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**BILOXI SCHOOL DISTRICT**  
Audited Financial Statements  
For the Year Ended June 30, 2014



**BILOXI SCHOOL DISTRICT**  
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Accountants

**INDEPENDENT AUDITOR'S REPORT**

December 15, 2014

Superintendent and School Board  
Biloxi Public School District  
Biloxi, Mississippi

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Biloxi Public School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District, as of June 30, 2014, and the respective changes in financial

position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 43 - 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Biloxi Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Biloxi Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Biloxi Public School District's internal control over financial reporting and compliance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## BILOXI PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Biloxi Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. 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 2014 increased \$2,931,939, which represents a 3% increase from fiscal year 2013. Total net position for 2013 increased \$2,452,944, including a prior period adjustment of (\$636,397), which represents a 3% increase from fiscal year 2012.
- General revenues amounted to \$49,283,246 and \$49,771,127, or 84% and 85% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,147,291, or 16% of total revenues for 2014, and \$8,456,407, or 15% of total revenues for 2013.
- The District had \$56,415,312 and \$55,138,193 in expenses for fiscal years 2014 and 2013; only \$9,147,290 for 2014 and \$8,456,407 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$49,283,246 for 2014 and \$49,771,127 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$47,062,760 in revenues and \$44,512,604 in expenditures for 2014, and \$45,537,677 in revenues and \$42,888,546 in expenditures for 2013. The General Fund's fund balance decreased by \$107,704, including the decrease in reserve for inventory of \$412 from 2013 to 2014, and decreased by \$38,543 including the decrease in reserve for inventory of \$11,643 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$1,491,509 for 2014 and decreased by \$2,911,880 for 2013. The decrease for 2014 was due to current additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$4,951,247 for 2014 and decreased by \$5,020,588 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$12,545 for 2014 and decreased by \$14,091 for 2013.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Government-wide Financial Statements

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

The Statement of Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two 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.

## BILOXI PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section 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 the 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 funds statements provide a detailed view of the District's near-term financing requirements.

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

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

## BILOXI PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

- Capital assets used in governmental activities are not reported on governmental funds financial statements.
- Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.
- Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

#### **Notes to the financial statements**

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

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules 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 OMB Circular A-133 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 assets may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$89,444,513 as of June 30, 2014.

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.

BILOXI PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Current assets	\$ 18,389,419	\$ 17,362,472
Capital assets, net	106,099,421	107,590,930
Restricted assets	956,036	1,602,542
<b>Total assets</b>	<u>125,444,876</u>	<u>126,555,944</u>
<b>Deferred outflows of resources</b>	<u>942,182</u>	<u>1,221,157</u>
<b>Liabilities</b>		
Current liabilities	3,596,992	2,967,727
Long-term debt outstanding	33,345,553	38,296,800
<b>Total liabilities</b>	<u>36,942,545</u>	<u>41,264,527</u>
<b>Net position</b>		
Net investment in capital assets	74,197,946	71,566,650
Restricted	8,218,169	8,245,903
Unrestricted	7,028,398	6,700,021
<b>Total net position</b>	<u>\$ 89,444,513</u>	<u>\$ 86,512,574</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 \$1,491,509.
- The principal retirement of \$6,402,607 of long-term debt.
- Issuance of \$2,070,000 of three mill notes.
- Issuance of \$3,760,000 in limited obligation bonds to advance refund \$3,765,000 of existing limited obligation bonds.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$58,430,537 and \$58,227,534, respectively. The total cost of all programs and services was \$56,415,312 for 2014 and \$55,138,193 for 2013.

**BILOXI PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2014 and June 30, 2013.

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

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 1,432,071	\$ 1,379,598	3.80 %
Operating grants and contributions	7,715,220	7,076,809	9.02 %
General revenues			
Property and gaming taxes	27,862,719	28,063,520	(0.72) %
Grants and contributions not restricted	21,373,807	21,423,876	(0.23) %
Investment earnings	40,885	65,037	(37.14) %
Sixteenth section sources	11,962	9,053	32.13 %
Other	(6,127)	209,641	(102.92) %
<b>Total revenues</b>	<b>58,430,537</b>	<b>58,227,534</b>	<b>0.35 %</b>
<b>Expenses</b>			
Instruction	30,945,466	30,051,982	2.97 %
Support services	21,225,510	20,797,265	2.06 %
Non-instructional	2,999,829	2,857,872	4.97 %
Interest on long-term liabilities and other debt service costs	1,244,507	1,431,074	(13.04) %
<b>Total expenses</b>	<b>56,415,312</b>	<b>55,138,193</b>	<b>2.32 %</b>
<b>Special Items</b>			
Forgiveness of debt – community disaster loan	916,714	-	100.00 %
<b>Increase in net position</b>	<b>2,931,939</b>	<b>3,089,341</b>	<b>(5.10) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>86,512,574</b>	<b>84,059,630</b>	<b>2.92 %</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(636,397)</b>	<b>(100.00) %</b>
<b>Net Position, July 1, as restated</b>	<b>86,512,574</b>	<b>83,423,233</b>	<b>3.70 %</b>
<b>Net Position, June 30</b>	<b>\$ 89,444,513</b>	<b>\$ 86,512,574</b>	<b>3.39 %</b>

**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-

BILOXI PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

instructional, 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**

	Total Expense		Percentage Change
	2014	2013	
Instruction	\$ 30,945,466	\$ 30,051,982	2.97 %
Support services	21,225,510	20,797,265	2.06 %
Non-instructional	2,999,829	2,857,872	4.97 %
Interest on long-term liabilities and other debt service costs	1,244,507	1,431,074	(13.04) %
<b>Total net (expense) revenue</b>	<b>\$ 56,415,312</b>	<b>\$ 55,138,193</b>	<b>2.32 %</b>

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (25,300,432)	\$ (27,209,208)	(7.02) %
Support services	(21,225,510)	(18,198,352)	16.63 %
Non-instructional	502,428	156,848	220.33 %
Interest on long-term liabilities	(1,244,507)	(1,431,074)	(13.04) %
<b>Total net (expense) revenue</b>	<b>\$ (47,268,021)</b>	<b>\$ (46,681,786)</b>	<b>3.61 %</b>

- Net cost of governmental activities, (\$47,268,021 for 2014 and \$46,681,786 for 2013) was financed by general revenue, which is primarily made up of property and gaming taxes of (\$27,862,719 for 2014 and \$28,063,520 for 2013) and state and federal revenues of (\$21,201,333 for 2014 and \$21,423,876 for 2013).
- Investment earnings amounted to \$40,885 for 2014 and \$65,037 for 2013.

