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Biloxi Public School District
Biloxi, Mississippi

Financial Statements

June 30, 2005

Biloxi Public School District
Biloxi, Mississippi

June 30, 2005

Table of Contents

	Page
Financial Audit Report	
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-10
Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18-36
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	37
Budgetary Comparison Schedule – School Food Service Fund	38
Notes to the Required Supplementary Information	39
Supplemental Information	
Schedule of Expenditures of Federal Awards	40
Schedule of Instructional, Administrative, and Other Expenditures – Governmental Funds	41
Reports on Compliance and Internal Control	
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*	42-43
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with *OMB Circular A-133*	44-45
Independent Auditor's Report on Compliance with State Laws and Regulations	46-47
Schedule of Findings and Questioned Costs	48-49
Auditee's Corrective Action Plan	50
Summary Schedule of Prior Year Audit Findings	51

BILOXI PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

CULUMBER, FLETCHER, HARVEY
& ASSOCIATES, P.A.
Certified Public Accountants and Consultants
BILOXI • GULFPORT

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

Superintendent and School Board
Biloxi Public School District

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, 2005, which collectively comprise the Biloxi Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Biloxi Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2007, on our consideration of the Biloxi Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 37 thru 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Biloxi Public School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures – Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Culumber, Fletcher, Harvey & associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.

Biloxi, MS
May 29, 2007

BILOXI PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The discussion and analysis of Biloxi Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to the financial statements, and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between current year and prior year is required to be presented.

Financial Highlights

- Total net assets increased $4,135,403 which represents a 9% increase due to the addition of capital assets.

- General revenues account for $29,745,281 in revenue, or 50% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $30,011,739 or 50% of total revenues.

- The District had $55,621,617 in expenses; only $30,011,739 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $29,745,281 were adequate to provide for these programs.

- Among major funds, the General Fund had $44,894,966 in revenues and $40,799,277 in expenditures. The General Fund's fund balance decreased $3,798,178 from the prior year.

- Capital assets, net of accumulated depreciation, decreased by $319,597 due to the sale of the old Dukate Elementary no longer in use by the District.

- Long-term debt decreased by $3,675,000, excluding compensated absences, as the District continued to pay down outstanding issues.

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basis financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and included all assets and liabilities.

The statement of net assets presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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.

The government-wide financial statements can be found in Exhibit A and Exhibit B of this report.

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 – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted into cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are in Exhibit C-1 and D-1, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information in presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found in Exhibit C and D of this report.

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. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The School District's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets in Exhibit E.

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 within this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A Budgetary Comparison Schedule has been provided for the General Fund and the School Food Service Fund.

A Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and can be found within this report.

A Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is also required by the Office of the State Auditor and can be found within this report.

Governmental-wide Financial Analysis

Net assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $50,134,365 as of June 30, 2005.

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

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2005 and 2004.

	2005	2004
Assets		
Current assets	$ 25,360,439	$ 25,570,892
Capital assets, net	100,291,404	100,611,001
Total assets	125,651,843	126,181,893
Liabilities		
Current liabilities	4,642,408	5,971,357
Long-term debt outstanding	70,875,070	74,551,310
Total liabilities	75,517,478	80,522,667
Net assets		
Invested in capital assets, net of related debt	29,806,404	26,451,001
Restricted	15,091,278	9,660,136
Unrestricted	5,236,683	9,548,089
Total net assets	$ 50,134,365	$ 45,659,226

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

- The principal retirement of $3,675,000 of long-term debt.
- The sale of $1,641,126 in capital assets at the site of the former Dukate Elementary. The assets had a remaining book value of $425,574 at the time of the sale.

Changes in net assets – The District's total revenues for the fiscal year ended June 30, 2005 were $59,757,020. The total cost of all programs and services was $55,621,617. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

	2005	2004
Revenues		
Program revenues	$ 30,011,739	$ 29,864,777
General revenues	29,745,281	26,551,044
Total revenues	59,757,020	56,415,822
Expenses		
Instruction	31,805,912	30,698,678
Support services	18,206,961	16,993,949
Non-instructional	2,468,392	2,707,205
Interest in long-term debt	3,140,352	3,496,810
Total expenses	55,621,617	53,896,642
Increase in net assets	$ 4,135,403	$ 2,519,179

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

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	$31,805,912	$ (6,067,079)	$30,698,678	$ (5,115,804)
Support services	18,206,961	(16,669,256)	16,993,949	(15,452,509)
Non-instructional	2,468,392	266,809	2,707,205	33,258
Interest in long-term debt	3,140,352	(3,140,352)	3,496,810	(3,496,810)
Total expenses	$55,621,617	$ (25,609,878)	$53,896,642	$ (24,031,865)

- Net cost of governmental activities ($25,609,878), was financed by general revenue, which is made up of primarily ad valorem taxes ($17,448,041), gaming revenue ($6,773,074), and interest earnings ($502,085).

