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BILOXI PUBLIC SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Superintendent and School Board
Biloxi Public School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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Independent Auditor's Report, Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and net pension and OPEB schedules on pages 11 - 18, 69, and 70 - 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Biloxi Public School District's basic financial statements. The 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

The Schedule of Expenditures of 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 basic financial statements or to the basic 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 are 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2018, on our consideration of the Biloxi Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Biloxi Public School District's internal control over financial reporting and compliance.

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.

Pascagoula, Mississippi

January 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

The following discussion and analysis of Biloxi Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$(8,364,877), including a prior period adjustment of \$(3,984,171), which represents a 25% decrease from fiscal year 2017. Total net position for 2017 decreased \$(2,781,287), which represents a 8% decrease from fiscal year 2016.
- ◆ General revenues amounted to \$57,735,947 and \$56,900,957, or 84% and 85% 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 \$11,167,036, or 16% of total revenues for 2018, and \$10,071,191, or 15% of total revenues for 2017.
- ◆ The School District had \$73,283,689 and \$69,753,435 in expenses for fiscal years 2018 and 2017; only \$11,167,036 for 2018 and \$10,071,191 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$57,735,947 for 2018 and \$56,900,957 for 2017 were not adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$55,889,910 in revenues and \$50,240,757 in expenditures for 2018, and \$54,701,092 in revenues and \$49,241,714 in expenditures in 2017. The General Fund's fund balance increased by \$636,377 from 2017 to 2018, and increased by \$327,348 from 2016 to 2017.
- ◆ Capital assets, net of accumulated depreciation, increased by \$2,296,790 for 2018 and increased by \$30,606,785 for 2017. The increase for 2018 was due primarily to the completion of the new jr. high school building.
- ◆ Long-term debt decreased by \$(352,290) for 2018 and decreased by \$(4,099,832) for 2017. This decrease for 2018 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences remained unchanged for 2018 and decreased by \$(16,081) for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School 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.

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

The Statement of Net Position presents information on all the School 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 School 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 School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities.

Fund Financial Statements

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

Governmental funds – Most of the School 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 School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the School 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 School 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 School District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the School 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.

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

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 results in a liability on the government-wide financial statements but is 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.

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.

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the School District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,099,647 as of June 30, 2018.

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

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

Table 1
Condensed Statement of Net Position

	2018	2017	Percentage Change
Current assets	\$ 24,064,832	19,294,575	25 %
Restricted assets	2,395,600	11,465,148	(79)%
Capital assets, net	<u>141,672,456</u>	<u>139,375,666</u>	2 %
Total Assets	<u>168,132,888</u>	<u>170,135,389</u>	(1)%
 Deferred Outflows of Resources	 <u>10,788,037</u>	 <u>18,260,540</u>	 (41)%
 Current liabilities	6,679,797	9,900,958	(33)%
Long-term liabilities	59,988,147	60,340,437	(1)%
Net OPEB liability	3,951,422	-	N/A
Net pension liability	<u>80,955,929</u>	<u>84,400,298</u>	(4)%
Total Liabilities	<u>151,575,295</u>	<u>154,641,693</u>	(2)%
 Deferred Inflows of Resources	 <u>2,245,983</u>	 <u>289,712</u>	 675 %
 Net Position:			
Net investment in capital assets	82,560,929	83,223,868	(1)%
Restricted	10,155,525	2,433,469	317 %
Unrestricted	<u>(67,616,807)</u>	<u>(52,192,813)</u>	(30)%
Total Net Position	<u>\$ 25,099,647</u>	<u>33,464,524</u>	(25)%

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)	\$ (67,616,807)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the deferred outflows and deferred inflows related to pensions	<u>76,757,771</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,140,964</u>

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

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

- ◆ Increase in net capital assets in the amount of \$2,296,790.
- ◆ The principal retirement of \$4,933,412 of long-term debt.
- ◆ Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$4,127,378.

Changes in net position

The School District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$68,902,983 and \$66,972,148, respectively. The total cost of all programs and services was \$73,283,689 for 2018 and \$69,753,435 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.

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,377,163	1,680,510	(18)%
Operating grants and contributions	6,595,060	8,390,681	(21)%
Capital grants and contributions	3,194,813	-	N/A
General revenues:			
Property and gaming taxes	29,636,264	29,314,078	1 %
Grants and contributions not restricted	27,987,251	26,963,919	4 %
Investment earnings	102,162	154,670	(34)%
Sixteenth section sources	10,270	11,483	(11)%
Other	-	456,807	(100)%
Total Revenues	<u>68,902,983</u>	<u>66,972,148</u>	3 %
Expenses:			
Instruction	33,672,692	31,299,972	8 %
Support Services	22,023,586	21,583,753	2 %
Non-instructional	4,606,204	3,879,336	19 %
Pension expense	10,946,518	10,816,286	1 %
OPEB Expense	227,027	-	N/A
Interest on long-term liabilities	1,807,662	2,174,088	(17)%
Total Expenses	<u>73,283,689</u>	<u>69,753,435</u>	5 %
Increase (Decrease) in Net Position	<u>(4,380,706)</u>	<u>(2,781,287)</u>	(58)%
Net Position, July 1, as previously reported	33,464,524	36,245,811	(8)%
Prior Period Adjustment	<u>(3,984,171)</u>	<u>-</u>	N/A
Net Position, July 1, as restated	<u>29,480,353</u>	<u>36,245,811</u>	(19)%
Net Position, June 30	<u>\$ 25,099,647</u>	<u>33,464,524</u>	(25)%

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 33,672,692	31,299,972	8 %
Support services	22,023,586	21,583,753	2 %
Non-instructional	4,606,204	3,879,336	19 %
Pension expense	10,946,518	10,816,286	1 %
OPEB expense	227,027	-	N/A
Interest on long-term liabilities	1,807,662	2,174,088	(17)%
Total Expenses	\$ 73,283,689	69,753,435	5 %
	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (28,881,770)	(27,717,370)	4 %
Support services	(18,704,197)	(18,995,241)	(2)%
Non-instructional	(1,549,479)	20,741	(7,571)%
Pension expense	(10,946,518)	(10,816,286)	1 %
OPEB expense	(227,027)	-	N/A
Interest on long-term liabilities	(1,807,662)	(2,174,088)	(17)%
Total Net (Expense) Revenue	\$ (62,116,653)	(59,682,244)	4 %