**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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

**BILOXI PUBLIC SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$15,092,094, a decrease of \$252,889, which includes the increase in inventory of \$17,485. \$5,341,514 or 35% of the fund balance is unassigned, which represents the residual classification on the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,750,580 or 65% is either nonspendable, restricted, committed, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$107,704, including a decrease in reserve for inventory of \$412. The fund balance of Other Governmental Funds showed a increase in the amount of \$19,087, which includes a increase in reserve for inventory of \$17,897. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Future Building Fund	\$ 8,366
CDL Debt Service Fund	\$ (172,638)

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$148,553,137, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,915,474 from 2013. Total accumulated depreciation as of June 30, 2014, was \$42,453,716, and total depreciation expense for the year was \$3,452,191, resulting in total net capital assets of \$106,099,421.

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

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Land	\$ 6,541,949	\$ 6,541,949	0.00 %
Construction in progress	1,283,825	-	100.00 %
Buildings	83,452,020	85,590,487	(2.50) %
Building improvements	5,998,624	6,320,796	(5.10) %
Improvements other than buildings	6,492,369	6,885,502	(5.71) %
Mobile equipment	1,734,460	1,551,469	11.79 %
Furniture and equipment	519,879	551,018	(5.65) %
Property under capital leases	76,295	149,709	(49.04) %
<b>Total</b>	<b><u>\$ 106,099,421</u></b>	<b><u>\$ 107,590,930</u></b>	<b><u>(1.39) %</u></b>

BILOXI PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

**Debt Administration.** At June 30, 2014, the District had \$33,345,553 in outstanding long-term debt, of which \$6,451,162 is due within one year. The liability for compensated absences decreased \$12,545 from the prior year. The District refunded \$3,765,000 in limited obligation bonds and replaced them with \$3,760,000 of limited obligation refunding bonds. The District will realize savings of \$141,348 in debt service payments over the remaining life of the newly issued refunding bonds.

The District maintains an AA- insured rating with Standard and Poor's and an A3 insured rating with Moody's Investor Services.

**Table 5  
Outstanding Long-Term Debt**

	June 30, 2014	June 30, 2013	Percentage Change
General obligation refunding bonds payable	\$ 19,410,000	\$ 23,915,000	(18.84) %
Premium on debt issuance	580,472	701,004	(17.19) %
Limited obligation refunding bonds payable	3,760,000	4,540,000	(17.18) %
Premium on debt issuance	72,693	16,334	345.04 %
Three mill notes payable	6,555,000	5,525,000	18.64 %
Shortfall notes payable	-	536,922	(100.00)%
Obligation under capital leases	130,492	213,099	(38.76) %
Qualified school construction bonds payable	2,335,000	2,335,000	0.00 %
Compensated Absences	501,896	514,441	(2.44) %
<b>Totals</b>	<b>\$ 33,345,553</b>	<b>\$ 38,296,800</b>	<b>(12.93) %</b>

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

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**



**BILOXI SCHOOL DISTRICT**

Statement of Net Position  
June 30, 2014

Exhibit A

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 14,695,898
Due from other governments	2,826,416
Inventories	33,595
Prepaid Items	833,510
Restricted assets	956,036
Capital assets, non-depreciable:	
Land	6,541,949
Construction in progress	1,283,825
Capital assets, net of accumulated depreciation:	
Buildings	83,452,020
Building improvements	5,998,624
Improvements other than buildings	6,492,369
Mobile equipment	1,734,460
Furniture and equipment	519,879
Leased property under capital lease	76,295
<b>Total assets</b>	<u>125,444,876</u>
<b>Deferred Outflows of Resources</b>	
Deferred amount on refunding	942,182
Total deferred outflows of resources	<u>942,182</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	3,419,851
Interest payable on long-term liabilities	177,141
Long-term liabilities, due within one year:	
Capital related liabilities	6,451,162
Long-term liabilities, due beyond one year:	
Capital related liabilities	26,392,495
Non-capital related liabilities	501,896
<b>Total liabilities</b>	<u>36,942,545</u>
<b>Net Position:</b>	
Net investment in capital assets	74,197,946
Restricted for:	
Expendable:	
School-based activities	1,367,882
Debt service	1,215,109
Capital Improvements	5,491,224
Unemployment benefits	135,704
Non-expendable:	
Sixteenth section	8,250
Unrestricted	7,028,398
<b>Total net position</b>	<u>\$ 89,444,513</u>

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

**BILOXI SCHOOL DISTRICT**

Statement of Activities

For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 30,945,466	520,336	5,124,698		\$ (25,300,432)
Support Services	21,225,510				(21,225,510)
Non-instructional	2,999,829	911,735	2,590,522		502,428
Interest on long-term liabilities	1,244,507				(1,244,507)
<b>Total governmental activities</b>	<b>\$ 56,415,312</b>	<b>1,432,071</b>	<b>7,715,220</b>	<b>-</b>	<b>(47,268,021)</b>
<b>General Revenues:</b>					
Taxes:					
					18,964,966
					3,285,362
					5,612,391
					172,474
					20,382,648
					818,685
					40,885
					(6,127)
					11,962
					<u>49,283,246</u>
<b>Total General Revenues</b>					
					916,714
Special Items					
					50,199,960
<b>Total General Revenues, and Special Items</b>					
					<u>2,931,939</u>
<b>Change in Net Position</b>					
					86,512,574
<b>Net Position - Beginning</b>					
					<u>\$ 89,444,513</u>
<b>Net Position - Ending</b>					