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.

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 $21,225,849, an increase of $314,265 due primarily to the proceeds from the sale of Dukate Elementary in the amount of $1,150,000.

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 $3,798,178. The other major funds presented are the School Food Service Fund and the Three Mill Construction Fund. The decrease in fund balance of $1,598,338 is primarily due to construction expenditures.

Budgetary Highlights

Over the year, the District revised the annual operating budget as changes occurred.

Budget amounts for revenue from state sources were decreased to due our original budget numbers being based on full funding under the Mississippi Adequate Education Program. This was done at the recommendation of the Mississippi Department of Education and, due to Legislative cuts; the District did not receive our original budgeted amounts.

Budget amounts for revenue from local sources were decreased due to original ad valorem tax numbers including approximately $2.4 million in prior year tax collections that had been escrowed. While the District did collect the escrowed taxes during the year, these taxes were not reflected in the current year financial statements. Additionally, the District collected approximately $500,000 more in gaming taxes than originally budgeted which helped offset the reduction in ad valorem tax revenue.

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, 2005, the District's total capital assets were $120,379,392, including school buildings, buses, other school vehicles, furniture and equipment and construction in progress. This amount represents an increase of $934,173 from the previous year primarily due to the completion of the construction of Gorenflo Elementary, Nichols Elementary, and the football stadium. Total accumulated depreciation as of June 30, 2005 was $20,087,988 and total depreciation expenses for the year was $2,509,488, resulting in total net assets of $100,291,404.

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

Debt Administration - At June 30, 2005 the District had $70,875,070 in general obligation bonds and other long-term debt outstanding, of which $4,130,000 is due within one year.

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

Additional information of the District's long-term debt can be found in Note 5 of 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 millage has remained the lowest of all Gulf Coast Districts. In addition, 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.

Contacting the District's Financial Management

If you have questions about this report, contact the Business Office of the Biloxi Public School District, 160 St. Peters Avenue, Biloxi, MS 39533.

BILOXI PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

Exhibit A

Biloxi Public School District

Statement of Net Assets
June 30, 2005

		Governmental Activities
ASSETS		
Cash and cash equivalents (Note 2)	$	22,261,923
Due from other governments		2,813,773
Inventories and prepaid items		276,493
Restricted assets		8,250
Capital assets, net (Note 4)		100,291,404
Total assets		125,651,843
LIABILITIES		
Accounts payable and accrued liabilities		2,388,589
Due to other governments		1,465,010
Deferred revenue		18,045
Interest payable on long-term liabilities		770,764
Long-term liabilities (due within one year) (Note 5)		
Capital-related liabilities		4,130,000
Long-term liabilities (due beyond one year) (Note 5)		
Capital-related liabilities		66,355,000
Non-capital liabilities		390,070
Total liabilities		75,517,478
NET ASSETS		
Invested in capital assets (net of related debt)		29,806,404
Restricted net assets		
Expendable:		
School-based activities		879,096
Debt service		3,952,723
Capital improvements		10,117,042
Unemployment benefits		134,167
Nonexpendable:		
Sixteenth section		8,250
Unrestricted		5,236,683
Total net assets	$	50,134,365

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

Exhibit B

Biloxi Public School District

Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$ 31,805,912	$ 356,679	$ 25,382,154	$ -	$ (6,067,079)
Support services	18,206,961	-	1,537,705	-	(16,669,256)
Non-instructional	2,468,392	678,662	1,906,539	150,000	266,809
Interest on long-term liabilities	3,140,352	-	-	-	(3,140,352)
Total governmental activities	$ 55,621,617	$ 1,035,341	$ 28,826,398	$ 150,000	(25,609,878)
General Revenues:					
Taxes:					
General purpose levies					13,362,875
Debt purpose levies					4,085,166
Gaming					6,773,074
Unrestricted grants and contributions:					
State					940,114
Federal					2,829,946
Unrestricted investment earnings					502,085
Sixteenth section sources					6,217
Insurance loss recoveries					2,603
Sale of surplus property					1,152,808
Other					90,393
Total general revenues					29,745,281
Change in Net Assets					4,135,403
Net Assets - Beginning, restated					45,998,962
Net Assets - Ending					$ 50,134,365