- ◆ Net cost of governmental activities (\$(62,116,653) for 2018 and \$(59,682,244) for 2017) was financed by general revenue, which is primarily made up of property taxes (\$29,636,264 for 2018 and \$29,314,078 for 2017) and state and federal revenues (\$27,987,251 for 2018 and \$26,963,919 for 2017). In addition, there was \$10,270 and \$11,483 in Sixteenth Section sources for 2018 and 2017, respectively.
- ◆ Investment earnings amounted to \$102,162 for 2018 and \$154,670 for 2017.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$19,390,386, a decrease of \$(1,195,583), which includes an increase in inventory of \$20,544. \$6,521,094 or 34% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$12,869,292 or 66% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the School District. The increase in fund balance in the General Fund for the fiscal year was \$636,377. The fund balance of Other Governmental Funds showed a decrease in the amount of \$(5,719,050), which includes an increase in reserve for inventory of \$20,544, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase/ (Decrease)</u>
Future Building Fund	\$ (36,715)
Biloxi High Chiller Fund	3,923,805

BUDGETARY HIGHLIGHTS

During the year, the School 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 School District's actual financial activity for the General Fund and major special revenue fund(s) is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the School District's total capital assets were \$197,667,685, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$6,313,554 from 2017. Total accumulated depreciation as of June 30, 2018, was \$55,995,229, and total depreciation expense for the year was \$4,498,382, resulting in total net capital assets of \$141,672,456.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Land	\$ 6,394,218	6,394,218	-
Construction in progress	2,016,683	40,561,638	(95)%
Buildings	118,718,654	79,034,430	50 %
Building improvements	6,910,445	5,439,151	27 %
Improvements other than buildings	4,919,837	5,312,970	(7)%
Mobile equipment	1,829,355	1,837,681	-
Furniture and equipment	883,264	795,578	11 %
Total	\$ 141,672,456	139,375,666	2 %

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

BILOXI PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

Debt Administration. At June 30, 2018, the School District had \$59,988,147 in outstanding long-term debt, of which \$3,860,345 is due within one year. The liability for compensated absences remained unchanged from the prior year.

Table 5
Outstanding Long-Term Debt

	2018	2017	Percentage Change
General obligation bonds payable	\$ 6,770,000	9,235,000	(27)%
Premiums/Discounts	98,343	208,253	(53)%
Limited obligation refunding bonds payable	-	1,275,000	(100)%
Premiums/Discounts	-	42,371	(100)%
Three mill note payable	6,805,000	3,235,000	110 %
Premiums/Discounts	-	10,624	(100)%
Shortfall notes payable	223,728	-	N/A
Trust certificates payable	38,000,000	38,000,000	-
Premiums/Discounts	3,793,052	4,007,753	(5)%
Obligations under capital lease	-	7,062	(100)%
Obligations under energy efficiency lease	1,526,650	1,548,000	(1)%
Qualified school construction bond payable	2,335,000	2,335,000	-
Compensated absences payable	436,374	436,374	-
Total	\$ 59,988,147	60,340,437	(1)%

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

CURRENT ISSUES

The Biloxi Public School District is financially stable. The School District is proud of its community support of the public schools.

The School District has committed itself to financial excellence for many years. The School District's system of financial planning, budgeting and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Biloxi Public School District, 160 St. Peters Avenue, Biloxi, Mississippi 39533.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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BILOXI PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION June 30, 2018

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 19,637,946
Due from other governments	2,666,324
Other receivables, net	684,888
Prepaid items	992,473
Inventories	83,201
Restricted assets	2,395,600
Capital assets, non-depreciable	
Land	6,394,218
Construction in process	2,016,683
Capital assets, net of accumulated depreciation	
Buildings	118,718,654
Building improvements	6,910,445
Improvements other than buildings	4,919,837
Mobile equipment	1,829,355
Furniture and equipment	883,264
Total Assets	168,132,888
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	10,269,220
Deferred outflows - OPEB	302,299
Deferred outflows - bond refunding	216,518
Total Deferred Outflows of Resources	10,788,037
LIABILITIES	
Accounts payable and accrued liabilities	6,043,922
Unearned income	7,046
Interest payable on long-term liabilities	452,873
Long-term liabilities, due within one year	
Capital related liabilities	3,787,567
Non-capital related liabilities	72,778
Net OPEB liability	175,956
Long-term liabilities, due beyond one year	
Capital related liabilities	55,540,478
Non-capital related liabilities	587,324
Net pension liability	80,955,929
Net OPEB Liability	3,951,422
Total Liabilities	151,575,295
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	2,035,818
Deferred inflow - OPEB	210,165
Total Deferred Inflows of Resources	2,245,983
NET POSITION	
Net investment in capital assets	82,560,929
Restricted for:	
Expendable:	
Capital projects	9,366,868
School-based activities	348,710
Debt Service	295,993
Unemployment benefits	135,704
Non-expendable:	
Sixteenth section	8,250
Unrestricted	(67,616,807)
Total Net Position	\$ 25,099,647

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

BILOXI PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Exhibit B

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 33,672,692	488,908	4,302,014	-	(28,881,770)
Support services	22,023,586	-	124,576	3,194,813	(18,704,197)
Non-instructional	4,606,204	888,255	2,168,470	-	(1,549,479)
Pension expense	10,946,518	-	-	-	(10,946,518)
OPEB expense	227,027	-	-	-	(227,027)
Interest on long-term liabilities	1,807,662	-	-	-	(1,807,662)
Total Governmental Activities	\$ 73,283,689	1,377,163	6,595,060	3,194,813	(62,116,653)
General Revenues:					
Taxes:					
General purpose levies					22,096,966
Debt purpose levies					1,577,643
Gaming					5,961,655
Unrestricted grants and contributions:					
State					26,482,435
Federal					1,504,816
Unrestricted investment earnings					102,162
Sixteenth section sources					10,270
Total General Revenues					57,735,947
Change in Net Position					(4,380,706)
Net position - Beginning, as originally reported					33,464,524
Prior period adjustments, Note 12					(3,984,171)
Net position - Beginning, as restated					29,480,353
Net position - Ending					\$ 25,099,647

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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BILOXI PUBLIC SCHOOL DISTRICT