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

**BILOXI SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**June 30, 2014**

Exhibit C

	Major Funds				Total Governmental Funds
	GENERAL FUND	FUTURE BUILDING FUND	DEBT SERVICE FUND	CDL SERVICE FUND	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,661,520	\$ 3,222,238		905,416	\$ 4,914,974
Cash with fiscal agents					480,786
Investments	467,000				467,000
Due from other government	701,323				2,105,813
Due from other funds	1,751,435	173,888			2,186,776
Inventories	1,648				31,947
<b>Total assets</b>	<b>8,582,926</b>	<b>3,396,126</b>		<b>905,416</b>	<b>7,093,650</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	2,515,283				904,568
Due to other funds	28,332			559,792	878,049
<b>Total liabilities</b>	<b>2,543,615</b>			<b>559,792</b>	<b>1,782,617</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventories	1,648				31,947
Permanent fund principal					8,250
<b>Restricted:</b>					
Debt Service					1,046,626
Unemployment benefits				345,624	135,704
Grant activities					586,066
<b>Committed:</b>					
Future capital improvements		3,396,126			2,095,098
<b>Assigned:</b>					
School based activities	696,149				52,072
Future capital improvements					1,355,270
Unassigned	5,341,514				5,341,514
<b>Total fund balances</b>	<b>6,039,311</b>	<b>3,396,126</b>		<b>345,624</b>	<b>5,311,033</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,582,926</b>	<b>\$ 3,396,126</b>		<b>905,416</b>	<b>\$ 19,978,118</b>

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

BILOXI SCHOOL DISTRICT

**Governmental Funds**

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014

Exhibit C-1

	<u>Amount</u>
Total fund balances for governmental funds	\$ 15,092,094
Amount reported for governmental activities in the statement of net position are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	6,541,949
Construction in progress	1,283,825
Buildings	113,625,396
Building Improvements	10,358,047
Improvements other than buildings	9,828,321
Mobile equipment	4,208,464
Furniture and equipment	2,407,754
Leased property under capital leases	299,381
Accumulated depreciation	<u>(42,453,716)</u>
	106,099,421
2. Items that are normally expenses in the governmental funds are capitalized as prepaid expenses in the Statement of Net Position	
	833,510
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(19,410,000)
Limited obligation refunding bonds	(3,760,000)
Three mill notes payable	(6,555,000)
Qualified school construction bonds	(2,335,000)
Obligations under capital leases	(130,492)
Compensated absences payable	(501,896)
Unamortized premium	(653,165)
Accrued interest payable	<u>(177,141)</u>
	<u>(33,522,694)</u>
4. In situations where current and advance refunding result in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources	
	942,182
<b>Net position of governmental activities</b>	<u><u>\$ 89,444,513</u></u>

BILOXI SCHOOL DISTRICT

Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	FUTURE BUILDING FUND	CDL DEBT SERVICE FUND		
<b>Revenues:</b>					
Local sources	\$ 25,392,492	8,366	1,536	4,159,179	\$ 29,561,573
State sources	20,769,383			1,622,899	22,392,282
Federal sources	900,885			5,569,962	6,470,847
Sixteenth section sources				11,962	11,962
<b>Total revenues</b>	<b>47,062,760</b>	<b>8,366</b>	<b>1,536</b>	<b>11,364,002</b>	<b>58,436,664</b>
<b>Expenditures:</b>					
Instruction	25,745,190			2,384,484	28,129,674
Support services	18,618,296			2,634,744	21,253,040
Noninstructional services	28,553			2,882,736	2,911,289
Facilities acquisition and construction				1,375,975	1,375,975
Debt service:					
Principal	82,607			6,320,000	6,402,607
Interest	36,708			972,421	1,009,129
Other	1,250			119,341	120,591
<b>Total expenditures</b>	<b>44,512,604</b>	<b>-</b>	<b>-</b>	<b>16,689,701</b>	<b>61,202,305</b>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<b>2,550,156</b>	<b>8,366</b>	<b>1,536</b>	<b>(5,325,699)</b>	<b>(2,765,641)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds of NOTES ISSUED				2,070,000	2,070,000
Refunding bonds issued				3,760,000	3,760,000
Premium on refunding bonds issued				59,081	59,081
Payment to refunded bond escrow agent				(3,773,606)	(3,773,606)
Operating transfers in	481,342		5,826	3,894,618	4,381,786
Other financing sources	379,792				379,792
Operating transfers out	(3,518,582)		(180,000)	(683,204)	(4,381,786)
<b>Total other financing sources (uses)</b>	<b>(2,657,448)</b>	<b>-</b>	<b>(174,174)</b>	<b>5,326,889</b>	<b>2,495,267</b>
<b>Net change in fund balances</b>	<b>(107,292)</b>	<b>8,366</b>	<b>(172,638)</b>	<b>1,190</b>	<b>(270,374)</b>
<b>Fund Balances:</b>					
July 1, 2013	6,147,015	3,387,760	518,262	5,291,946	15,344,983
Prior period adjustments	-				-
July 1, 2013, as restated	6,147,015	3,387,760	518,262	5,291,946	15,344,983
Increase (Decrease) in reserve for Inventory	(412)	-	-	17,897	17,485
<b>June 30, 2014</b>	<b>\$ 6,039,311</b>	<b>\$ 3,396,126</b>	<b>\$ 345,624</b>	<b>5,311,033</b>	<b>\$ 15,092,094</b>