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

Exhibit C

Biloxi Public School District

Balance Sheet - Governmental Funds
June 30, 2005

	Major Funds				
	General Fund	School Food Service	Three - Mill Construction Fund	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 2)	$ 6,008,285	$ 1,345,010	$ 6,260,775	$ 8,656,103	$ 22,270,173
Due from other goverments	1,006,238	155,651	-	1,651,884	2,813,773
Due from other funds (Note 3)	4,709,797	4,517	1,724,618	294,717	6,733,649
Inventories and prepaid items	-	13,547	-	-	13,547
Total assets	$ 11,724,320	$ 1,518,725	$ 7,985,393	$ 10,602,704	$ 31,831,142
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 1,353,327	$ 535,999	$ 99,395	$ 399,868	$ 2,388,589
Due to other funds (Note 3)	3,890,036	638,780	2,059,699	1,610,144	8,198,659
Deferred revenue	-	-	-	18,045	18,045
Total liabilities	5,243,363	1,174,779	2,159,094	2,028,057	10,605,293
Fund balances:					
Reserved for:					
Unemployment benefits	-	-	-	134,167	134,167
Inventory	-	13,547	-	-	13,547
Capital improvements	-	-	5,826,299	4,290,743	10,117,042
16th Section	-	-	-	8,250	8,250
Debt service	-	-	-	3,952,723	3,952,723
Unreserved:					
Undesignated, reported in:					
General fund	6,480,957	-	-	-	6,480,957
Special revenue funds	-	330,399	-	188,764	519,163
Total fund balances	6,480,957	343,946	5,826,299	8,574,647	21,225,849
Total liabilities & fund balances	$ 11,724,320	$ 1,518,725	$ 7,985,393	$ 10,602,704	$ 31,831,142

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

Exhibit C-1

Biloxi Public School District

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

			Amount
Total Fund Balance - Governmental Funds		$	21,225,849
Amounts reported for governmental activities in the statement of net assets are different because:			
1	Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $23,454,163		100,291,404
2	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)		(70,875,070)
3	Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		(770,764)
4	Items that are normally expensed in the governmental funds are capitalized as prepaid expenses in the statement of net assets.		262,946
Total Net Assets - Governmental Activities		$	50,134,365

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

Exhibit D

Biloxi Public School District

Statement of Revenues, Expenditures, and Changes in Fund Balances For Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Other Govern-mental Funds	Total Governmental Funds
	General Fund	School Food Service	Three - mill Construction Fund		
REVENUES					
Local sources	$ 20,747,985	$ 712,169	$ 198,299	$ 4,265,229	$ 25,923,682
State sources	21,221,387	14,823	-	1,922,295	23,158,505
Federal sources	2,925,594	1,826,458	-	4,761,152	9,513,204
Sixteenth section revenue	-	-	-	6,218	6,218
Total revenues	44,894,966	2,553,450	198,299	10,954,894	58,601,609
EXPENDITURES					
Instruction	24,413,396	-	-	4,724,971	29,138,367
Support services	16,280,266	152,295	26,160	1,968,535	18,427,256
Noninstructional services	105,615	2,170,756	-	30,835	2,307,206
Facilities acquisition and construction	-	-	2,100,876	369,208	2,470,084
Debt Service:					
Principal	-	-	-	3,675,000	3,675,000
Interest	-	-	-	3,408,939	3,408,939
Other	-	-	-	15,903	15,903
Total expenditures	40,799,277	2,323,051	2,127,036	14,193,391	59,442,755
Excess (deficiency) of revenues over expenditures	4,095,689	230,399	(1,928,737)	(3,238,497)	(841,146)
OTHER FINANCING SOURCES (USES)					
Other financing sources	30,341	-	-	-	30,341
Insurance loss recoveries	2,603	-	-	-	2,603
Sale of surplus property	2,808	-	-	1,150,000	1,152,808
Transfers in	-	100,000	-	8,055,352	8,155,352
Transfers out	(7,929,619)	-	-	(225,733)	(8,155,352)
Other financing uses	-	-	-	(30,341)	(30,341)
Total other financing sources and uses	(7,893,867)	100,000	-	8,949,278	1,155,411
Net change in fund balances	(3,798,178)	330,399	(1,928,737)	5,710,781	314,265
Fund Balances:					
July 1, 2004	9,939,399	80,589	7,755,036	2,863,866	20,638,890
Prior period adjustment	339,736	-	-	-	339,736
Fund balance, July 1, 2004, restated	10,279,135	80,589	7,755,036	2,863,866	20,978,626
Increase (decrease) in reserve for inventory	-	(67,042)	-	-	(67,042)
June 30, 2005	$ 6,480,957	$ 343,946	$ 5,826,299	$ 8,574,647	$ 21,225,849

