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Bay St. Louis - Waveland School District

Audited Financial Statements
For the Year Ended June 30, 2019

Fortenberry & Ballard, PC
Certified Public Accountants

Bay St. Louis - Waveland School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis - Waveland School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Bay St. Louis - Waveland School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis - Waveland School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 19 and 56 to 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay St. Louis - Waveland School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2020, on our consideration of the Bay St. Louis - Waveland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bay St. Louis - Waveland School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay St. Louis - Waveland School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 4, 2020

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bay St. Louis - Waveland School District

Management's Discussion and Analysis

For the Year Ended June 30, 2019

The following discussion and analysis of Bay St. Louis - Waveland School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. 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 2019 decreased \$686,184, including a prior period adjustment of \$52,904, which represents a 3% decrease from fiscal year 2018. Total net position for 2018 decreased \$3,494,678, including a prior period adjustment of (\$1,659,073), due primarily to the effect of recording the net OPEB liability, which represents a 12% decrease from fiscal year 2017.
- General revenues amounted to \$17,661,581 and \$17,293,754, or 82% and 84% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,795,395, or 18% of total revenues for 2019, and \$3,307,592, or 16% of total revenues for 2018.
- The District had \$22,196,064 and \$22,436,951 in expenses for fiscal years 2019 and 2018; only \$3,795,395 for 2019 and \$3,307,592 for 2018 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$17,661,581 for 2019 and \$17,293,754 for 2018 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$17,572,078 in revenues and \$17,228,278 in expenditures for 2019, and \$16,953,480 in revenues and \$16,866,688 in expenditures for 2018. The General Fund's fund balance increased by \$19,260, from 2018 to 2019, and decreased by \$207,266, including a prior period adjustment of \$34,826, from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$435,201 for 2019 and decreased by \$544,714 for 2018. The decrease for 2019 was due primarily to the recording of depreciation expense during the year.
- Long-term debt decreased by \$353,021 for 2019 and decreased by \$772,516 for 2018. This decrease for 2019 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$46,690 for 2019 and increased by \$25,468 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
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financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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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 as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,764,478 as of June 30, 2019.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 9,364,784	9,339,347	0%
Capital assets, net	47,759,889	48,195,090	(1)%
Total assets	<u>57,124,673</u>	<u>57,534,437</u>	(1)%
Deferred outflows of resources	<u>3,542,948</u>	<u>5,368,322</u>	(34)%
Current liabilities	673,839	651,758	3%
Long-term debt outstanding	2,982,268	3,288,599	(9)%
Net OPEB Liability	1,569,882	1,593,763	(1)%
Net pension liability	26,813,514	27,404,330	(2)%
Total liabilities	<u>32,039,503</u>	<u>32,938,450</u>	(3)%
Deferred inflows of resources	<u>2,863,640</u>	<u>3,513,647</u>	(18)%
Net position:			
Net investment in capital assets	45,042,889	45,267,090	0%
Restricted	1,083,686	1,246,851	(13)%
Unrestricted	(20,362,097)	(20,063,279)	(1)%
Total net position	<u>\$ 25,764,478</u>	<u>26,450,662</u>	3%

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (20,362,097)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>27,704,088</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 7,341,991</u>

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

- Decrease in net capital assets in the amount of \$435,201.
- The principal retirement of \$298,602 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$21,456,976 and \$20,601,346 , respectively. The total cost of all programs and services was \$22,196,064 for 2019 and \$22,436,951 for 2018.

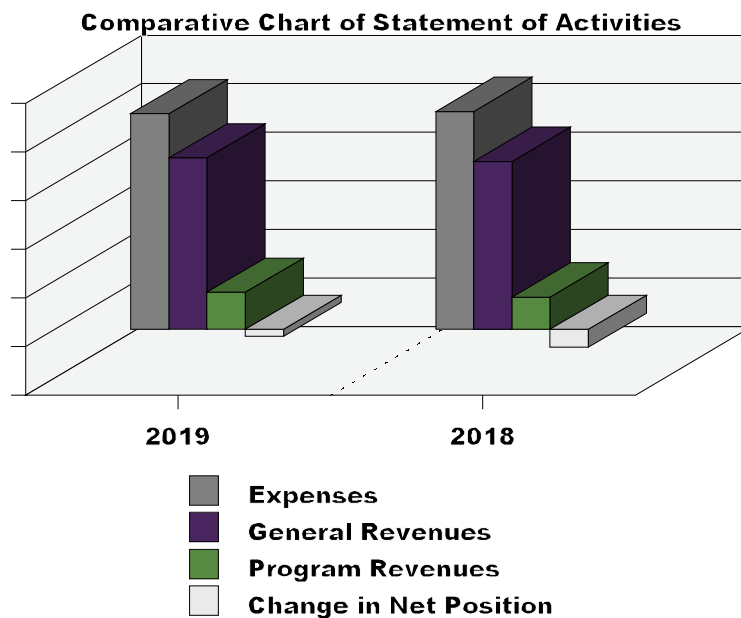
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 2
Changes in Net Position