**BILOXI SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2014**

Exhibit D-1

	<u>Amount</u>	
Net change in fund balances - total governmental funds	\$ (270,374)	
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	1,966,809	
Depreciation expense	<u>(3,452,191)</u>	(1,485,382)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		
		(6,127)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(2,070,000)	
Refunding bonds issued	(3,760,000)	
Payment to refunded bond escrow agent	3,773,606	
Premium on refunding bonds issued	(59,081)	
Payments of debt principal	6,402,607	
Forgiveness of prior year debt	536,922	
Accrued interest payable	<u>49,540</u>	4,873,594
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	12,545	
Change in prepaid items	(45,475)	
Amortization of deferred charges and premiums	(164,327)	
Change in inventory reserve	<u>17,485</u>	(179,772)
Change in net position of governmental activities		<u>\$ 2,931,939</u>

**BILOXI SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2014**

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,478,831
Due from other funds	731,659
<i>Total assets</i>	<u><u>2,210,490</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	590,529
Due to other funds	1,452,262
Due to student clubs	167,699
<i>Total liabilities</i>	<u><u>\$ 2,210,490</u></u>

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



**NOTES TO FINANCIAL STATEMENTS**



# BILOXI SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2014

### 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 district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Biloxi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Biloxi Public School District has included all funds and organizations. The 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 are normally 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

# BILOXI SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2014

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 tax 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 District reports the following major governmental funds:

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

Future Building Fund – This fund accounts for financial resources to be used for the future acquisition or construction of schools and related facilities in the School District.

CDL Debt Service Fund – This fund was established to pay the debt service on the special community disaster loan that the School District received from FEMA. That debt has been subsequently forgiven, and the District is in the process of transferring the remaining balances to other debt service funds.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund accounts for the collection of payroll deductions from employees and the payment of all salary and related benefits on behalf of employees.

Accounts Payable Clearing Fund – This fund writes all checks for the School District that are not payroll in nature.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

# BILOXI SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

### FIDUCIARY FUNDS

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

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

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

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

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

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

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

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

collected by the tax levying authority.

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

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

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

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

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

**D. Encumbrances**

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

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

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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

# BILOXI SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2014

Investments for the district are reported at fair market value.

### 2. Receivables and Payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 6. Capital Assets

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

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of the deferred amount on refunding of \$942,182 at June 30, 2014.

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.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

9. Long-term Liabilities, Deferred Debt Expense 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. Under GASB 65, issuance costs are reported as expenditures.

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

10. 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.

*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 Business Manager pursuant to authorization established by the policy adopted by the school district.

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the

# BILOXI SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2014

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2. Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,704,148 and \$1,478,831, respectively.

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

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$480,786.

Investments

As of June 30, 2014, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government Securities	AAA	1 to 5	\$ 467,000
Total			\$ 467,000

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U.S. Government Securities	\$ 467,000	100%
Total	\$ 467,000	100%

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**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	CDL Debt Service Fund	\$ 559,792
	Other Governmental Funds	621,793
	Fiduciary Funds	569,850
Future Building Fund	Fiduciary Funds	173,888
	Other Governmental Funds	877
Other Governmental Funds	General Fund	83,310
	Other Governmental Funds	177,266
	Fiduciary Funds	27,455
Fiduciary Funds	General Fund	172,946
	Other Governmental Funds	531,258
	Fiduciary Funds	
Total		<u>\$ 2,918,435</u>

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 3,518,582
CDL Debt Service Fund	Other Governmental Funds	180,000
Other Governmental Funds	General Fund	481,342
	CDL Debt Service Fund	5,826
	Other Governmental Funds	196,036
		<u>\$ 4,381,786</u>

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

**Note 4. Restricted Assets**

The restricted assets represent the cash balance, totaling \$8,250, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$480,786, of the MAEP Limited Obligation Bond/Note Fund.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

In addition, the restricted assets represent the investments balance, totaling \$467,000, of the Qualified School Construction Bond sinking fund.

**Note 5. Capital Assets**

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

	Balance 7/1/2013	Additions	Retirements	Balance 6/30/2014
<b>Non-depreciable capital assets:</b>				
Land	\$ 6,541,949	\$ -	\$ -	\$ 6,541,949
Construction in progress	-	1,283,825	-	1,283,825
<b>Total non-depreciable capital assets</b>	<b>6,541,949</b>	<b>1,283,825</b>	<b>-</b>	<b>7,825,774</b>
<b>Depreciable capital assets:</b>				
Buildings	113,625,396	-	-	113,625,396
Building improvements	10,265,897	92,150	-	10,358,047
Improvements other than buildings	9,828,321	-	-	9,828,321
Mobile equipment	3,764,603	443,861	-	4,208,464
Furniture and equipment	2,312,116	146,973	(51,335)	2,407,754
Leased property under capital leases	299,381	-	-	299,381
<b>Total depreciable capital assets</b>	<b>140,095,714</b>	<b>682,984</b>	<b>(51,335)</b>	<b>140,727,363</b>
<b>Less accumulated depreciation:</b>				
Buildings	28,034,909	2,138,467	-	30,173,376
Building improvements	3,945,101	414,322	-	4,359,423
Improvements other than buildings	2,942,819	393,133	-	3,335,952
Mobile equipment	2,213,134	260,870	-	2,474,004
Furniture and equipment	1,761,098	171,985	(45,208)	1,887,875
Leased property under capital leases	149,672	73,414	-	223,086
<b>Total accumulated depreciation</b>	<b>39,046,733</b>	<b>3,452,191</b>	<b>(45,208)</b>	<b>42,453,716</b>
<b>Total depreciable capital assets, net</b>	<b>101,048,981</b>	<b>(2,769,207)</b>	<b>(6,127)</b>	<b>98,273,647</b>
<b>Governmental activities, capital assets, net</b>	<b>\$107,590,930</b>	<b>\$(1,485,382)</b>	<b>\$ (6,127)</b>	<b>\$ 106,099,421</b>

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 2,828,337
Support Services	535,314
Non-instructional	<u>88,540</u>
Total depreciation expense - Governmental activities	<u>\$ 3,452,191</u>

Construction in progress is comprised of:

	<u>Incurred through June 30, 2014</u>	<u>Remaining Commitment</u>
Jeff Davis Renovations	\$ 1,113,061	\$ 286,059
Biloxi Junior High Roof	<u>170,764</u>	<u>216,136</u>
Total	<u>\$ 1,283,825</u>	<u>\$ 502,195</u>

Construction projects included in governmental activities were funded with proceeds from debt financing.