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

Exhibit D-1

Biloxi Public School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2005

		Amount
Net change in fund balances - governmental funds		$ 314,265
Amounts reported for governmental activities in the statement of activities are different because:		
1	Governmental fund report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to $2,861,341 and the depreciation expense amounted to $2,509,488. (Note 4)	351,853
2	Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)	3,675,000
3	Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	268,591
4	In the statement of activities, certain operating expenses -- compensated absences (sick leave and vacations) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave earned exceeded the amounts used by $1,240	1,240
5	In the statement of activities, only the gain on the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus the change in net assets differs from the change in fund balances.	(671,450)
6	Items that are normally expensed in the governmental funds are recorded as prepaid expenses in the government-wide statement of activities	262,946
7	Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(67,042)
Change in net assets of governmental activities		$ 4,135,403

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

Exhibit E

Biloxi Public School District

Statement of Fiduciary Net Assets
June 30, 2005

	Agency Funds
Assets	
Cash and cash equivalents	$ 1,009,044
Due from other funds	1,465,010
Total Assets	$ 2,474,054
Liabilities	
Accounts payable and accrued liabilities	$ 2,330,575
Due to student clubs	143,479
Total Liabilities	$ 2,474,054

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

BILOXI PUBLIC SCHOOL DISTRICT

NOTE DISCLOSURES

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 Standard 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

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the School District's governing board.

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

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

The Authority is governed by a board which consists of the superintendent and members of the school board. Although it is legally separate from the School District, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statement of the School District (see Note 9).

B. Basis of Presentation

The School District's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

Fund financial statements of the School District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories; governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets 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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used regardless of when the related cash flow take place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Note 1 – Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

General Fund – This is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

School Food Service Fund – This fund accounts for all of the food distribution of the School District, except those required to be accounted for in another fund.

Three-mill Construction Fund – This fund accounts for financial resources to be used for the acquisition or construction of schools in the district.

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

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications in the financial statements conform to the broad classifications recommended in the *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances

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

F. Cash and Cash Equivalents

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than 12 months when acquired. Investments are reported at fair value.

Note 1 – Summary of Significant Accounting Policies (Continued)

H. 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.

I. Capital Assets

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. Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivable are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget require to collect to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.

2) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3) Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for unemployment benefits – An account that represents the fund balance of the unemployment revolving fund, which is legally restricted for the payment of unemployment benefits.

Reserved for inventory – An account that represents a portion of the fund balance, which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for 16th Section – An account that represents a portion of the fund balance which is legally restricted and not available for spending for any other purpose than for that for which it is restricted.

Reserved for capital improvements fund – An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service – An account that represents that portion of fund balance in the Debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

Revenues from the 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Compensated Absences

Employees of the School District accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by School District policy. 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) from expendable financial resources only if the payable has matured, for example, an employee retires.

The liability for these compensated absences is recorded as long-term liabilities 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 only the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents:

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was $22,270,173, and $1,009,044, respectively. The carrying amounts reported in the government-wide statements the bank balance was: Cash and cash equivalents $22,261,923 and Restricted assets $8,250. The Restricted assets represent the cash balance of the 16th section Principal Funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was $25,905,590.

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. 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. As of June 30, 2005, none of the District's bank balance of $25,905,590 was exposed to custodial credit risk.

Note 3 – Interfund Transactions and Balances

Various funds have made short-term advances to other funds. These advances, shown as "Due From Other Funds", are temporary in nature, bear no interest, and are considered "available expendable resources". The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	Due From	Due To
Governmental Funds:		
General Fund	$4,709,797	$ 3,890,036
School Food Service Fund	4,517	638,780
Three - Mill Construction Fund	1,724,618	2,059,699
Other Governmental Funds:	294,717	1,610,144
Fiduciary funds	1,465,010	-
Total	$8,198,659	$ 8,198,659

B. Transfers In/ Out.
In addition to the above interfund loans, the following transfers were made between funds during the year ended June 30, 2005

	Transfers In	Transfers Out
Governmental Funds		
General Fund	$ -	$7,929,619
School Food Service Fund	100,000	-
Other Governmental Funds:	8,055,352	225,733
Total	$8,155,352	$8,155,352