BALANCE SHEET-GOVERNMENTAL FUNDS

Exhibit C

June 30, 2018

	Major Funds			Other	Total
	General Fund	Future Building Fund	Biloxi High Chiller Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,877,872	3,925,718	4,393,346	4,732,614	20,929,550
Cash with fiscal agents	1,103,646	-	-	350	1,103,996
Due from other governments	1,157,709	-	-	1,508,615	2,666,324
Other receivables, net	135,279	-	-	-	135,279
Due from other funds	1,621,583	789,807	-	557,294	2,968,684
Inventories	-	-	-	83,201	83,201
Total Assets	\$ 11,896,089	4,715,525	4,393,346	6,882,074	27,887,034
LIABILITIES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 3,471,461	171,709	469,541	1,618,711	5,731,422
Unearned income	-	-	-	7,046	7,046
Due to other funds	1,062,511	-	-	1,356,564	2,419,075
Total Liabilities	4,533,972	171,709	469,541	2,982,321	8,157,543
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	339,105	339,105
Total Deferred Inflows of Resources	-	-	-	339,105	339,105
FUND BALANCE					
Nonspendable:					
Inventory	-	-	-	83,201	83,201
Permanent fund principal	-	-	-	8,250	8,250
Restricted:					
Debt service	-	-	-	748,866	748,866
Capital projects	-	4,543,816	3,923,805	899,247	9,366,868
School based activities	-	-	-	265,509	265,509
Unemployment benefits	-	-	-	135,704	135,704
Committed:					
Student based activities	-	-	-	9,706	9,706
Assigned:					
Activity funds	841,023	-	-	1,410,165	2,251,188
Unassigned	6,521,094	-	-	-	6,521,094
Total Fund Balance	7,362,117	4,543,816	3,923,805	3,560,648	19,390,386
Total Liabilities and Fund Balance	\$ 11,896,089	4,715,525	4,393,346	6,882,074	27,887,034

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

BILOXI PUBLIC SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2018

Exhibit C-1

Total governmental fund balance	\$	19,390,386
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Amounts reported for governmental activities in the Statement of Net Position are different than those reported in the fund financial statements because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		141,672,456
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Some of the School District's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		339,105
--	--	---------

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.		992,473
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Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(80,955,929)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	\$ 10,269,220	
Deferred inflows of resources related to pensions	<u>(2,035,818)</u>	8,233,402

Net OPEB obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(4,127,378)
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	302,299	
Deferred inflows of resources related to OPEB	<u>(210,165)</u>	92,134

Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:		
Capital leases	(1,526,650)	
Notes payable	(7,028,728)	
Bonds payable	(9,105,000)	
Trust Certificate	(38,000,000)	
Unamortized premium	(3,891,395)	
Accrued interest payable	(452,873)	
Lawsuit settlement	(312,500)	
Compensated absences	<u>(436,374)</u>	(60,753,520)

In situations where current and advance refunding result in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as deferred outflow of resources or a deferred inflow of resources.		<u>216,518</u>
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Net position of governmental activities	\$	<u><u>25,099,647</u></u>
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The notes to the financial statements are an integral part of this statement.

BILOXI PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS For the Year Ended June 30, 2018

Exhibit D

	Major Fund				
	General Fund	Future Building Fund	Biloxi High Chiller Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 28,888,090	18,565	1,369	3,008,965	31,916,989
State sources	25,792,866	-	-	2,067,479	27,860,345
Federal sources	1,198,730	-	-	7,520,336	8,719,066
Sixteenth section	10,224	-	-	46	10,270
Total Revenues	<u>55,889,910</u>	<u>18,565</u>	<u>1,369</u>	<u>12,596,826</u>	<u>68,506,670</u>
EXPENDITURES					
Instruction	29,045,208	-	-	4,324,889	33,370,097
Support services	21,013,871	7,856	-	3,062,933	24,084,660
Noninstructional services	29,822	-	-	4,145,862	4,175,684
Facilities acquisition and construction	53,871	647,424	733,580	4,531,849	5,966,724
Debt service					
Principal	28,412	-	-	4,905,000	4,933,412
Interest	68,323	-	-	2,044,205	2,112,528
Other	1,250	-	78,984	15,395	95,629
Total Expenditures	<u>50,240,757</u>	<u>655,280</u>	<u>812,564</u>	<u>23,030,133</u>	<u>74,738,734</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,649,153</u>	<u>(636,715)</u>	<u>(811,195)</u>	<u>(10,433,307)</u>	<u>(6,232,064)</u>
OTHER FINANCING SOURCES (USES)					
Insurance recovery	57,209	-	-	-	57,209
Operating transfers in	962,987	600,000	-	5,656,700	7,219,687
Operating transfers (out)	(6,256,700)	-	-	(962,987)	(7,219,687)
Other financing sources (uses)	223,728	-	4,735,000	-	4,958,728
Total Other Financing Sources (Uses)	<u>(5,012,776)</u>	<u>600,000</u>	<u>4,735,000</u>	<u>4,693,713</u>	<u>5,015,937</u>
Net Change in Fund Balances	<u>636,377</u>	<u>(36,715)</u>	<u>3,923,805</u>	<u>(5,739,594)</u>	<u>(1,216,127)</u>
Fund Balance - Beginning	<u>6,725,740</u>	<u>4,580,531</u>	<u>-</u>	<u>9,279,698</u>	<u>20,585,969</u>
Increase (Decrease) in reserve for inventory	-	-	-	20,544	20,544
Fund Balance - Ending	<u>\$ 7,362,117</u>	<u>4,543,816</u>	<u>3,923,805</u>	<u>3,560,648</u>	<u>19,390,386</u>

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

BILOXI PUBLIC SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Exhibit D-1

Net change in fund balances - total governmental funds \$ (1,216,127)

Amounts reported for governmental activities in the Statement of Activities are different than those reported in the fund financial statements because of the following:

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

Capital outlay	\$ 6,809,250	
Depreciation expense	<u>(4,498,382)</u>	2,310,868

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental fund, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(14,078)

Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, they are recognized as revenue when levied or earned.