**Note 6. Long-term Liabilities**

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

	<u>Balance</u>				<u>Balance</u>	
	<u>7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustment</u>	<u>6/30/2014</u>	<u>Amounts due within one year</u>
A. General obligation refunding bonds payable	\$ 23,915,000	-	(4,505,000)		19,410,000	4,440,000
Premium on debt issuance	701,004		(120,532)		580,472	120,531
B. Limited obligation bonds payable	4,540,000	3,760,000	(4,535,000)	(5,000)	3,760,000	710,000
Premium on debt issuance	16,334	59,081	(2,722)		72,693	14,538
C. Three mill notes payable	5,525,000	2,070,000	(1,040,000)		6,555,000	1,080,000
D. Shortfall notes payable	536,922			(536,922)	-	
E. Qualified school construction bonds payable	2,335,000	-			2,335,000	-
F. Obligations under capital leases	213,099		(82,607)		130,492	86,093
G. Compensated absences payable	514,441	-	(12,545)		501,896	-
Total	<u>\$ 38,296,800</u>	<u>\$5,889,081</u>	<u>\$ (10,298,406)</u>	<u>\$ (541,922)</u>	<u>\$ 33,345,553</u>	<u>\$ 6,451,162</u>

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds, Series 2013	2%	4/25/2013	6/15/2018	\$7,300,000	\$4,550,000
General Obligation Refunding Bonds, Series 2010	2.0%-3.5%	3/11/2010	4/1/2021	20,505,000	14,860,000
Total				<u>\$27,805,000</u>	<u>\$19,410,000</u>

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

1. General obligation refunding bond issue of 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 2,510,000	\$ 91,000	\$ 2,601,000
2016	830,000	40,800	870,800
2017	865,000	24,200	889,200
2018	345,000	6,900	351,900
Total	<u>\$ 4,550,000</u>	<u>\$ 162,900</u>	<u>\$ 4,712,900</u>

This debt will be retired from Fund 4031.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

2. General obligation refunding bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,930,000	\$ 464,935	\$ 2,394,935
2016	1,985,000	416,685	2,401,685
2017	2,055,000	357,135	2,412,135
2018	2,120,000	295,485	2,415,485
2019	2,180,000	229,765	2,409,765
2020- 2021	4,590,000	239,375	4,829,375
	<u>\$ 14,860,000</u>	<u>\$ 2,003,380</u>	<u>\$ 16,863,380</u>

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

Total payments for all bond issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 4,440,000	\$ 555,935	\$ 4,995,935
2016	2,815,000	457,485	3,272,485
2017	2,920,000	381,335	3,301,335
2018	2,465,000	302,385	2,767,385
2019	2,180,000	229,765	2,409,765
2020- 2021	4,590,000	239,375	4,829,375
Total	<u>\$ 19,410,000</u>	<u>\$ 2,166,280</u>	<u>\$ 21,576,280</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 4% of property assessments as of October 1, 2013.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds, Series 2014	2.0%	2/20/2014	2/1/2018	\$3,760,000	\$3,760,000
<b>Total</b>				<b>\$3,760,000</b>	<b>\$3,760,000</b>

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

1. Limited obligation bond issue of 2/20/2014

Year Ending June 30	Principal	Interest	Total
2015	\$ 710,000	\$ 64,131	\$ 774,131
2016	880,000	52,200	932,200
2017	895,000	34,450	929,450
2018	1,275,000	16,350	1,291,350
<b>Total</b>	<b>\$ 3,760,000</b>	<b>\$ 167,131</b>	<b>\$ 3,927,131</b>

This debt will be retired from **Fund** 4041.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the school district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**Advance Refunding**

On February 20, 2014, the school district issued \$3,760,000 in state aid capital improvement bonds with an average interest rate of 2.0% to advance refund \$3,765,000 of outstanding bonds with an average interest rate of 2.45%. The net proceeds of \$3,773,606 after payments of \$45,475 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement bonds.

As a result, the 2006 series state aid capital improvement bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

The school district advance refunded the 2006 series state aid capital improvement bonds to reduce its total debt service payments over the remaining 4 years of the debt by \$141,348 and to realize an economic gain of \$140,867.

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note Refunding, 2011	2%-3%	6/2/2011	5/1/2018	\$ 7,555,000	\$ 4,485,000
Limited Tax Notes, 2013	2.5%-3.375%	8/15/2013	5/1/2022	2,070,000	2,070,000
Total				<u>\$ 9,625,000</u>	<u>\$ 6,555,000</u>

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

1. Limited tax note refunding issued 6/2/2011

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,080,000	\$ 111,982	\$ 1,191,982
2016	1,105,000	90,382	1,195,382
2017	1,135,000	62,758	1,197,758
2018	1,165,000	34,951	1,199,951
Total	<u>\$ 4,485,000</u>	<u>\$ 300,073</u>	<u>\$ 4,785,073</u>

This debt will be retired from Fund 4021.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

2. Limited tax notes issued 8/15/2013

Year Ending June 30	Principal	Interest	Total
2015	\$ -	\$ 61,031	\$ 61,031
2016	-	61,031	61,031
2017	-	61,031	61,031
2018	-	61,031	61,031
2019	495,000	61,031	556,031
2020- 2022	<u>1,575,000</u>	<u>101,513</u>	<u>1,676,513</u>
Total	<u>\$ 2,070,000</u>	<u>\$ 406,668</u>	<u>\$ 2,746,668</u>

This debt will be retired from Fund 4021.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,080,000	\$ 173,013	\$ 1,253,013
2016	1,105,000	151,413	1,256,413
2017	1,135,000	123,789	1,258,789
2018	1,165,000	95,982	1,260,982
2019	495,000	61,031	556,031
2020- 2022	<u>1,575,000</u>	<u>101,513</u>	<u>1,676,513</u>
Total	<u>\$ 6,555,000</u>	<u>\$ 706,741</u>	<u>\$ 7,261,741</u>

D. Shortfall notes payable

This debt was retired during the current year.