Note 4 – Capital Assets

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

	Balance 7/1/2004	Additions	Retirements	Completed Construction	Balance 6/30/2005
Non-depreciable capital assets					
Land	$ 6,323,925	$ -	$ -	$ -	$ 6,323,925
Construction in progress	24,212,684	2,499,491	241,911	(25,601,801)	868,463
Total non-depreciable capital assets	30,536,609	2,499,491	241,911	(25,601,801)	7,192,388
Depreciable capital assets					
Buildings	84,277,060	-	1,641,126	25,601,801	108,237,735
Mobile equipment	2,364,418	309,190	36,344	-	2,637,264
Furniture and equipment	2,267,132	52,660	7,787	-	2,312,005
Total depreciable capital assets	88,908,610	361,850	1,685,257	25,601,801	113,187,004
Less accumulated depreciation					
Buildings	15,627,025	2,113,682	1,215,552	-	16,525,155
Mobile equipment	1,534,273	198,364	32,457	-	1,700,180
Furniture and equipment	1,672,920	197,442	7,709	-	1,862,653
Total accumulated depreciation	18,834,218	2,509,488	1,255,718	-	20,087,988
Total depreciable capital assets, net	70,074,392	(2,147,638)	429,539	25,601,801	93,099,016
Governmental activities, capital assets, net	$ 100,611,001	$ 351,853	$ 671,450	$ -	$ 100,291,404

Note 4 – Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	2,020,244
Support services		382,115
Non-instructional		107,129
Total depreciation expense	$	2,509,488

Commitments under construction contracts at June 30, 2005, are summarized as follows:

	Remaining Commitment	Required Future Financing
Baseball Field	$ 1,303,357	$ -
Child Care Facility	247,721	-
Total	$ 1,551,078	$ -

Note 5 – Long-term Liabilities

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

	Balance 7/1/2004	Additions	Reductions	Balance 6/30/2005	Amount due within one year
A. General obligations bonds payable	$ 26,500,000	$ -	$1,250,000	$ 25,250,000	$ 1,405,000
B. Limited obligations bonds payable	9,590,000	-	475,000	9,115,000	495,000
C. Certificates of participation payable	28,075,000	-	1,075,000	27,000,000	1,130,000
D. Three mill note payable	9,995,000	-	875,000	9,120,000	1,100,000
E. Compensated absences payable	391,310	-	1,240	390,070	-
Total	$ 74,551,310	$ -	$3,676,240	$ 70,875,070	$ 4,130,000

Note 5 – Long-term Liabilities (Continued)

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 bonds, Series 2000	Varies	11/01/00	11/01/18	$ 10,000,000	$ 8,825,000
General obligation bonds, Series 2001	Varies	06/01/01	11/01/15	19,500,000	16,425,000
Total				$ 29,500,000	$ 25,250,000

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

Year Ending June 30,	Principal	Interest	Total
2006	$ 1,405,000	$ 1,200,898	$ 2,605,898
2007	1,535,000	1,120,798	2,655,798
2008	1,675,000	1,030,851	2,705,851
2009	1,810,000	939,508	2,749,508
2010	1,950,000	704,720	2,654,720
2011-2015	11,885,000	2,737,871	14,622,871
2016-2019	4,990,000	339,000	5,329,000
Total	$ 25,250,000	$ 8,073,646	$ 33,323,646

The amount of bonded indebtedness that can be incurred by the School District is limited by state statute. Total outstanding bonding 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 state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2004. This debt will be retired from the Debt Service Fund (#4031).

Note 5 – Long-term Liabilities (Continued)

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, Series 1998	Varies	05/01/98	02/01/18	$ 10,350,000	$ 9,115,000
Total				$ 10,350,000	$ 9,115,000

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

Year Ending June 30,	Principal	Interest	Total
2006	$ 495,000	$ 438,150	$ 933,150
2007	520,000	408,715	928,715
2008	550,000	381,260	931,260
2009	575,000	355,660	930,660
2010	600,000	328,635	928,635
2011-2015	3,485,000	1,056,208	4,541,208
2016-2018	2,890,000	927,750	3,817,750
Total	$ 9,115,000	$ 3,896,378	$ 13,011,378

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the 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. This debt will be retired from the MAEP Debt Service fund (#4041).

Note 5 – Long-term Liabilities (Continued)

C. Certificates of participation payable

As more fully explained in Note 9, certificates of participation have been issued by the School District. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Biloxi Public School District trust certificates, 2001	Varies	04/01/01	04/01/21	$ 31,000,000	$ 27,000,000
Total				$ 31,000,000	$ 27,000,000

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

Year Ending June 30	Principal	Interest	Total
2006	$ 1,130,000	$ 1,314,963	$ 2,444,963
2007	1,190,000	1,265,525	2,455,525
2008	1,250,000	1,217,925	2,467,925
2009	1,315,000	1,166,363	2,481,363
2010	1,380,000	1,092,394	2,472,394
2011-2015	8,035,000	4,319,337	12,354,337
2016-2020	10,315,000	2,190,350	12,505,350
2021	2,385,000	119,250	2,504,250
Total	$ 27,000,000	$ 12,686,107	$ 39,686,107

This debt will be retired from the High School Lease Service fund (#4091).