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 245,740	225,478	9%
Operating grants and contributions	3,549,655	3,082,114	15%
General Revenues:			
Property taxes	8,565,992	8,415,655	2%
Grants and contributions not restricted	8,685,449	8,538,354	2%
Unrestricted investment earnings	45,961	46,163	0%
Sixteenth section sources	4,921	4,715	4%
Other	359,258	288,867	24%
Total revenues	21,456,976	20,601,346	4%
Expenses:			
Instruction	10,302,654	9,515,713	8%
Support services	8,176,522	8,120,597	1%
Non-instructional	1,266,204	1,488,033	(15)%
Pension expense	2,230,200	3,073,239	(27)%
OPEB expense	85,793	90,088	(5)%
Interest on long-term liabilities	134,691	149,281	(10)%
Total expenses	22,196,064	22,436,951	(1)%
Increase (Decrease) in net position	(739,088)	(1,835,605)	60%
Net Position, July 1, as previously reported	26,450,662	29,945,340	(12)%
Prior Period Adjustment	52,904	(1,659,073)	103%
Net Position, July 1, as restated	26,503,566	28,286,267	(6)%
Net Position, June 30	\$ 25,764,478	26,450,662	(3)%

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Governmental activities

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

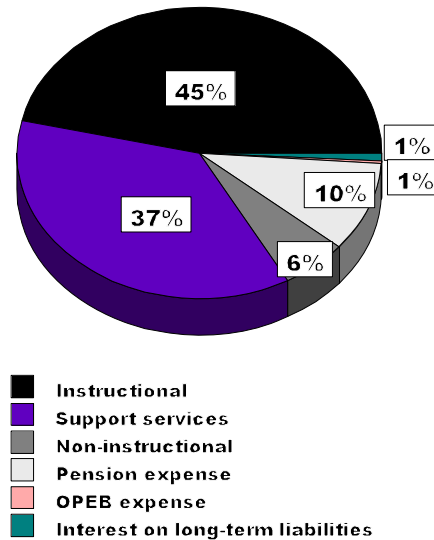
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2019	2018	
Instruction	\$ 10,302,654	9,515,713	8%
Support services	8,176,522	8,120,597	1%
Non-instructional	1,266,204	1,488,033	(15)%
Pension expense	2,230,200	3,073,239	(27)%
OPEB expense	85,793	90,088	(5)%
Interest on long-term liabilities	<u>134,691</u>	<u>149,281</u>	<u>(10)%</u>
Total expenses	\$ 22,196,064	22,436,951	(1)%

Bay St. Louis - Waveland School District
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	<u>Net (Expense) Revenue</u>		
	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Instruction	\$ (9,012,470)	(8,325,131)	(8)%
Support services	(6,996,220)	(7,101,648)	1%
Non-instructional	58,705	(389,972)	115%
Pension expense	(2,230,200)	(3,073,239)	27%
OPEB expense	(85,793)	(90,088)	5%
Interest on long-term liabilities	(134,691)	(149,281)	10%
Total net (expense) revenue	<u><u>\$ (18,400,669)</u></u>	<u><u>(19,129,359)</u></u>	<u><u>4%</u></u>

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$18,400,669 for 2019 and \$19,129,359 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$8,565,992 for 2019 and \$8,415,655 for 2018) and state and federal revenues (\$8,685,449 for 2019 and \$8,538,354 for 2018). In addition, there was \$4,921 and \$4,715 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$45,961 for 2019 and \$46,163 for 2018.

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,696,365, a decrease of \$1,248, which includes a prior period adjustment totaling (\$1,515) and a decrease in inventory of \$755. \$4,718,509 or 54% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$3,977,856 or 46% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$19,260. The fund balance of Other Governmental Funds showed a decrease in the amount of \$20,508, which includes a prior period adjustment totaling (\$1,515) and a decrease in inventory of \$755.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

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Management's Discussion and Analysis
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$64,182,648, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$961,667 from 2018. Total accumulated depreciation as of June 30, 2019, was \$16,422,759, and total depreciation expense for the year was \$1,408,005, resulting in total net capital assets of \$47,759,889.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 600,512	600,512	0%
Construction in progress	176,320	273,661	(36)%
Buildings	41,923,861	42,031,651	0%
Building improvements	2,833,442	2,985,139	(5)%
Improvements other than buildings	1,801,581	1,888,716	(5)%
Mobile equipment	391,559	364,285	7%
Furniture and equipment	32,614	51,126	(36)%
Total	<u>\$ 47,759,889</u>	<u>48,195,090</u>	<u>(1)%</u>

