962	8,302,963	108,437	1
State sources	8,508,385	8,534,094	8,534,094	25,709	-
Federal sources	172,006	111,708	111,708	(60,298)	-
Sixteenth section sources	6,400	4,715	4,715	(1,685)	-
Total Revenues	16,881,316	16,953,479	16,953,480	72,163	1
Expenditures:					
Instruction	8,707,716	8,687,834	8,687,832	19,882	2
Support services	7,567,225	7,316,194	7,395,830	251,031	(79,636)
Sixteenth section	1,300	-	-	1,300	-
Facilities acquisition and construction	2,800,000	862,661	783,026	1,937,339	79,635
Total Expenditures	19,076,241	16,866,689	16,866,688	2,209,552	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,194,925)	86,790	86,792	2,281,715	2
Other Financing Sources (Uses):					
Operating transfers in	2,046,434	2,047,852	12,688	1,418	(2,035,164)
Other financing sources	31,100	31,100	31,100	-	-
Operating transfers out	(2,356,192)	(2,353,668)	(318,505)	2,524	2,035,163
Other financing uses	(50,000)	(54,167)	(54,167)	(4,167)	-
Total Other Financing Sources (Uses)	(328,658)	(328,883)	(328,884)	(225)	(1)
Net Change in Fund Balances	(2,523,583)	(242,093)	(242,092)	2,281,490	1
Fund Balances:					
July 1, 2017, as previously reported	7,589,544	7,830,090	7,795,265	240,546	(34,825)
Prior period adjustments	-	-	34,826	-	34,826
July 1, 2017, as restated	7,589,544	7,830,090	7,830,091	240,546	1
June 30, 2018	\$ 5,065,961	7,587,997	7,587,999	2,522,036	2

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

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2018

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 734,805	842,730	842,730	107,925	-
Total Revenues	<u>734,805</u>	<u>842,730</u>	<u>842,730</u>	<u>107,925</u>	<u>-</u>
Expenditures:					
Instruction	421,229	460,201	460,200	(38,972)	1
Support services	293,050	366,965	366,966	(73,915)	(1)
Noninstructional services		2,876	2,876	(2,876)	-
Total Expenditures	<u>714,279</u>	<u>830,042</u>	<u>830,042</u>	<u>(115,763)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,526</u>	<u>12,688</u>	<u>12,688</u>	<u>(7,838)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	-	(12,688)	(12,688)	(12,688)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(12,688)</u>	<u>(12,688)</u>	<u>(12,688)</u>	<u>-</u>
Net Change in Fund Balances	<u>20,526</u>	<u>-</u>	<u>-</u>	<u>(20,526)</u>	<u>-</u>
Fund Balances:					
July 1, 2017	58,479	-	-	(58,479)	-
June 30, 2018	<u>\$ 79,005</u>	<u>-</u>	<u>-</u>	<u>(79,005)</u>	<u>-</u>

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

Bay St. Louis - Waveland School District

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

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportionate share of the net pension liability \$	27,404,330	29,294,494	26,278,647	20,634,887
District's proportion of the net pension liability	0.164854%	0.164000%	0.170000%	0.170000%
District's covered payroll	10,575,498	10,484,876	10,475,911	10,398,089
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.40%	250.85%	198.45%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

Bay St. Louis-Waveland School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

		2018	2017	2016	2015
Contractually required contribution	\$	<u>1,621,401</u>	<u>1,665,640</u>	<u>1,651,368</u>	<u>1,649,957</u>
Contributions in relation to the contractually required contribution		1,621,401	1,665,640	1,651,368	1,649,957
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll		10,294,610	10,575,492	10,484,876	10,475,917
Contributions as a percentage of covered payroll		15.75%	15.75%	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.

Bay St. Louis-Waveland School District

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

OPEB

Last 10 Fiscal Years*

		2018
District's proportionate share of the net OPEB liability	\$	<u>1,593,763</u>
District's proportion of the net OPEB liability		0.20312828%
District's covered-employee payroll		9,125,995 **
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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.

** The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Bay St. Louis-Waveland School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2018	
Contractually required contribution	\$ <u>67,944</u>	**
Contributions in relation to the contractually required contribution	67,944	**
Contribution deficiency (excess)	\$ <u><u>-</u></u>	
District's covered-employee payroll	9,367,815	
Contributions as a percentage of covered-employee payroll	0.73%	

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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information available.