**BILOXI SCHOOL DISTRICT**

**Notes to the Financial Statements  
For Year Ended June 30, 2014**

**E. Qualified school construction bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Federally Taxable Limited-Tax Note, Series 2011	0.83%	3/30/2011	3/1/2026	<u>\$2,335,000</u>	<u>\$2,335,000</u>
Total				<u>\$2,335,000</u>	<u>\$2,335,000</u>

**F. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of copy machines at a cost of \$330,782. This lease qualifies as a capital lease for accounting purposes.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Hancock Bank	4.14%	12/20/2011	12/20/2015	<u>\$330,782</u>	<u>\$130,492</u>
Total				<u>\$330,782</u>	<u>\$130,492</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 86,093	\$ 3,782	\$ 89,875
2016	<u>44,399</u>	<u>535</u>	<u>44,934</u>
Total	<u>\$ 130,492</u>	<u>\$ 4,317</u>	<u>\$ 134,809</u>

This debt will be retired from the district maintenance fund.

**G. Compensated absences payable**

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

**Note 7. Prior Year Defeasance of Debt**

During 2014, the Biloxi Public School District defeased certain limited obligation bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

district's financial statements. On June 30, 2014, \$3,765,000 of limited obligation bonds is defeased.

In prior years, the Biloxi Public School District defeased certain general obligation bonds payable and certain general trust certificates payable by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on these old debts. Accordingly, the trust account assets and liabilities for the defeased bonds and trust certificates are not included in the district's financial statements. On June 30, 2014, \$4,560,000 of general obligation bonds and \$14,470,000 of trust certificates is defeased.

**Note 8. Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** 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 for fiscal year ended June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$4,399,957, \$4,042,480, and \$3,572,734, respectively, which equaled the required contributions.

**Note 9. Sixteenth Section Lands**

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

Year Ending June 30	Amount
2015	\$ 9,205
2016	9,205
2017	9,205
2018	9,205
2019	9,205
2020 – 2024	46,025
2025 – 2029	46,025
2030 – 2034	46,025
2035 – 2039	27,715
Thereafter	8,795
Total	<u>\$ 220,610</u>

## BILOXI SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2014

#### **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.

#### **Note 11. Risk Management**

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

#### **Note 12. Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bonds proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$467,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

BILOXI SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

Year Ending June 30,	Amount
2015	\$ 155,667
2016	155,667
2017	155,667
2018	155,667
2019	155,667
2020-2024	778,335
2025-2026	311,329
Total	<u>\$ 1,867,999</u>

**Note 13. Effect of Deferred Amounts on Net Position**

The net investment in capital assets component of net position of \$74,197,946 includes the effect of the deferred amount on refunding. The \$942,182 balance of the deferred amount on refunding at June 30, 2014 will be expensed and decrease the net investment in capital assets component of net position over the remaining 8 years of the debt service requirement of all refunded debt obligations. The amount expensed in 2014 was \$287,581.

**Note 14. Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Biloxi Public School District evaluated the activity of the district through December 15, 2014, (the date the financial statements were available to be issued), and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On August 1, 2014, the Biloxi Public School District issued \$489,814 in shortfall notes with an average interest rate of 1.74%.



**REQUIRED SUPPLEMENTARY INFORMATION**



**Biloxi School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	25,428,040	24,892,899	25,392,492	(535,141)	499,593
State sources	20,764,544	20,776,133	20,769,383	11,589	(6,750)
Federal sources	995,000	894,135	900,885	(100,865)	6,750
<b>Total Revenues</b>	<b>47,187,584</b>	<b>46,563,167</b>	<b>47,062,760</b>	<b>(624,417)</b>	<b>499,593</b>
<b>Expenditures:</b>					
Instruction	25,354,542	25,745,190	25,745,190	(390,648)	-
Support services	18,332,200	18,618,296	18,618,296	(286,096)	-
Noninstructional services	28,106	28,553	28,553	(447)	-
Debt service:					
Principal	266,300	120,565	120,565	145,735	-
<b>Total Expenditures</b>	<b>43,981,148</b>	<b>44,512,604</b>	<b>44,512,604</b>	<b>(531,456)</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	3,206,436	2,050,563	2,550,156	(1,155,873)	499,593
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	4,164,864	4,312,807	481,342	147,943	(3,831,465)
Other financing sources	500,000	869,606	379,792	369,606	(489,814)
Operating transfers out	(7,442,141)	(7,350,047)	(3,518,582)	92,094	3,831,465
<b>Total Other Financing Sources (Uses)</b>	<b>(2,777,277)</b>	<b>(2,167,634)</b>	<b>(2,657,448)</b>	<b>609,643</b>	<b>(489,814)</b>
<b>Net change in fund balances</b>	<b>429,159</b>	<b>(117,071)</b>	<b>(107,292)</b>	<b>(546,230)</b>	<b>9,779</b>
<b>Fund Balances:</b>					
July 1, 2013	6,017,681	6,156,793	6,147,015	139,112	(9,778)
Increase (decrease) in reserve for inventory	-	(412)	(412)	(412)	-
<b>June 30, 2014</b>	<b>6,446,840</b>	<b>6,039,310</b>	<b>6,039,311</b>	<b>(407,530)</b>	<b>1</b>

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

BILOXI SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

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.