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

Debt Administration. At June 30, 2019, the District had \$2,982,268 in outstanding long-term debt, of which \$222,000 is due within one year. The liability for compensated absences increased \$46,690 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,717,000	2,928,000	(7)%
Shortfall notes payable	0	142,021	(100)%
Compensated absences payable	265,268	218,578	21%
Total	<u>\$ 2,982,268</u>	<u>3,288,599</u>	<u>(9)%</u>

Bay St. Louis - Waveland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

CURRENT ISSUES

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

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

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

Enrollment for the 2018 - 2019 year decreased by 2% to 1,688 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,255,554
Due from other governments	618,625
Inventories	41,274
Prepaid items	449,331
Capital assets, non-depreciable:	
Land	600,512
Construction in progress	176,320
Capital assets, net of accumulated depreciation:	
Buildings	41,923,861
Building improvements	2,833,442
Improvements other than buildings	1,801,581
Mobile equipment	391,559
Furniture and equipment	32,614
Total Assets	<u>57,124,673</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	3,419,592
Deferred outflows - OPEB	123,356
Total Deferred Outflows of Resources	<u>3,542,948</u>
Liabilities	
Accounts payable and accrued liabilities	668,300
Unearned revenue	119
Interest payable on long-term liabilities	5,420
Long-term liabilities, due within one year:	
Capital related liabilities	222,000
Net OPEB liability	66,357
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,495,000
Non-capital related liabilities	265,268
Net pension liability	26,813,514
Net OPEB liability	1,503,525
Total Liabilities	<u>32,039,503</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,750,509
Deferred inflows - OPEB	113,131
Total Deferred Inflows of Resources	<u>2,863,640</u>
Net Position:	
Net Investment in Capital Assets	45,042,889
Restricted For:	
Expendable:	
School-based activities	908,945
Debt service	122,923
Unemployment benefits	51,818
Unrestricted	(20,362,097)
Total Net Position	<u>\$ 25,764,478</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 10,302,654	\$ 123,009	\$ 1,167,175	\$ (9,012,470)
<i>Support services</i>	8,176,522	--	1,180,302	(6,996,220)
<i>Noninstructional services</i>	1,266,204	122,731	1,202,178	58,705
<i>Pension expense</i>	2,230,200	--	--	(2,230,200)
<i>OPEB expense</i>	85,793	--	--	(85,793)
<i>Interest on long-term liabilities</i>	134,691	--	--	(134,691)
Total Governmental Activities	<u>\$ 22,196,064</u>	<u>\$ 245,740</u>	<u>\$ 3,549,655</u>	<u>(18,400,669)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				8,235,368
<i>Debt purpose levies</i>				330,624
Unrestricted grants and contributions:				
<i>State</i>				8,652,474
<i>Federal</i>				32,975
<i>Unrestricted investment earnings</i>				45,961
<i>Sixteenth section sources</i>				4,921
<i>Other</i>				359,258
Total General Revenues				<u>17,661,581</u>
Change in Net Position				<u>(739,088)</u>
Net Position - Beginning, as previously reported				26,450,662
Prior Period Adjustment				52,904
Net Position - Beginning, as restated				<u>26,503,566</u>
Net Position - Ending				<u>\$ 25,764,478</u>

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
<i>Cash and cash equivalents</i>	\$ 7,081,381	\$ 1,174,173	\$ 8,255,554
<i>Due from other governments</i>	324,933	293,692	618,625
<i>Due from other funds</i>	214,856	2,424	217,280
<i>Inventories</i>	--	41,274	41,274
<i>Prepaid items</i>	449,331	--	449,331
Total Assets	<u>\$ 8,070,501</u>	<u>\$ 1,511,563</u>	<u>\$ 9,582,064</u>
Liabilities and Fund Balances			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 460,819	\$ 207,481	\$ 668,300
<i>Due to other funds</i>	2,423	214,857	217,280
<i>Unearned revenue</i>	--	119	119
Total Liabilities	<u>463,242</u>	<u>422,457</u>	<u>885,699</u>
Fund Balances:			
Nonspendable:			
Inventory	--	41,274	41,274
Prepaid items	449,331	--	449,331
Restricted:			
Unemployment benefits	--	51,818	51,818
Debt service	--	128,343	128,343
Grant activities	--	359,603	359,603
Food service	--	508,068	508,068
Assigned:			
Capital improvements	2,289,007	--	2,289,007
Activity funds	72,709	--	72,709
Other purposes	77,703	--	77,703
Unassigned	<u>4,718,509</u>	<u>--</u>	<u>4,718,509</u>
Total Fund Balances	<u>7,607,259</u>	<u>1,089,106</u>	<u>8,696,365</u>
Total Liabilities and Fund Balances	<u>\$ 8,070,501</u>	<u>\$ 1,511,563</u>	<u>\$ 9,582,064</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019*