339,105

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

Bonds and notes issued	(4,958,728)	
Payments of debt principal	4,933,412	
Amortization of deferred amount on refunding	(169,899)	
Accrued interest payable	<u>192,788</u>	(2,427)

Some items relating to pensions and reported in the Statement of Activities do not provided or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

Pension expense	(10,946,518)	
Contributions subsequent to the measurement date	<u>5,039,879</u>	(5,906,639)

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

OPEB expense	(227,030)	
Contributions made subsequent to the measurement date	<u>175,956</u>	(51,074)

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

Change in inventory reserve	20,544	
Amortization of deferred charges, premium and discounts	377,606	
Lawsuit settlement	(312,500)	
Prepaid items	<u>74,016</u>	<u>159,666</u>

Change in net position of governmental activities \$ (4,380,706)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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BILOXI PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Exhibit E

June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,595,140
Due from other funds	<u>448,117</u>
Total Assets	\$ <u>2,043,257</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 875,990
Due to other funds	997,726
Due to student clubs	<u>169,541</u>
Total Liabilities	\$ <u>2,043,257</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For 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 Biloxi since the governing authority of the city selects a majority of the School District's board but does not have financial accountability for the School District.

For financial reporting purposes, Biloxi Public School District has included all funds and organizations. The School 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 School District are such that exclusion would cause the School 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 School 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 School District.

Blended Component Unit

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

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Future Building Fund - This is a capital projects fund used to account for various construction projects throughout the District.

Biloxi High Chiller Fund - This is a capital projects fund used to account for the chiller addition at Biloxi High School.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The School District's fiduciary funds include the following:

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

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

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The School 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.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Inventories

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

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

5. Restricted Assets

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has deferred inflows which are presented as a deferred inflows of resources related to pension and OPEB obligations, and unavailable revenue. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow or resources in the period the amounts become available. See Note 18 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 School District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

10. *Pensions*

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

11. *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. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School 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 School District's highest level of decision-making authority.
- ◆ *Assigned fund balance* includes amounts that are constrained by the School District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent pursuant to authorization established by the Board of Education.
- ◆ *Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 2. CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS

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

A. Deposits

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

B. Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$20,929,550 and \$1,595,140, 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 School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School 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 School District.

C. Cash with Fiscal Agents

The carrying amount of School District's cash with fiscal agents held by financial institutions was \$1,103,996.

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

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>
Governmental Activities		
General fund	Other governmental funds	\$ 1,088,188
	Fiduciary Funds	533,395
Future Building Fund	General Fund	600,000
	Fiduciary funds	189,807
Other governmental funds	General Fund	282,770
	Fiduciary funds	274,524
Fiduciary Funds	General Fund	179,741
	Other governmental funds	<u>268,376</u>
Total		<u>\$ 3,416,801</u>

The purpose of the inter-fund loans was to cover deficit cash of federal and state funds not received prior to year end. Payments are made of amounts due between funds within three months.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities		
General Fund	Other governmental funds	962,987
Future Building Fund	General Fund	600,000
Other governmental funds	General Fund	<u>5,656,700</u>
Total		<u>\$ 7,219,687</u>

The primary purpose of the inter-fund transfers was to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

NOTE 4. RESTRICTED ASSETS

The restricted assets represent the cash balance, totaling \$8,816 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs.

In addition, the restricted assets represent the cash with fiscal agent balance, totaling \$1,103,646, of the Qualified School Construction Bond sinking fund.

In addition, the restricted assets represent the cash balance, totaling \$410,436, of the unspent loan proceeds of the New Jr. High Construction Fund.

Also, the restricted assets represent the cash balance, totaling \$872,702, of the other debt service funds, whose revenues are derived from ad valorem receipts or pledged gaming revenues.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 5. CAPITAL ASSETS

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Adjustments/ Transfers
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 6,394,218	-	-	-
Construction in progress	<u>40,561,638</u>	<u>5,966,724</u>	-	<u>(44,511,679)</u>
Total non-depreciable capital assets	<u>46,955,856</u>	<u>5,966,724</u>	-	<u>(44,511,679)</u>
Depreciable capital assets:				
Buildings	115,718,712	-	-	42,718,936
Buildings improvements	10,743,487	-	-	1,792,743
Improvements other than buildings	9,828,321	-	-	-
Mobile equipment	4,928,233	300,463	(101,354)	-
Furniture and equipment	<u>3,179,522</u>	<u>542,063</u>	<u>(394,342)</u>	-
Total depreciable capital assets	<u>144,398,275</u>	<u>842,526</u>	<u>(495,696)</u>	<u>44,511,679</u>
Total governmental activities capital assets	<u>191,354,131</u>	<u>6,809,250</u>	<u>(495,696)</u>	-
Less accumulated depreciation for:				
Buildings	36,684,282	3,034,712	-	-
Buildings improvements	5,304,336	321,449	-	-
Improvements other than buildings	4,515,351	393,133	-	-
Mobile equipment	3,090,552	298,654	(91,219)	-
Furniture and equipment	<u>2,383,944</u>	<u>450,434</u>	<u>(390,399)</u>	-
Total accumulated depreciation	<u>51,978,465</u>	<u>4,498,382</u>	<u>(481,618)</u>	-
Total depreciable capital assets, net	<u>92,419,810</u>	<u>(3,655,856)</u>	<u>(14,078)</u>	<u>44,511,679</u>
Governmental activities capital assets, net	<u>\$139,375,666</u>	<u>2,310,868</u>	<u>(14,078)</u>	<u>-</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 3,795,607
Support services	584,772
Non-instructional	<u>118,003</u>
Total depreciation expense	<u>\$ 4,498,382</u>

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

Governmental activities:	Spent to June 30, 2018	Remaining Commitment
Biloxi High School Chiller	\$ 733,580	3,884,321
Biloxi Jr. High Fieldhouse	586,072	822,696
Fine Arts Facility	<u>697,031</u>	-
Total construction-in-progress	<u>\$ 2,016,683</u>	<u>4,707,017</u>

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 5. CAPITAL ASSETS (Continued)

Construction projects included in governmental activities were funded by the Biloxi High Chiller Fund, Future Building Fund, and other capital projects funds used by the District.