D. Three mill notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	3.04%	4/27/04	5/1/14	$ 9,995,000	$ 9,120,000
Total				$ 9,995,000	$ 9,120,000

Note 5 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2006	$ 1,100,000	$ 260,528	$ 1,360,528
2007	1,135,000	226,556	1,361,556
2008	1,170,000	191,520	1,361,520
2009	1,210,000	155,344	1,365,344
2010	900,000	123,272	1,023,272
2011-2015	3,605,000	217,740	3,822,740
Total	$ 9,120,000	$ 1,174,960	$ 10,294,960

This debt will be retired from the 3 mill Debt Service fund (#4021).

E. Compensated absences payable

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

Note 6 – 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 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 9.75% 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, 2005, 2004 and 2003 were $2,897,596, $2,762,955 and $2,632,283, respectively, which equaled the required contributions for each year.

Note 7 – 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 there from 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
2006	$	7,510
2007		7,510
2008		7,510
2009		7,510
2010		7,510
2011-2015		37,550
2016-2020		37,550
2021-2025		37,550
2026-2030		37,550
Thereafter		40,110
Total	$	227,860

Note 8 – Risk Management & Contingencies

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 8 – Risk Management & Contingencies (Continued)

The Biloxi School District is involved in a dispute with W. G. Yates & Sons Construction Company. This is a contract dispute regarding performance of construction management contracts by Yates and payment of expenses to Yates not covered by the contracts. The District is withholding final payments on Yates' invoices as an offset to the District's demand for reimbursement of bonuses and other expenses that were outside the scope of the contract. The District has contracted with RW Block Consulting, Inc., to perform a financial and construction audit of the District's two construction manager contracts with Yates for recent capital improvements and related construction contracts. As of June 30, 2005, the District continued to withhold the final payments to Yates, pending receipt of the audit report from RW Block.

As of June 30, 2005, the outcome of this dispute was expected to be favorable to the District. If the outcome were unfavorable, the District's losses would be limited to its own attorney's fees for defense of actions over the disputed expenses.

Note 9 – Trust Certificates

A trust agreement dated April 1, 2001, was executed by and between the School District and Bancorp South Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of $31,000,000. Approximately $30,920,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately $80,000 was used to pay the cost of issuance. The project is leased to the School District in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the School District upon complete retirement of the trust certificates. The School District is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the School District are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the School District defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the School District. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

Note 10 – Subsequent events

Debt

In June 2005, the School District approved the resolution for the Biloxi School District General Obligation Refunding Bond Series 2005 in the amount of $21,680,000 which calls for the redemption prior to maturity of the 2000 and 2001 General Obligation Bonds of the District. The District closed on the refunding of these bonds in August 2005.

In May 2006, the School District approved the resolution for the Biloxi School District to obtain Special Community Disaster Loan to cover local revenue shortfalls caused by Hurricane Katrina. FEMA approved the District to borrow an amount not to exceed $13,250,606. On September 15, 2006 the District drew down funds from the SCDL loan in the amount of $2,511,189, leaving an available balance of $10,739,417 to draw down. The District is required to pay the outstanding balance of the loan in a lump sum payment, including deferred interest, in five years from date of the first draw.

In November 2006, the School District approved the resolution for the Biloxi School District State Aid Capital Improvement Refunding Bonds Series 2006 in the amount of $8,520,000, which calls for the redemption prior to maturity of the State Aid Capital Improvement Bonds Series 1998 of the District. The District closed on the refunding of these bonds in December 2006.

In May 2007, the School District approved the resolution for the Biloxi School District Refunding Trust Certificates Series 2007 in the amount of $20,300,000, which calls for the redemption prior to maturity of the Biloxi School District Trust Certificates Series 2001. At this time, the District has not closed on this refunding issue.

Capital Asset Loss

On July 5, 2005 surplus property was completely destroyed by fire. The School District did not have insurance coverage on this building because there was no value to the structure.

On August 29, 2005 Hurricane Katrina passed through the Mississippi Gulf Coast. Several of the Biloxi School District's schools sustained heavy damage and two of the elementary schools flooded. The District has adequate insurance coverage on the schools that were not flooded with minimum deductibles. The District did not have flood insurance on the two schools that flooded. A large portion of the costs to repair the flooded schools has been reimbursed by the Federal Emergency Management Agency (FEMA). In December 2006, the District completed repairs to these two schools that were flooded and resumed holding classes.