Total fund balances for governmental funds	\$ 8,696,365
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	47,759,889
Liabilities due in one year are not recognized in the funds.	(288,357)
Payables for bond interest which are not due in the current period are not reported in the funds.	(5,420)
Payables for notes which are not due in the current period are not reported in the funds.	(2,495,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(265,268)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(26,813,514)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(2,750,509)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	3,419,592
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,503,525)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(113,131)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	123,356
Net position of governmental activities	\$ <u>25,764,478</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 8,739,042	\$ 473,288	\$ 9,212,330
State sources	8,737,346	390,144	9,127,490
Federal sources	90,769	3,016,845	3,107,614
Sixteenth section sources	4,921	--	4,921
Total Revenues	<u>17,572,078</u>	<u>3,880,277</u>	<u>21,452,355</u>
Expenditures:			
Instruction	9,006,729	1,419,901	10,426,630
Support services	7,340,546	1,162,561	8,503,107
Noninstructional services	--	1,201,121	1,201,121
Facilities acquisition and construction	881,003	--	881,003
Debt service:			
Principal	--	298,602	298,602
Interest	--	137,045	137,045
Other	--	2,250	2,250
Total Expenditures	<u>17,228,278</u>	<u>4,221,480</u>	<u>21,449,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>343,800</u>	<u>(341,203)</u>	<u>2,597</u>
Other Financing Sources (Uses):			
Operating transfers in	--	353,748	353,748
Other financing sources	2,592	--	2,592
Operating transfers out	(322,965)	(30,783)	(353,748)
Other financing uses	(4,167)	--	(4,167)
Total Other Financing Sources (Uses)	<u>(324,540)</u>	<u>322,965</u>	<u>(1,575)</u>
Net change in fund balances	<u>19,260</u>	<u>(18,238)</u>	<u>1,022</u>
Fund Balances:			
July 1, 2018, as previously reported	7,587,999	1,109,614	8,697,613
Prior period adjustments	--	(1,515)	(1,515)
July 1, 2018, as restated	<u>7,587,999</u>	<u>1,108,099</u>	<u>8,696,098</u>
Increase (Decrease) in inventory	--	(755)	(755)
June 30, 2019	<u>\$ 7,607,259</u>	<u>\$ 1,089,106</u>	<u>\$ 8,696,365</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019*

Net change in fund balances - total governmental funds	\$ 1,022
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	972,916
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,408,005)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(112)
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	298,602
(Increase) decrease in accrued interest from beginning of period to end of period.	4,604
Change in inventory affects fund balance in the funds but expense in the SOA.	(755)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(46,690)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,684,809
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(2,230,200)
Entity's proportion of the contribution to the Plan.	2,029
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	68,546
Implicit rate subsidy fluctuation.	(61)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(85,793)
Change in net position of governmental activities	\$ <u>(739,088)</u>

The accompanying notes are an integral part of this statement.

BAY ST. LOUIS WAVELAND SCHOOL DISTRICT*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**FIDUCIARY FUNDS**JUNE 30, 2019*

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 623,464
Total Assets	\$ <u>623,464</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	\$ 543,658
<i>Due to student clubs</i>	77,505
<i>Other payables</i>	2,301
Total Liabilities	\$ <u>623,464</u>

The accompanying notes are an integral part of this statement.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

The District's fiduciary funds include the following:

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2014, issued by the U.S. Department of Education.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The school district has deferred inflows which are presented as deferred inflows for pension and OPEB.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

See Note 12 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

adopted by the school district.

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

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

The goal of the District is to maintain an unassigned fund balance in the General Fund of at least 7% at fiscal year end of its actual revenues.

Note 2 - Cash and Cash Equivalents

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,255,554 and \$623,464, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$9,495,432 was exposed to custodial credit risk.

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 214,856
Other Governmental Funds	General Fund	2,423
	Other Governmental Funds	1
Total		\$ 217,280

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 322,965
	Other Governmental Funds	30,783
Total		\$ 353,748