NOTE 6. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
A. General obligation refunding bonds payable	\$ 9,235,000	-	(2,465,000)	6,770,000	2,180,000
Premium on debt issuance	208,253	-	(109,910)	98,343	88,408
B. Limited obligation bonds payable	1,275,000	-	(1,275,000)	-	-
Premium on debt issuance	42,371	-	(42,371)	-	-
C. Three Mill Notes Payable	3,235,000	4,735,000	(1,165,000)	6,805,000	1,045,000
Premium on debt issuance	10,624	-	(10,624)	-	-
D. Shortfall notes payable	-	223,728	-	223,728	72,778
E. Qualified School Construction Bond	2,335,000	-	-	2,335,000	-
F. Trust certificates payable	38,000,000	-	-	38,000,000	175,000
Premium on debt issuance	4,007,753	-	(214,701)	3,793,052	214,701
G. Obligation under capital leases	7,062	-	(7,062)	-	-
H. Energy Efficiency Lease	1,548,000	-	(21,350)	1,526,650	84,458
I. Compensated absences	436,374	-	-	436,374	-
Total governmental activities long-term liabilities	<u>\$60,340,437</u>	<u>4,958,728</u>	<u>(5,311,018)</u>	<u>59,988,147</u>	<u>3,860,345</u>

A. General Obligation Bonds Payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Refunding Bonds, Series 2013	2.00%	4/25/2013	6/15/2018	\$ 7,300,000	-
General Obligation Refunding Bonds, Series 2010	2.00% - 3.50%	3/11/2010	4/1/2021	<u>20,505,000</u>	<u>6,770,000</u>
Total				<u>\$ 27,805,000</u>	<u>6,770,000</u>

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (Continued)

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

General obligation bond issue of 2010:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 2,180,000	229,765	2,409,765
2020	2,260,000	157,825	2,417,825
2021	2,330,000	81,550	2,411,550
Total	\$ 6,770,000	469,140	7,239,140

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018 the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2017.

B. Limited Obligation Bonds Payable

This debt was retired during the year.

C. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note, Series 2013	2.5% - 3.375%	8/15/2013	5/1/2022	\$ 2,070,000	2,070,000
Three Mill Note, Series 2018	3.14 %	6/21/2018	5/1/2026	4,735,000	4,735,000
Total				\$ 6,805,000	6,805,000

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

Three Mill Note Payable Issue Date 2013:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 495,000	61,031	556,031
2020	510,000	48,656	558,656
2021	525,000	34,631	559,631
2022	540,000	18,225	558,225
Total	\$ 2,070,000	162,543	2,232,543

This debt will be retired from Fund 4021.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (Continued)

Three Mill Note Payable Issue Date 2018:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 550,000	128,029	678,029
2020	545,000	131,409	676,409
2021	560,000	114,296	674,296
2022	580,000	96,712	676,712
2023	595,000	78,500	673,500
2024 - 2028	1,905,000	120,890	2,025,890
Total	\$ 4,735,000	669,836	5,404,836

This debt will be retired from Fund 4021.

Three Mill Note Payable, All Issues:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 1,045,000	189,060	1,234,060
2020	1,055,000	180,065	1,235,065
2021	1,085,000	148,927	1,233,927
2022	1,120,000	114,937	1,234,937
2023	595,000	78,500	673,500
2024 - 2028	1,905,000	120,890	2,025,890
Total	\$ 6,805,000	832,379	7,637,379

D. Shortfall Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note, Series 2017	2.45 %	8/1/17	8/1/2020	\$ 223,728	223,728
Total				\$ 223,728	223,728

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

Shortfall Note, Series 2017:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 72,778	5,481	78,259
2020	74,561	3,698	78,259
2021	76,389	1,872	78,261
Total	\$ 223,728	11,051	234,779

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (Continued)

E. Qualified School Construction Bonds Payable

As more fully explained in Note 16, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Federally Taxable Limited-Tax Note, Series 2011	6.25 %	3/30/2011	3/1/2026	\$ 2,335,000	2,335,000
Total				<u>\$ 2,335,000</u>	<u>2,335,000</u>

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

Federally Taxable Limited-Tax Note, Series 2011:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ -	145,938	145,938
2020	-	145,938	145,938
2021	-	145,938	145,938
2022	-	145,938	145,938
2023	-	145,938	145,938
2024 - 2028	2,335,000	437,814	2,772,814
Total	<u>\$ 2,335,000</u>	<u>1,167,504</u>	<u>3,502,504</u>

F. Trust Certificate Payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust Certificates	3.37% - 5.00%	3/17/2016	3/1/2036	\$ 38,000,000	38,000,000
Total				<u>\$ 38,000,000</u>	<u>38,000,000</u>

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (Continued)

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

Trust Certificate Payable:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 175,000	1,629,488	1,804,488
2020	180,000	1,622,488	1,802,488
2021	190,000	1,615,288	1,805,288
2022	1,770,000	1,607,688	3,377,688
2023	1,855,000	1,519,188	3,374,188
2024 - 2028	10,770,000	6,107,688	16,877,688
2029 - 2033	13,570,000	3,299,288	16,869,288
2034 - 2036	9,490,000	638,789	10,128,789
Total	\$ 38,000,000	18,039,905	56,039,905

This debt will be retired from the Debt Service Fund.

G. Obligations Under Capital Leases

This debt was retired during the year.

H. Obligations Under Energy Efficiency Lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	2.59 %	1/26/2017	1/26/2033	\$ 1,548,000	1,526,650
Total				\$ 1,548,000	1,526,650

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

Obligations Under Energy Efficiency Lease:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 84,458	39,042	123,500
2020	86,662	36,838	123,500
2021	88,923	34,576	123,499
2022	91,244	32,256	123,500
2023	93,626	29,874	123,500
2024 - 2028	506,080	111,418	617,498
2029 - 2033	575,657	41,855	617,512
Total	\$ 1,526,650	325,859	1,852,509

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (Continued)

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated January 26, 2017, was executed by and between the School District, the lessee, and U.S. Bancorp Government Leasing and Finance, Inc., the lessor.

The agreement authorized the borrowing of \$1,548,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund and not exceed twenty-three (23) years.

The School District entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

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

I. Compensated Absences Payable

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

NOTE 7. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the Biloxi Public School District defeased certain limited obligation bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2018, \$360,000 of limited obligation bonds is defeased.

In prior years, the Biloxi Public School District defeased certain general trust certificates payable notes payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2018, \$6,820,000 of trust certificates payable are defeased.