** The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

Bay St. Louis - Waveland School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

Budgetary Comparison Schedules

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Bay St. Louis - Waveland School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None

Bay St. Louis - Waveland School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Numbers	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 238,078
National School Lunch Program	185MS326N1099	10.555	837,442
Summer Food Service Program for Children	185MS326N1099	10.559	5,610
Total child nutrition cluster			<u>1,081,130</u>
Total passed-through the Mississippi Department of Education			<u>1,081,130</u>
Total U.S. Department of Agriculture			<u><u>1,081,130</u></u>
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	842,730
Career and Technical Education - Basic Grants to States	V048A170024	84.048	1,498
Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A180034	84.126	50,132
Supporting Effective Instruction State Grants	ES367A170023	84.367	122,610
Student Support and Academic Enrichment Program	ES424A170025	84.424	3,906
Subtotal			<u>1,020,876</u>
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	497,175
Positive Behavior Specialists	H027A170108	84.027A	3,864
Special Education - Preschool Grants	H173A170113	84.173	20,244
Total Special Education Cluster			<u>521,283</u>
Total passed-through the Mississippi Department of Education			<u>1,542,159</u>
Total U.S. Department of Education			<u><u>1,542,159</u></u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	<u>61,576</u>
Total passed-through the Mississippi Department of Education			<u>61,576</u>
Total U.S. Department of Health and Human Services			<u><u>61,576</u></u>
Total for All Federal Awards			\$ <u><u>2,684,865</u></u>

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

Bay St. Louis - Waveland School District

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$93,110 are included in the National School Lunch Program.

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	13,820,583	10,302,683	1,014,608	977,576	1,525,716
Other	<u>7,528,751</u>	<u>1,362,945</u>	<u>146,741</u>	<u>29,672</u>	<u>5,989,393</u>
Total \$	<u><u>21,349,334</u></u>	<u><u>11,665,628</u></u>	<u><u>1,161,349</u></u>	<u><u>1,007,248</u></u>	<u><u>7,515,109</u></u>
Total number of students *	<u>1,719</u>				
Cost per student \$	<u><u>12,420</u></u>	<u><u>6,786</u></u>	<u><u>676</u></u>	<u><u>586</u></u>	<u><u>4,372</u></u>

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

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

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

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

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

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

OTHER INFORMATION

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 8,302,963	7,821,548	7,725,877	7,429,414
State sources	8,534,094	8,968,264	9,091,155	8,607,111
Federal sources	111,708	138,947	134,218	142,249
Sixteenth section sources	4,715	6,244	6,322	10,692
Total Revenues	<u>16,953,480</u>	<u>16,935,003</u>	<u>16,957,572</u>	<u>16,189,466</u>
Expenditures:				
Instruction	8,687,832	9,068,671	8,793,733	8,668,607
Support services	7,395,830	7,212,290	7,956,747	7,772,256
Sixteenth section	-	1,333	1,311	-
Facilities acquisition and construction	783,026	4,097,261	702,304	3,014,546
Total Expenditures	<u>16,866,688</u>	<u>20,379,555</u>	<u>17,454,095</u>	<u>19,455,409</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>86,792</u>	<u>(3,444,552)</u>	<u>(496,523)</u>	<u>(3,265,943)</u>
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	1,199
Operating transfers in	12,688	12,688	1,010,503	5,429,000
Other financing sources	31,100	-	250,000	-
Operating transfers out	(318,505)	(525,905)	(411,169)	(240,913)
Other financing uses	<u>(54,167)</u>	<u>(38,784)</u>	<u>(18,923)</u>	<u>(15,292)</u>
Total Other Financing Sources (Uses)	<u>(328,884)</u>	<u>(552,001)</u>	<u>830,411</u>	<u>5,173,994</u>
Net Change in Fund Balances	(242,092)	(3,996,553)	333,888	1,908,051
Fund Balances:				
July 1, Beginning, as previously reported	7,795,265	11,791,818	11,457,930	9,425,617
Prior period adjustment	34,826	-	-	-
Fund reclassification	-	-	-	124,262
July 1, Beginning, as restated	<u>7,830,091</u>	<u>11,791,818</u>	<u>11,457,930</u>	<u>9,549,879</u>
June 30,	<u>\$ 7,587,999</u>	<u>7,795,265</u>	<u>11,791,818</u>	<u>11,457,930</u>