Note 11 - Change in Accounting Standards

As required, the Biloxi School District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* for the current fiscal year. This statement addresses common deposit and investment risk related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

Note 12 - Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
Expenditures were inadvertently overstated in the district maintenance fund in the prior year	$339,736

REQUIRED SUPPLEMENTARY INFORMATION

Biloxi Public School District
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 22,735,873	$ 20,747,303	$ 20,747,985	$ (1,988,570)	$ 682
State sources	22,337,260	21,730,721	21,221,387	(606,539)	(509,334)
Federal sources	2,843,820	2,906,579	2,925,594	62,759	19,015
Total Revenues	47,916,953	45,384,603	44,894,966	(2,532,350)	(489,637)
Expenditures:					
Instruction	26,526,122	23,956,586	24,413,396	(2,569,536)	(456,810)
Support services	16,295,025	16,341,172	16,280,266	46,147	60,906
Noninstructional services	-	105,615	105,615	105,615	-
Total Expenditures	42,821,147	40,403,373	40,799,277	(2,417,774)	(395,904)
Excess (Deficiency) of Revenues over Expenditures	5,095,806	4,981,230	4,095,689	(114,576)	(885,541)
Other Financing Sources (Uses):					
Insurance loss recoveries	-	2,603	2,603	2,603	-
Sale of transportation equipment	-	2,808	2,808	2,808	-
Other financing sources	-	30,341	30,341	30,341	-
Operating transfers in	4,467,581	4,324,485	-	(143,096)	(4,324,485)
Operating transfers out	(9,570,263)	(12,253,907)	(7,929,619)	(2,683,644)	4,324,288
Total Other Financing Sources (Uses)	(5,102,682)	(7,893,670)	(7,893,867)	(2,790,988)	(197)
Net Change in Fund Balances	(6,876)	(2,912,440)	(3,798,178)	(2,905,564)	(885,738)
Fund Balances:					
July 1, 2004	9,939,399	9,939,399	9,939,399	-	-
Prior period adjustment	-	-	339,736	-	339,736
July 1, 2004, restated	9,939,399	9,939,399	10,279,135	-	339,736
June 30, 2005	$ 9,932,523	$ 7,026,959	$ 6,480,957	$ (2,905,564)	$ (546,002)

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

Biloxi Public School District
Budgetary Comparison Schedule
School Food Service Fund
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 747,780	$ 686,109	$ 712,169	$ (61,671)	$ 26,060
State sources	37,345	14,823	14,823	(22,522)	-
Federal sources	1,659,797	1,826,458	1,826,458	166,661	-
Total Revenues	2,444,922	2,527,390	2,553,450	82,468	26,060
Expenditures:					
Support services	90,165	252,785	152,295	162,620	100,490
Noninstructional services	2,304,757	2,374,605	2,170,756		203,849
Total Expenditures	2,394,922	2,627,390	2,323,051	232,468	304,339
Excess (Deficiency) of Revenues over Expenditures	50,000	(100,000)	230,399	(150,000)	330,399
Other Financing Sources (Uses):					
Operating transfers in	-	100,000	100,000	100,000	-
Operating transfers out	(50,000)	-	-	50,000	-
Total Other Financing Sources (Uses)	(50,000)	100,000	100,000	150,000	-
Net Change in Fund Balances	-	-	330,399	-	330,399
Fund Balances:					
July 1, 2004	80,589	80,589	80,589	-	-
Increase (decrease) in reserve for inventory	-	-	(67,042)	-	67,042
June 30, 2005	$ 80,589	$ 80,589	$ 343,946	$ -	$ 263,357

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

Biloxi Public School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2005

Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

(3) Individual fund disclosures.

The General Fund has an excess of expenditures over budget in the amount of $395,904. The fund with the excess of expenditures over budget is not in violation of state law since the excess resulted from auditor's adjustments.

Biloxi Public School District
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2005

Federal Grantor/ Pass- through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	$ 141,548
Child nutrition cluster:		
School breakfast program	10.553	483,292
National school lunch program	10.555	1,343,166
Summer food service program for children	10.559	65,258
Total child nutrition cluster		1,891,716
Total U. S. Department of Agriculture		2,033,264
U. S. Department of Education		
Direct programs:		
Impact aid	84.041	2,665,943
Twenty-first century community learning centers	84.287	599,247
Total		3,265,190
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,196
Total		1,196
Passed-through Mississippi Department of Education:		
Title I - grants to local education agencies	84.010	1,899,969
Vocational education - basic grants to states	84.048	81,365
Safe and drug-free schools and communities - state grants	84.186	22,067
State grants for innovative programs	84.298	48,160
Education technology - state grants	84.318	38,056
Teacher quality enhancement grants	84.336	5,000
English language acquisition grants	84.365	115,414
Improving teacher quality - state grants	84.367	570,135
Grants for state assessment and related activities	84.369	3,600
Total		2,783,766
Special education cluster:		
Special education - grants to states	84.027	1,288,676
Special education - preschool grants	84.173	42,938
Special education - capacity building for traditionally underserved populations	84.315	30,325
Total		1,361,939
Total passed-through Mississippi Department of Education		4,145,705
Total U. S. Deparment of Education		7,412,091
U. S. Department of Defense		
Direct program:		
Reserve Officers' Training Corps	12.xxx	99,865
Total U. S. Department of Defense		99,865
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	164,003
Total Federal Communications Commission		164,003
Department of Homeland Security		
Passed through the Mississippi Emergency Management Agency		
Disaster grants - Public Assistance (Presidentially Declared Disasters)	97.036	4,442
Total Department of Homeland Security		4,442
Total for All Federal Awards		$ 9,713,665