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 4 - Capital Assets

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

	Balance 7-1-2018	Additions	Deletions	Completed Construction	Balance 6-30-2019
Non-depreciable capital assets:					
Land	\$ 600,512				600,512
Construction in progress	273,661	881,003		(978,344)	176,320
Total non-depreciable capital assets	874,173	881,003	0	(978,344)	776,832
Depreciable capital assets:					
Buildings	53,328,369			978,344	54,306,713
Building improvements	3,792,431				3,792,431
Improvements other than buildings	2,431,464				2,431,464
Mobile equipment	909,152	82,900			992,052
Furniture and equipment	1,885,392	9,013	11,249		1,883,156
Total depreciable capital assets	62,346,808	91,913	11,249	978,344	63,405,816
Less accumulated depreciation for:					
Buildings	11,296,718	1,086,134			12,382,852
Building improvements	807,292	151,697			958,989
Improvements other than buildings	542,748	87,135			629,883
Mobile equipment	544,867	55,626			600,493
Furniture and equipment	1,834,266	27,413	11,137		1,850,542
Total accumulated depreciation	15,025,891	1,408,005	11,137	0	16,422,759
Total depreciable capital assets, net	47,320,917	(1,316,092)	112	978,344	46,983,057
Governmental activities capital assets, net	\$ 48,195,090	(435,089)	112	0	47,759,889

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 985,604
Support services	281,601
Non-instructional	140,800
Total depreciation expense	\$ 1,408,005

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

Governmental Activities:	Spent to June 30, 2019	Remaining Commitments
EEC Demolition	\$ 161,791	152,209
North Bay Elementary	14,529	84,131
Total	\$ 176,320	236,340

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Construction projects included in governmental activities are funded by the Local Capital Improvement Fund.

Note 5 - Long-term liabilities

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

	Balance 7-1-2018	Additions	Reductions	Adjustments	Balance 6-30-2019	Amounts due within one year
A. Three mill notes payable	\$ 2,928,000		156,581	(54,419)	2,717,000	222,000
B. Shortfall notes payable	142,021		142,021		0	
C. Compensated absences payable	218,578	46,690			265,268	
Total	\$ 3,288,599	46,690	298,602	(54,419)	2,982,268	222,000

Adjustments were made to properly present amount paid from an escrow account.

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes payable	3.00-4.55%	06-10-10	06-01-30	\$ 4,000,000	0
Limited tax refunding notes, Series 2017	2.00-3.00%	06-14-17	06-01-30	2,781,000	2,717,000
				\$ 6,781,000	2,717,000

1. Three mill notes payable Series 2010

The school district paid \$125,581 and the remaining \$54,419 was paid from an escrow account. This amount is shown as an adjustment on the long-term debt schedule. This debt was paid off and retired from the Three Mill Note Fund.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

2. Limited tax refunding notes, Series 2017

Year Ending June 30	Principal	Interest	Total
2020	\$ 222,000	68,033	290,033
2021	223,000	64,481	287,481
2022	230,000	60,021	290,021
2023	232,000	55,421	287,421
2024	239,000	49,621	288,621
2025 - 2029	1,291,000	152,258	1,443,258
2030	280,000	8,400	288,400
Total	\$ 2,717,000	458,235	3,175,235

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

B. Shortfall notes payable

This debt was paid off and retired from the Shortfall 2009 Fund.

C. Compensated absences payable

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

Note 6 - Other Commitments

Commitments under construction contracts are described in Note 4.

The school district has an operating lease for Kyocera copiers.

Lease expenditures for the year ended June 30, 2019, amounted to \$21,060. Future lease payments for this lease are as follows:

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Year Ending June 30		Amount
2020	\$	21,060
2021		21,060
2022		21,060
Total	\$	<u>63,180</u>

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

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Notes to the Financial Statements For the Year Ended June 30, 2019

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, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018, and 2017, were \$1,684,809, \$1,621,401, and \$1,665,640, 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, 2019, the school district reported a liability of \$26,813,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.161207 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.003647% percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,230,200. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,229,371	\$
Net difference between projected and actual earnings on pension plan investments		482,330
Changes of assumptions		
Changes in proportion and differences between District contributions and proportionate share of contributions	505,412	2,268,179
District contributions subsequent to the measurement date	1,684,809	
Total	<u>\$ 3,419,592</u>	<u>\$ 2,750,509</u>

\$1,684,809 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Year Ending June 30:	
2020	\$ 124,326
2021	(232,970)
2022	(786,497)
2023	(120,585)
Total	\$ <u><u>(1,015,726)</u></u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u><u>100%</u></u>	

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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 (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>35,305,703</u>	\$ <u>26,813,514</u>	\$ <u>19,755,383</u>

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

Note 8 - 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, 2018 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 issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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 \$68,546 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$1,569,882 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

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, 2018, the District's proportion was 0.20294510 percent. This was a decrease of 0.00018318 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$85,793. At June 30, 2019, 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	\$	3,196	\$
Changes of assumptions			111,857
Changes in proportion and differences between District contributions and proportionate share of contributions		51,614	1,274
District contributions subsequent to the measurement date		68,546	
Total	\$	<u>123,356</u>	<u>\$ 113,131</u>

\$68,546 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2020	\$ (11,222)
2021	(11,222)
2022	(11,222)
2023	(11,222)
2024	(10,245)
Thereafter	<u>(3,188)</u>
Total	<u>\$ (58,321)</u>