***SOURCE - PRIOR YEAR AUDIT REPORTS**

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

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

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 8,999,230	9,092,472	8,911,883	8,577,980
State sources	8,935,604	9,254,658	9,427,739	8,875,344
Federal sources	2,684,864	2,799,065	3,835,309	8,450,317
Sixteenth section sources	4,715	6,244	6,322	10,692
Total Revenues	<u>20,624,413</u>	<u>21,152,439</u>	<u>22,181,253</u>	<u>25,914,333</u>
Expenditures:				
Instruction	9,970,661	10,266,981	9,995,839	9,814,048
Support services	8,432,920	8,285,946	9,075,320	8,855,264
Noninstructional services	1,056,427	1,169,336	1,159,487	1,146,045
Sixteenth section	-	1,333	1,311	-
Facilities acquisition and construction	783,026	4,675,063	957,877	3,191,470
Debt service:				
Principal	944,097	922,107	878,875	840,811
Interest	158,152	184,173	219,254	252,718
Other	4,051	2,550	2,550	2,550
Total Expenditures	<u>21,349,334</u>	<u>25,507,489</u>	<u>22,290,513</u>	<u>24,102,906</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(724,921)</u>	<u>(4,355,050)</u>	<u>(109,260)</u>	<u>1,811,427</u>
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	1,199
Operating transfers in	426,270	545,408	1,430,012	5,679,232
Other financing sources	31,100	26,057	250,000	-
Operating transfers out	(426,270)	(545,408)	(1,430,012)	(5,679,232)
Other financing uses	(54,167)	(38,784)	(18,954)	(18,060)
Total Other Financing Sources (Uses)	<u>(23,067)</u>	<u>(12,727)</u>	<u>231,046</u>	<u>(16,861)</u>
Net Change in Fund Balances	(747,988)	(4,367,777)	121,786	1,794,566
Fund Balances:				
July 1, as previously reported	9,411,331	13,777,543	13,627,840	11,845,847
Prior period adjustments	34,742			
July 1, as restated	<u>9,446,073</u>	<u>13,777,543</u>	<u>13,627,840</u>	<u>11,845,847</u>
Increase (Decrease) in inventory	(472)	1,565	27,917	(12,573)
June 30,	<u>\$ 8,697,613</u>	<u>9,411,331</u>	<u>13,777,543</u>	<u>13,627,840</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay St. Louis - Waveland School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bay St. Louis - Waveland School District's basic financial statements, and have issued our report thereon dated March 11, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as Finding 2018-001.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

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

Bay St. Louis - Waveland School District's Response to Finding

The Bay St. Louis - Waveland School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Bay St. Louis - Waveland School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 11, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Bay St. Louis - Waveland School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Bay St. Louis - Waveland School District's major federal program for the year ended June 30, 2018. The Bay St. Louis - Waveland School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinion on Each Major Federal Program

In our opinion, the Bay St. Louis - Waveland School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Bay St. Louis - Waveland School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bay St. Louis - Waveland School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 11, 2019

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis - Waveland School District as of and for the year ended June 30, 2018, which collectively comprise Bay St. Louis - Waveland School District's basic financial statements and have issued our report thereon dated March 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 11, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Bay St. Louis - Waveland School District

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Significant Deficiency

Finding 2018-001

Criteria:

An effective system of internal control requires proper segregation of duties to the greatest extent possible.

Condition:

The school district has assigned only one individual to receive, download, or access bank statements online, and for these to be reviewed by the same person who reconciles the bank account.

Cause:

This is the result of inadequate job assignments to ensure proper segregation of duties.

Effect:

This increased the risk that misstatements, due to error or fraud, could occur and not be detected in a timely manner.

Recommendation:

We recommend that the district strengthen its internal controls whereby duties will be divided to the greatest extent possible.

Section III: Federal Awards Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN



200 NORTH SECOND STREET • BAY ST. LOUIS, MISSISSIPPI 39520

Jason B Mauffray
Business Administrator

Telephone (228) 467-9242
Fax: (228) 467-1230

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Bay St. Louis-Waveland School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2018:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2018-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Jason B. Mauffray Title: Business Administrator Phone Number: (228) 467-9242</p> <p>b. Corrective Action Planned:</p> <p>The Business Administrator will reconcile all bank statements and sign as preparer. The business administrator and accounts payable can access online bank statements. The Superintendent will review and sign all bank reconciliations.</p> <p>c. Anticipated Completion Date:</p> <p>March 31, 2019 – The plan will be implemented beginning with the February 2019 bank statement reconciliations.</p>