**SUPPLEMENTARY INFORMATION**



**BILOXI PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 508,071
National school lunch program	10.555	1,685,902
Summer food service program for children	10.559	109,548
Total child nutrition cluster		<u>2,303,521</u>
Fresh fruit and vegetable program	10.582	877
Total passed-through Mississippi Department of Education		<u>2,304,398</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,304,398</u>
<b><u>U.S. Department of Defense</u></b>		
Direct program(s):		
Reserve Officers' Training Corps	12.XXX	82,200
Air Force Reserve Officer Training Corps Operating	12.XXX	10,231
<b>Total U.S. Department of Defense</b>		<u>92,431</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	176,600
<b>Total Federal Communications Commission</b>		<u>176,600</u>
<b><u>U.S. Department of Education</u></b>		
Direct programs:		
Impact aid	84.041	633,557
Total		<u>633,557</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,778
Total		<u>1,778</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,367,467
Career and technical education - basic grants to states	84.048	56,543
Gaining early awareness and readiness in undergraduate programs	84.334	23,900
English language acquisition grants	84.365	37,216
Improving teacher quality state grants	84.367	488,504
Total		<u>1,973,630</u>
Special education cluster:		
Special education - grants to states	84.027	1,214,736
Special education - preschool grants	84.173	66,966
Total special education cluster		<u>1,281,702</u>
Total passed-through Mississippi Department of Education		<u>3,255,332</u>
<b>Total U.S. Department of Education</b>		<u>3,890,667</u>
<b>Total for All Federal Awards</b>		<u>\$ 6,464,096</u>

**NOTES TO SCHEDULE**

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

**Biloxi School District**  
**Supplementary Information**  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration		School Administration		Other
			Administration	Administration	Administration	Administration	
Salaries and fringe benefits	\$ 37,857,162	30,718,545	1,288,995	2,440,087	3,409,535		
Other	23,345,143	3,194,793	254,587	4,359	19,891,404		
Total	61,202,305	33,913,338	1,543,582	2,444,446	23,300,939		
Total number of students *		5,081					
Cost per student		12,045	304	481	4,586		

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

**Instruction and Other Student Instructional Expenditures -**  
 includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

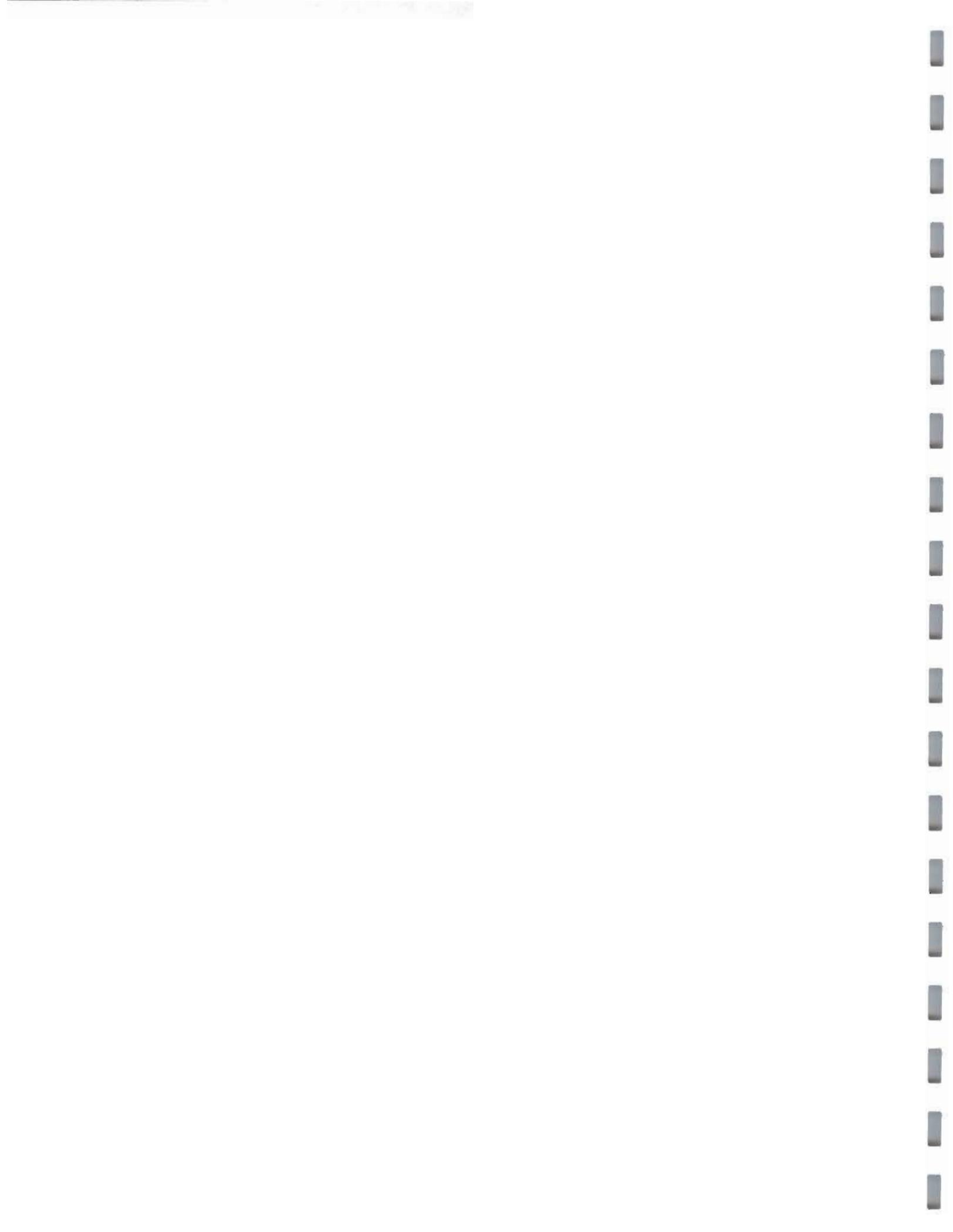
**General Administration -** includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)