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Pre-Medicare	

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, 2018 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30,

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an 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 (2.89 percent) or 1-percentage point higher (4.89 percent) than the current discount rate:

		1% Decrease (2.89%)		Discount Rate (3.89%)		1% Increase (4.89%)
Net OPEB liability	\$	1,740,175	\$	1,569,882	\$	1,423,424

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	\$	1,454,229	\$	1,569,882	\$	1,701,230

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 9 - Risk Management

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

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

Note 10 - Contingencies

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

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 11 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
1. Adjustments were made to properly present amount paid from an escrow amount.	\$	54,419
2. Adjustments were made to properly present prior year assets and liabilities.		(1,515)
Total	\$	<u>52,904</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
Other Governmental Funds	See explanation above.	\$ <u>(1,515)</u>

Note 12 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$20,362,097) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,684,809 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, 2020. The \$1,734,783 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$20,362,097) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,750,509 balance of deferred inflow of resources, at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$20,362,097) 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 \$68,546 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, 2020. The \$54,810 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$20,362,097) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$113,131 balance of deferred inflow of resources at June 30, 2019 will be recognized as a revenue

Bay St. Louis - Waveland School District

Notes to the Financial Statements
For the Year Ended June 30, 2019

and will increase the unrestricted net position over the next 6 years.

Note 13 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2020	\$	2,400
2021		2,400
2022		2,400
2023		2,400
2024		2,400
2025 - 2029		12,000
2030 - 2034		12,000
2035 - 2039		12,000
2040 - 2044		12,000
2045 - 2049		12,000
2050 - 2054		12,000
2055 - 2059		12,000
2060 - 2064		12,000
2065 - 2069		12,000
2070 - 2072		7,200
Total	\$	<u>127,200</u>

Note 14 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated June 11, 2018 creating the Career Technical Education Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Pass Christian School District and the Hancock County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal

Bay St. Louis - Waveland School District

Notes to the Financial Statements For the Year Ended June 30, 2019

agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Hancock County School District has been designated as the fiscal agent for the Career Technical Education Center, and the operations of the consortium are included in its financial statements.

Note 15 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2019

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 8,627,550	8,739,019	8,739,042	111,469	23
State sources	8,652,599	8,737,345	8,737,346	84,746	1
Federal sources	55,500	90,768	90,769	35,268	1
Sixteenth section sources		4,921	4,921	4,921	-
Total Revenues	<u>17,335,649</u>	<u>17,572,053</u>	<u>17,572,078</u>	<u>236,404</u>	<u>25</u>
Expenditures:					
Instruction	6,972,316	9,006,704	9,006,729	(2,034,388)	(25)
Support services	6,946,317	7,340,548	7,340,546	(394,231)	2
Facilities acquisition and construction		881,003	881,003	(881,003)	-
Total Expenditures	<u>13,918,633</u>	<u>17,228,255</u>	<u>17,228,278</u>	<u>(3,309,622)</u>	<u>(23)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,417,016</u>	<u>343,798</u>	<u>343,800</u>	<u>(3,073,218)</u>	<u>2</u>
Other Financing Sources (Uses):					
Operating transfers in		2,000,466		2,000,466	(2,000,466)
Other financing sources		2,592	2,592	2,592	-
Operating transfers out	(2,425,307)	(2,323,431)	(322,965)	101,876	2,000,466
Other financing uses	<u>(4,167)</u>	<u>(4,167)</u>	<u>(4,167)</u>	-	-
Total Other Financing Sources (Uses)	<u>(2,429,474)</u>	<u>(324,540)</u>	<u>(324,540)</u>	<u>2,104,934</u>	<u>-</u>
Net Change in Fund Balances	<u>987,542</u>	<u>19,258</u>	<u>19,260</u>	<u>(968,284)</u>	<u>2</u>
Fund Balances:					
July 1, 2018	<u>3,940,702</u>	<u>7,587,998</u>	<u>7,587,999</u>	<u>3,647,296</u>	<u>1</u>
June 30, 2019	\$ <u>4,928,244</u>	<u>7,607,256</u>	<u>7,607,259</u>	<u>2,679,012</u>	<u>3</u>

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

Bay St. Louis - Waveland School District

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

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 26,813,514	27,404,330	29,276,096	25,920,639	20,655,157
District's proportion of the net pension liability	0.161207%	0.164854%	0.163897%	0.167684%	0.170167%
District's covered payroll	10,294,610	10,575,492	10,484,876	10,475,917	10,398,089
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,684,809	1,621,401	1,665,640	1,651,368	1,649,957
Contributions in relation to the contractually required contribution	1,684,809	1,621,401	1,665,640	1,651,368	1,649,957
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	10,697,200	10,294,610	10,575,492	10,484,876	10,475,917
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Bay St. Louis - Waveland School District