NOTE 8. OTHER COMMITMENTS

Commitments under construction contracts are described in Note 5.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 9. 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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN (continued)

each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 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 ended June 30, 2018, 2017, and 2016 were \$5,039,879, \$4,925,267 and \$4,760,969, 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 \$80,955,929 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 School 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 0.487 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.014 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 School District recognized pension expense of \$10,946,518. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,163,078	590,712
Net difference between projected and actual earnings on pension plan investments	-	1,039,414
Changes of assumptions	1,799,343	137,948
Changes in proportion and differences between School District contributions and proportionate share of contributions	2,266,920	267,744
School District contributions subsequent to the measurement date	5,039,879	-
Total	\$ 10,269,220	2,035,818

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN (continued)

\$5,039,879 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:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 2,506,603
2020	1,939,172
2021	311,522
2018	<u>(1,563,774)</u>
Total	\$ <u>3,193,523</u>

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%
Salary increases	3.25-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investments 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.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN (continued)

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

Asset class	Target Allocation	Long-term expected real rate of return
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 assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 106,179,105	80,955,929	60,015,211

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 10. 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 issue 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.

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 \$175,956 for the year ended June 30, 2018.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 \$4,127,378 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 0.52604261 percent. This was an increase of 0.01818856 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 \$227,027. 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
Differences between expected and actual experience	\$ -	-
Changes of assumption	-	210,165
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	126,343	-
District contributions subsequent to the measurement date	175,956	-
Total	\$ 302,299	210,165

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

\$175,956 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending 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:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ (14,706)
2020	(14,706)
2021	(14,706)
2022	(14,706)
2023	(14,706)
Thereafter	(10,292)
Total	\$ (83,822)

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%
Salary increases	3.25-18.50%, 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%
Prior Measurement Date	3.01%
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%
Prior Measurement Date	3.01%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2023

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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%. 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%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB Liability	\$ 4,236,379	4,127,378	4,046,204

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 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	\$ 3,811,910	4,127,378	4,487,517

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 11. 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.

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 10,764
2020	10,764
2021	10,764
2022	10,764
2023	10,764
2024 - 2028	53,820
2029 - 2033	53,820
Thereafter	<u>53,820</u>
Total	\$ <u>215,280</u>

NOTE 12. PRIOR PERIOD ADJUSTMENTS

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Retrospective implementation of GASB 75	\$ <u>(3,984,171)</u>
Total	\$ <u>(3,984,171)</u>

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 13. CONTINGENCIES

A. 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 disallowance resulting from the grantor audit may become a liability of the School District.

B. Litigation

The School District is party to legal proceedings, many of which occur in the normal course of governmental operations. Other than the matter disclosed in Note 19, it is not possible at the present time to estimate the outcome or liability, if any, of the School District with respect to the various proceedings. However, the School District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the School District.

NOTE 14. 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 School 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 15. TRUST CERTIFICATES

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

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

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

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

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 16. QUALIFIED SCHOOL CONSTRUCTION BONDS

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amounted to \$117,888.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit in the sinking fund at June 30, 2018 was \$1,103,646. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 155,667
2020	155,667
2021	155,667
2022	155,667
2023	155,667
2024 - 2026	<u>467,001</u>
Total	\$ <u>1,245,336</u>

NOTE 17. INSURANCE LOSS RECOVERIES

The Biloxi Public School District received \$57,209 in insurance loss recoveries related to money received from contractors during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional charges for services.

NOTE 18. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The net investment in capital assets net position amount of \$82,560,929 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$216,518 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 3 years.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 18. EFFECT OF DEFERRED AMOUNTS ON NET POSITION (Continued)

The unrestricted net position amount of \$(67,616,807) 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 \$5,039,879 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 \$5,229,341 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 \$(67,616,807) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,035,818 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 \$(67,616,807) 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 \$175,956 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. The \$126,343 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 \$(67,616,807) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$210,165 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 19. SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Biloxi Public School District evaluated the activity of the School District through January 17, 2019, (the date the financial statements were available to be issued), and determined that the following subsequent events (have) occurred requiring disclosure in the notes to the financial statements:

- The School District issued \$4,510,000 of Trust Certificates on December 20, 2018.
- The District resolved a lawsuit related to the construction of the Biloxi Junior High School in which it agreed to pay the defendant approximately \$896,000, which was paid on December 20, 2018. Of this amount, approximately \$583,000 is reported as retainage payable in both the Government-wide Statement of Net Position and the governmental fund financial statements, and approximately \$313,000 is reported as an accrued liability in the Government-wide Statement of Net Position.
- On December 18, 2018, the District approved a contract to build the Biloxi High School Fine Arts Facility.
- There is currently an open investigation into the District by the Mississippi Office of the State Auditor. The District does not anticipate the actions being investigated will materially affect its ability to satisfy its financial obligations.

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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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BILOXI PUBLIC SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Positive (Negative)	
	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local sources	\$ 28,571,400	28,888,087	28,888,090	316,687	3
State sources	25,894,022	25,803,516	25,792,866	(90,506)	(10,650)
Federal sources	904,000	1,188,080	1,198,730	284,080	10,650
Sixteenth section sources	10,000	10,224	10,224	224	-
Total Revenues	<u>55,379,422</u>	<u>55,889,907</u>	<u>55,889,910</u>	<u>510,485</u>	<u>3</u>
EXPENDITURES					
Instruction	29,237,271	28,862,359	29,045,208	374,912	(182,849)
Support services	21,075,446	21,014,741	21,013,871	60,705	870
Noninstructional services	30,426	29,824	29,822	602	2
Facilities acquisition and construction	24,806	53,871	53,871	(29,065)	-
Debt service:					
Principal	190,950	211,631	28,412	(20,681)	183,219
Interest	245,560	68,323	68,323	177,237	-
Other	-	-	1,250	-	(1,250)
Total Expenditures	<u>50,804,459</u>	<u>50,240,749</u>	<u>50,240,757</u>	<u>563,710</u>	<u>(8)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,574,963</u>	<u>5,649,158</u>	<u>5,649,153</u>	<u>1,074,195</u>	<u>(5)</u>
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	223,728	-	223,728	(223,728)
Indirect costs	350,000	-	-	(350,000)	-
Insurance loss recoveries	-	57,209	57,209	57,209	-
Operating transfers in	4,060,091	4,430,584	962,987	370,493	(3,467,597)
Operating transfers (out)	(8,943,771)	(10,074,299)	(6,256,700)	(1,130,528)	3,817,599
Other financing Sources (uses)	-	-	223,728	-	223,728
Total Other Financing Sources (Uses)	<u>(4,533,680)</u>	<u>(5,362,778)</u>	<u>(5,012,776)</u>	<u>(829,098)</u>	<u>350,002</u>
Net Change in Fund Balances	<u>41,283</u>	<u>286,380</u>	<u>636,377</u>	<u>245,097</u>	<u>349,997</u>
Fund Balance - Beginning	<u>6,725,740</u>	<u>6,725,740</u>	<u>6,725,740</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,767,023</u>	<u>7,012,120</u>	<u>7,362,117</u>	<u>245,097</u>	<u>349,997</u>