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

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

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

**OTHER INFORMATION**



BILOXI SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 25,392,492	24,562,432	23,689,320	24,700,176
State sources	20,769,383	19,973,823	19,283,563	17,415,860
Federal sources	900,885	1,001,422	1,460,762	1,582,169
Total Revenues	<u>47,062,760</u>	<u>45,537,677</u>	<u>44,433,645</u>	<u>43,698,205</u>
<b>Expenditures:</b>				
Instruction	25,745,190	24,884,895	23,518,047	25,674,988
Support services	18,618,296	17,867,437	18,114,431	14,605,897
Noninstructional services	28,553	25,709	6,254	244
Facilities acquisition and construction				64,213
<b>Debt service:</b>				
Principal	82,607	79,263	38,420	
Interest	36,708	29,992	24,336	
Other	1,250	1,250	1,250	1,153
Total Expenditures	<u>44,512,604</u>	<u>42,888,546</u>	<u>41,702,738</u>	<u>40,346,495</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,550,156</u>	<u>2,649,131</u>	<u>2,730,907</u>	<u>3,351,710</u>
<b>Other Financing Sources (Uses):</b>				
Capital leases issued			330,782	
Sale of transportation equipment			5,302	
Sale of other property		110,111		13,150
Forgiveness of prior year debt	379,792			
Operating transfers in	481,342	109,999	123,122	116,863
Operating transfers out	(3,518,582)	(2,896,141)	(3,642,261)	(3,926,610)
Total Other Financing Sources (Uses)	<u>(2,657,448)</u>	<u>(2,676,031)</u>	<u>(3,183,055)</u>	<u>(3,796,597)</u>
Net Change in Fund Balances	<u>(107,292)</u>	<u>(26,900)</u>	<u>(452,148)</u>	<u>(444,887)</u>
<b>Fund Balances:</b>				
Beginning of period	6,147,015	6,185,558	6,646,474	7,096,805
Decrease in reserve for inventory	<u>(412)</u>	<u>(11,643)</u>	<u>(8,768)</u>	<u>(5,444)</u>
End of period	<u>\$ 6,039,311</u>	<u>6,147,015</u>	<u>6,185,558</u>	<u>6,646,474</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

BILOXI SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 29,561,573	29,628,899	28,832,441	29,806,208
State sources	22,392,282	21,674,821	20,971,396	19,339,859
Federal sources	6,470,847	6,825,863	8,516,905	9,924,573
Sixteenth section sources	11,962	9,054	10,271	7,305
<b>Total Revenues</b>	<b>58,436,664</b>	<b>58,138,637</b>	<b>58,331,013</b>	<b>59,077,945.00</b>
<b>Expenditures:</b>				
Instruction	28,129,674	27,538,147	27,294,379	32,958,748
Support services	21,253,040	20,389,193	21,031,731	15,136,609
Noninstructional services	2,911,289	2,823,563	2,980,811	2,568,912
Facilities acquisition and construction	1,375,975		660,949	2,754,848
<b>Debt service:</b>				
Principal	6,402,607	6,477,909	6,024,344	5,368,000
Interest	1,009,129	1,222,322	1,584,260	1,877,985
Other	120,591	80,936	5,600	183,939
<b>Total Expenditures</b>	<b>61,202,305</b>	<b>58,532,070</b>	<b>59,582,074</b>	<b>60,849,041.00</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(2,765,641)</b>	<b>(393,433)</b>	<b>(1,251,061)</b>	<b>(1,771,096.00)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	2,070,000			2,335,000
Forgiveness of prior year debt	379,792			
Refunding bonds issued	3,760,000	7,300,000		7,555,000
Capital leases issued			330,782	
Premium debt issuance	59,081	129,003		84,991
Sale of transportation equipment			5,302	
Sale of other property		110,111		13,150
Operating transfers in	4,381,786	3,211,454	4,022,836	4,630,304
Operating transfers out	(4,381,786)	(3,211,454)	(4,022,836)	(4,630,304)
Payment to refunded bond escrow agent	(3,773,606)	(7,357,167)		(7,515,744)
Other financing uses		(6,103)		
<b>Total Other Financing Sources (Uses)</b>	<b>2,495,267</b>	<b>175,844</b>	<b>336,084</b>	<b>2,472,397</b>
<b>Net Change in Fund Balances</b>	<b>(270,374)</b>	<b>(217,589)</b>	<b>(914,977)</b>	<b>701,301</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,344,983	15,567,862	16,431,026	15,733,501
Prior period adjustments			79,033	
Beginning of period, as restated	15,344,983	15,567,862	16,510,059	15,733,501
<b>Increase (Decrease) in reserve for inventory</b>	<b>17,485</b>	<b>(5,290)</b>	<b>(27,220)</b>	<b>(3,776)</b>
<b>End of period</b>	<b>\$ 15,092,094</b>	<b>15,344,983</b>	<b>15,567,862</b>	<b>16,431,026</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
Accountants

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

December 15, 2014

Superintendent and School Board  
Biloxi Public School District  
Biloxi, Mississippi

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Biloxi Public School District's basic financial statements and have issued our report thereon dated December 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Biloxi Public School District's internal control over financial reporting 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 Biloxi Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness Biloxi Public School District's internal control.

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

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

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### **Compliance and Other Matters**

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

### **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.

*McDaniel CPA Firm*

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

December 15, 2014

Superintendent and School Board  
Biloxi Public School District  
Biloxi, Mississippi

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

We have audited Biloxi Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Biloxi School District's major federal programs for the year ended June 30, 2014. Biloxi Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Biloxi Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Biloxi Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Biloxi Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control over Compliance***

Management of Biloxi Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Biloxi Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Biloxi Public School District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*McDaniel CPA Firm*

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
Accountants

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

December 15, 2014

Superintendent and School Board  
Biloxi Public School District  
Biloxi, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2014, which collectively comprise Biloxi Public School District's basic financial statements and have issued our report thereon dated December 15, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$11,540 of classroom supply funds carried over from previous years.

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

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

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

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

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

*McDaniel CPA Firm*

**BILOXI SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Section 1: 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 Section 510(a) of OMB Circular A-133? | no            |

7 . Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster
10.555	Child Nutrition Cluster
10.559	Child Nutrition Cluster
84.041	Impact Aid

- |     |  |            |
|-----|--|------------|
| 8 . | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9 . | Auditee qualified as a low-risk auditee?                                 | yes        |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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