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

OPEB

Last 10 Fiscal Years*

	2019	2018
District's proportionate share of the net OPEB liability	\$ 1,569,882	1,593,763
District's proportion of the net OPEB liability	0.20294510%	0.20312828%
District's covered-employee payroll	9,179,069	9,125,995 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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

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

	2019	2018
Actuarially determined contribution	\$ 68,546	67,944 **
Contributions in relation to the actuarially determined contribution	68,546	67,944 **
Contribution deficiency (excess)	\$ -	-
District's covered-employee payroll	9,452,359	9,367,815
Contributions as a percentage of covered-employee payroll	0.73%	0.73%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

Bay St. Louis - Waveland School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016:

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

2017:

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

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

Bay St. Louis - Waveland School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

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

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

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 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	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017:

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

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None

Bay St. Louis - Waveland School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

2018:
None

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75%
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00%
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

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

SUPPLEMENTARY INFORMATION

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Numbers	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 380,010
National School Lunch Program	185MS326N1099	10.555	900,976
Summer Food Service Program for Children	185MS326N1099	10.559	13,739
Total child nutrition cluster			<u>1,294,725</u>
Child and Adult Care Food Program	195MS340N1050	10.558	<u>1,962</u>
Total passed-through the Mississippi Department of Education			<u>1,296,687</u>
Total U.S. Department of Agriculture			<u>1,296,687</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps		12.xxx	<u>57,794</u>
Total U.S. Department of Defense			<u>57,794</u>
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	938,023
Career and Technical Education - Basic Grants to States	V048A170024	84.048	5,000
Supporting Effective Instruction State Grants	ES367A170023	84.367	191,690
Student Support and Academic Enrichment Program	ES424A170025	84.424	15,999
Subtotal			<u>1,150,712</u>
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	545,376
Positive Behavior Specialists	H027A170108	84.027A	4,823
Special Education - Preschool Grants	H173A170113	84.173	18,974
Total Special Education Cluster			<u>569,173</u>
Total passed-through the Mississippi Department of Education			<u>1,719,885</u>
Total U.S. Department of Education			<u>1,719,885</u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	<u>32,975</u>
Total passed-through the Mississippi Department of Education			<u>32,975</u>
Total U.S. Department of Health and Human Services			<u>32,975</u>
Total for All Federal Awards			\$ <u><u>3,107,341</u></u>

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

Bay St. Louis - Waveland School District

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities of \$76,717 are included in the National School Lunch Program.

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2019

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	14,323,133	10,692,265	1,075,854	1,086,614	1,468,400
Other	7,126,625	1,544,820	166,722	21,434	5,393,649
Total \$	<u>21,449,758</u>	<u>12,237,085</u>	<u>1,242,576</u>	<u>1,108,048</u>	<u>6,862,049</u>
Total number of students *	<u>1,688</u>				
Cost per student \$	<u>12,707</u>	<u>7,250</u>	<u>736</u>	<u>656</u>	<u>4,065</u>

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

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

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

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

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

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

OTHER INFORMATION

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 8,739,042	8,302,963	7,821,548	7,725,877
State sources	8,737,346	8,534,094	8,968,264	9,091,155
Federal sources	90,769	111,708	138,947	134,218
Sixteenth section sources	4,921	4,715	6,244	6,322
Total Revenues	<u>17,572,078</u>	<u>16,953,480</u>	<u>16,935,003</u>	<u>16,957,572</u>
Expenditures:				
Instruction	9,006,729	8,687,832	9,068,671	8,793,733
Support services	7,340,546	7,395,830	7,212,290	7,956,747
Sixteenth section	-	-	1,333	1,311
Facilities acquisition and construction	881,003	783,026	4,097,261	702,304
Total Expenditures	<u>17,228,278</u>	<u>16,866,688</u>	<u>20,379,555</u>	<u>17,454,095</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>343,800</u>	<u>86,792</u>	<u>(3,444,552)</u>	<u>(496,523)</u>
Other Financing Sources (Uses):				
Operating transfers in	-	12,688	12,688	1,010,503
Other financing sources	2,592	31,100	-	250,000
Operating transfers out	(322,965)	(318,505)	(525,905)	(411,169)
Other financing uses	(4,167)	(54,167)	(38,784)	(18,923)
Total Other Financing Sources (Uses)	<u>(324,540)</u>	<u>(328,884)</u>	<u>(552,001)</u>	<u>830,411</u>
Net Change in Fund Balances	19,260	(242,092)	(3,996,553)	333,888
Fund Balances:				
July 1, Beginning, as previously reported	7,587,999	7,795,265	11,791,818	11,457,930
Prior period adjustment	-	34,826	-	-
July 1, Beginning, as restated	<u>7,587,999</u>	<u>7,830,091</u>	<u>11,791,818</u>	<u>11,457,930</u>
June 30,	<u>\$ 7,607,259</u>	<u>7,587,999</u>	<u>7,795,265</u>	<u>11,791,818</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