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

BILOXI PUBLIC SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 4 Years Shown)**

	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	\$ 80,955,929	84,400,298	72,652,732	55,835,577
School District's proportionate share (amount) of the net pension liability	0.487 %	0.473 %	0.470 %	0.460 %
School District's covered payroll	\$ 31,271,537	30,228,375	29,468,724	27,936,248
School District's proportionate share (amount) of the collective net pension liability as a percentage of its covered payroll	258.88 %	279.21 %	246.54 %	199.87 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.47 %	61.70 %	67.21 %

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

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE June 30, 2015, until a full 10-year trend is compiled, information is presented for those years for which information is available.

BILOXI PUBLIC SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-PERS

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 4 Years Shown)**

	2018	2017	2016	2015
Contractually required contribution	\$ 5,039,879	4,925,267	4,760,969	4,641,324
Contributions in relation to the contractually required contribution	<u>(5,039,879)</u>	<u>(4,925,267)</u>	<u>(4,760,969)</u>	<u>(4,641,324)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District's covered payroll	\$ 31,999,200	\$ 31,271,537	30,228,375	29,468,724
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE June 30, 2015, until a full 10-year trend is compiled, information is presented for those years for which information is available.

BILOXI PUBLIC SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY*

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years (Only 1 Years Shown)**

	2018
District's proportion of the net OPEB liability	0.52604261 %
District's proportionate share of the net OPEB liability	\$ 4,127,378
District's covered-employee payroll	\$ 31,271,537
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.20 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.00 %

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

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

BILOXI PUBLIC SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-OPEB

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years (Only 1 Years Shown)**

	2018
Contractually required contribution	\$ 175,956
Contributions in relation to the contractually required contribution	<u>(175,956)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 31,271,537
Contributions as a percentage of covered-employee payroll	0.56 %

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1. BUDGETARY COMPARISON SCHEDULE

A. Basis of Presentation

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

B. 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.

NOTE 2. PENSION SCHEDULES

A. 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%.

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 2. PENSION SCHEDULES (continued)

A. Changes of assumptions (continued)

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

B. 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.

C. 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

NOTE 3. OPEB SCHEDULES

A. 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.

B. Changes in Benefit Provisions

2017:

None.

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 3. OPEB SCHEDULES (Continued)

C. Method and assumptions used in calculations 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 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 Supplemental Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

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BILOXI PUBLIC SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Numbers	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Mississippi Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	185MS326N1099	\$ 759,512
National School Lunch Program	10.555	185MS326N1099	2,133,729
Summer Food Service Program for Children	10.559	185MS326N1099	104,910
Total Child Nutrition Cluster			<u>2,998,151</u>
<i>Total Passed through Mississippi Department of Education</i>			<u>2,998,151</u>
Child and adult care food program	10.558	N/A	54,741
Total U.S. Department of Agriculture			<u><u>3,052,892</u></u>
<u>U.S. Department of Defense</u>			
<i>Direct Program:</i>			
Reserve Officers' Training Corps	12.xxx	N/A	70,486
DODEA Grant Program	12.556	N/A	502,115
Total U.S. Department of Defense			<u><u>572,601</u></u>
<u>Federal Communications Commission</u>			
<i>Administered through the Universal Service Administrative Company:</i>			
The schools and libraries program of the universal service fund	32.xxx	N/A	195,356
Total Federal Communications Commission			<u><u>195,356</u></u>
<u>U.S. Department of Education</u>			
<i>Passed-through Mississippi Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education-Grants to States	84.027	H027A170108	1,292,184
Special Education-Preschool Grants	84.173	H173A170113	55,663
Total Special Education Cluster (IDEA)			<u>1,347,847</u>
Title I Grants to Local Educational Agencies	84.010	ES010A170024	2,442,749
Career and Technical Education-Basic Grants to States	84.048	V048A170024	85,254
Safe and Drug-free Schools and Communities National Programs	84.186	ES424A170025	24,728
English language acquisition grants	84.365	ES365A170024	32,898
Supporting Effective Instruction State Grants	84.367	ES367A170023	359,412
<i>Total Passed through Mississippi Department of Education</i>			<u>4,292,888</u>
<i>Passed-through Mississippi Department of Rehabilitation Services:</i>			
Rehabilitation services - vocational rehabilitation grants to states	84.126	H126A180034	1,568
<i>Total Passed through Mississippi Department of rehabilitation Services</i>			<u><u>1,568</u></u>
<i>Direct Program</i>			
Impact Aid	84.041	N/A	932,215
Total U.S. Department of Education			<u><u>5,226,671</u></u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-through Mississippi Department of Education</i>			
Medical Assistance Program	93.778	1805MS5ADM	10,651
Total U.S. Department of Health and Human Services			<u><u>10,651</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 9,058,171</u></u>

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

BILOXI PUBLIC SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Biloxi Public 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 Biloxi Public School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Biloxi Public School District.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

C. Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The School District has elected to use the Fixed with Carry-Forward Method which is approved by the Mississippi Department of Education (the Department) for grants that passed through to the Department.

D. Donated Commodities

Donated commodities of \$212,771 are included in the National School Lunch Program.

BILOXI PUBLIC SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 43,296,444	34,861,796	1,675,387	2,613,273	4,145,988
Other	31,442,290	4,891,392	758,069	2,937	25,789,892
Total	\$ 74,738,734	39,753,188	2,433,456	2,616,210	29,935,880
Total number of students*	5,546				
Cost per student	\$ 13,476	7,168	439	472	5,398

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

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

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

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

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

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

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**OTHER INFORMATION
(UNAUDITED)**

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BILOXI PUBLIC SCHOOL DISTRICT

Other Information

(Unaudited)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GENERAL FUND

Last Four Years

	2018	2017*	2016*	2015*
REVENUES				
Local sources	\$ 28,888,090	28,445,029	27,970,920	26,230,826
State sources	25,792,866	25,121,601	24,124,173	21,988,039
Federal sources	1,198,730	1,122,979	1,675,297	1,221,864
Sixteenth section	10,224	11,483	9,667	10,903
Total Revenues	<u>55,889,910</u>	<u>54,701,092</u>	<u>53,780,057</u>	<u>49,451,632</u>
EXPENDITURES				
Instruction	29,045,208	29,045,882	28,019,722	27,336,828
Support services	21,013,871	20,013,129	20,078,785	18,357,435
Noninstructional services	29,822	27,846	27,186	26,428
Debt service				
Principal	28,412	7,061	51,460	86,093
Interest	68,323	147,796	147,084	149,717
Other	1,250	-	1,250	1,250
Facilities acquisition and construction	53,871	-	-	-
Total Expenditures	<u>50,240,757</u>	<u>49,241,714</u>	<u>48,325,487</u>	<u>45,957,751</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,649,153</u>	<u>5,459,378</u>	<u>5,454,570</u>	<u>3,493,881</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	489,814
Insurance recovery	57,209	-	-	5,970
Sale of other property	-	10,473	500	-
Operating transfers in	962,987	350,046	300,045	400,023
Operating transfers (out)	(6,256,700)	(5,607,970)	(6,339,451)	(4,360,145)
Other financing sources (uses)	223,728	117,888	912,352	-
Total Other Financing Sources (Uses)	<u>(5,012,776)</u>	<u>(5,129,563)</u>	<u>(5,126,554)</u>	<u>(3,464,338)</u>
Net Change in Fund Balances	<u>636,377</u>	<u>329,815</u>	<u>328,016</u>	<u>29,543</u>
Fund Balance - Beginning, as originally reported	6,725,740	6,398,392	6,069,887	6,039,311
Prior period adjustment	-	-	-	703
Fund Balance - Beginning, as restated	<u>6,725,740</u>	<u>6,398,392</u>	<u>6,069,887</u>	<u>6,040,014</u>
Increase (Decrease) in reserve for inventory	-	(2,467)	489	330
Fund Balance - Ending	<u>\$ 7,362,117</u>	<u>6,725,740</u>	<u>6,398,392</u>	<u>6,069,887</u>

*Source - Prior Year Audit Reports

BILOXI PUBLIC SCHOOL DISTRICT

Other Information

(Unaudited)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- ALL GOVERNMENTAL FUNDS

Last Four Years

	2018	2017*	2016*	2015*
REVENUES				
Local sources	\$ 31,916,989	31,514,470	31,583,205	30,090,556
State sources	27,860,345	26,829,924	25,858,128	23,681,632
Federal sources	8,719,066	8,524,675	8,580,504	7,570,894
Sixteenth section	<u>10,270</u>	<u>11,483</u>	<u>9,667</u>	<u>10,903</u>
Total Revenues	<u>68,506,670</u>	<u>66,880,552</u>	<u>66,031,504</u>	<u>61,353,985</u>
EXPENDITURES				
Instruction	33,370,097	32,886,780	31,488,850	30,229,428
Support services	24,084,660	22,673,918	23,168,041	21,097,641
Noninstructional services	4,175,684	3,451,681	3,143,673	2,960,700
Debt service				
Principal	4,933,412	5,286,412	5,011,923	6,316,093
Interest	2,112,528	2,386,310	816,705	942,797
Other	95,629	30,593	525,017	7,114
Facilities acquisition and construction	<u>5,966,724</u>	<u>33,215,609</u>	<u>8,000,268</u>	<u>540,692</u>
Total Expenditures	<u>74,738,734</u>	<u>99,931,303</u>	<u>72,154,477</u>	<u>62,094,465</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,232,064)</u>	<u>(33,050,751)</u>	<u>(6,122,973)</u>	<u>(740,480)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	1,548,000	38,000,000	489,814
Insurance recovery	57,209	-	-	5,970
Premiums on bonds and refunding bonds issued	-	-	4,294,020	-
Sale of other property	-	10,473	500	-
Operating transfers in	7,219,687	7,185,988	6,841,510	4,760,168
Operating transfers (out)	(7,219,687)	(7,185,988)	(6,841,510)	(4,760,168)
Other financing sources (uses)	<u>4,958,728</u>	<u>117,888</u>	<u>912,352</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,015,937</u>	<u>1,676,361</u>	<u>43,206,872</u>	<u>495,784</u>
Net Change in Fund Balances	<u>(1,216,127)</u>	<u>(31,374,390)</u>	<u>37,083,899</u>	<u>(244,696)</u>
Fund Balance - Beginning	20,585,969	51,957,632	14,842,112	15,092,094
Increase (Decrease) in reserve for inventory	<u>20,544</u>	<u>2,727</u>	<u>31,621</u>	<u>(5,286)</u>
Fund Balance - Ending	<u>\$ 19,390,386</u>	<u>20,585,969</u>	<u>51,957,632</u>	<u>14,842,112</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the School Board of Education
Biloxi Public 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 the Biloxi Public School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Biloxi Public School Districts basic financial statements and have issued our report thereon dated January 17, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Page 2

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.

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.

Pascagoula, Mississippi

January 17, 2019



Wolfe • McDuff & Oppie
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the School Board of Education
Biloxi Public School District

Report on Compliance for Each Major Federal Program

We have audited the Biloxi Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Biloxi Public School District's major federal programs for the year ended June 30, 2018. Biloxi Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

In our opinion, the Biloxi Public School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Single Audit Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Page 2

Report on Internal Control over Compliance

The Biloxi Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Biloxi Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Biloxi Public School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 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.

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.
Pascagoula, Mississippi
January 17, 2019

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

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2018, which collectively comprise Biloxi Public School District's basic financial statements and have issued our report thereon dated January 17, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

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

Wolfe, McDuff & Oppie

Pascagoula, Mississippi
January 17, 2019

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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BILOXI PUBLIC 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 controls over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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