BAY ST. LOUIS - WAVELAND SCHOOL DISTRICT

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

"UNAUDITED"

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 9,212,330	8,999,230	9,092,472	8,911,883
State sources	9,127,490	8,935,604	9,254,658	9,427,739
Federal sources	3,107,614	2,684,864	2,799,065	3,835,309
Sixteenth section sources	4,921	4,715	6,244	6,322
Total Revenues	<u>21,452,355</u>	<u>20,624,413</u>	<u>21,152,439</u>	<u>22,181,253</u>
Expenditures:				
Instruction	10,426,630	9,970,661	10,266,981	9,995,839
Support services	8,503,107	8,432,920	8,285,946	9,075,320
Noninstructional services	1,201,121	1,056,427	1,169,336	1,159,487
Sixteenth section	-	-	1,333	1,311
Facilities acquisition and construction	881,003	783,026	4,675,063	957,877
Debt service:				
Principal	298,602	944,097	922,107	878,875
Interest	137,045	158,152	184,173	219,254
Other	2,250	4,051	2,550	2,550
Total Expenditures	<u>21,449,758</u>	<u>21,349,334</u>	<u>25,507,489</u>	<u>22,290,513</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,597</u>	<u>(724,921)</u>	<u>(4,355,050)</u>	<u>(109,260)</u>
Other Financing Sources (Uses):				
Operating transfers in	353,748	426,270	545,408	1,430,012
Other financing sources	2,592	31,100	26,057	250,000
Operating transfers out	(353,748)	(426,270)	(545,408)	(1,430,012)
Other financing uses	(4,167)	(54,167)	(38,784)	(18,954)
Total Other Financing Sources (Uses)	<u>(1,575)</u>	<u>(23,067)</u>	<u>(12,727)</u>	<u>231,046</u>
Net Change in Fund Balances	1,022	(747,988)	(4,367,777)	121,786
Fund Balances:				
July 1, as previously reported	8,697,613	9,411,331	13,777,543	13,627,840
Prior period adjustments	(1,515)	34,742		
July 1, as restated	<u>8,696,098</u>	<u>9,446,073</u>	<u>13,777,543</u>	<u>13,627,840</u>
Increase (Decrease) in inventory	(755)	(472)	1,565	27,917
June 30,	<u>\$ 8,696,365</u>	<u>8,697,613</u>	<u>9,411,331</u>	<u>13,777,543</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay St. Louis - Waveland School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Bay St. Louis - Waveland School District's basic financial statements, and have issued our report thereon dated February 4, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Bay St. Louis - Waveland School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 4, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Bay St. Louis - Waveland School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Bay St. Louis - Waveland School District's major federal program for the year ended June 30, 2019. The Bay St. Louis - Waveland School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Bay St. Louis - Waveland School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Bay St. Louis - Waveland School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 4, 2020

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis - Waveland School District as of and for the year ended June 30, 2019, which collectively comprise Bay St. Louis - Waveland School District's basic financial statements and have issued our report thereon dated February 4, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations:

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Finding 1

Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the official name of the public depositor, federal tax identification number, and provide a list of all bank accounts that are held by that depositor, including the deposit balance in those accounts no later than 30 days following its fiscal year end.

Condition:

The school district failed to file the Public Depositor's Annual Report with the State Treasurer by the required date.

Cause:

The school district did not have a system in place to ensure compliance with Section 27-105-5, Miss. Code Ann. (1972).

Effect:

It could result in the school district not being protected through a collateral pool administered by the State Treasurer.

Recommendation:

We recommend that the district comply with Section 27-105-5, Miss. Code Ann. (1972), by reporting all depository institutions and depository accounts on the State Treasurer's Collateral Sufficiency Report no later than 30 days following its fiscal year end.

Response:

The employee responsible for submitting this report tendered his resignation in August. Once our office was aware the report had not been filed, the report was immediately filed. The parties now assigned with this task are aware of this report and will have it filed in a timely manner in the future.

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

The Bay St. Louis - Waveland School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 4, 2020

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Bay St. Louis - Waveland School District

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster

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

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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

SUMMARY OF PRIOR AUDIT FINDINGS



BAY-WAVELAND SCHOOL DISTRICT

200 N. Second St., Bay St. Louis, MS 39520

William T. Felter
Business Administrator

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

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Bay St. Louis - Waveland School District has prepared and hereby submits the following prior year audit findings follow-up as of June 30, 2019:

Finding
2018-001

Status
Corrected