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 Public School District
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2005

Expenditures	Total	Instruction	Administrative	Other
Salaries and fringe benefits	$ 38,060,692	$ 26,264,317	$ 3,911,232	$ 7,885,143
Other	21,382,062	2,874,050	534,777	17,973,235
Total	$ 59,442,754	$ 29,138,367	$ 4,446,009	$ 25,858,378
Total number of students	5,907			
Cost per student	$ 10,063	4,933	753	4,378

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

Instruction - 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 the1000 functional codes.

Administrative - includes expenditures for the following functions: Support Services - General Administrati (2300's); Support Services - School Administration (2400's); Support Services - Business (2500's)

CULUMBER, FLETCHER, HARVEY
& ASSOCIATES, P.A.
Certified Public Accountants and Consultants
BILOXI • GULFPORT

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*

Superintendent and School board
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2005, which collectively comprise the Biloxi Public School District's basic financial statements and have issued our report thereon dated May 29, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. *Reportable conditions* involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated May 29, 2007, which is included in this report.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

Culumber, Fletcher, Harvey & associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.
Biloxi, MS

May 29, 2007

CULUMBER, FLETCHER, HARVEY & ASSOCIATES, P.A.
Certified Public Accountants and Consultants
BILOXI • GULFPORT

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB circular A-133

Superintendent and School Board
Biloxi Public School District

Compliance

We have audited the compliance of the Biloxi Public School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The School District's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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 Unites 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 the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Biloxi Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Biloxi Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be a material weaknesses.

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

Culumber, Fletcher, Harvey & associates, P.A.

Culumber, Fletcher, Harvey & Associates, P.A.
Biloxi, MS
May 29, 2007

CULUMBER, FLETCHER, HARVEY & ASSOCIATES, P.A.
Certified Public Accountants and Consultants
BILOXI • GULFPORT

Independent Auditor's Report on Compliance with State Laws and Regulations

May 29, 2007

Superintendent and School Board
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2005, which collectively comprise the Biloxi Public School District's basic financial statements as listed in the table of contents and have issued our report thereon dated May 29, 2007. 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), 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 $38,759 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

During our payroll testing, we noted a payment was made to an employee before an executed contract was signed and placed in the employee's file. This is not in accordance with State Code Section 37-9-43 of the Miss. Code Ann. (1972), which states that it is unlawful for any employee to be paid for any services until a written contract has been executed.

Recommendation

The district should comply with the above referenced code section and ensure that each contractual employee has a signed executed contract by both the employee and the authorized agent of the Biloxi School District before the employee receives payment for services rendered.

Response

The District contends that the signature of the licensed employee prior to the payment date essentially executes the contract. The licensed employee had previously been renewed and approved by the Board, and the superintendent's signature is merely a formality. However, the District will make every effort to ensure the superintendent signs all contracts prior to issuance of the first paycheck of the contract period.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

Culumber, Fletcher, Harvey & associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.
Biloxi, MS
May 29, 2007

Biloxi Public School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 1 – Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	Unqualified
2.	Material noncompliance related to the financial statements?	No
3.	Internal control over financial reporting:	
	a. Material weakness (es) identified?	No
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal Programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness (es) identified?	No
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	No
6.	Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?	No
7.	Federal programs identified as major programs:	
	a. Child Nutrition Cluster CFDA # 10.555 – National School Lunch Program CFDA # 10.553 – School Breakfast Program CFDA # 10.559 – Summer Food Service Program	
	b. Impact Aid CFDA # 84.041	
	c. Twenty-first Century Community Learning Center CFDA # 84.287	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	No

10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section__.315 (b) of OMB Circular A-133? Yes

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses

04-1 Finding

During our testing of purchasing, we noted that several purchase orders were not accurately completed as to item description, a few purchase orders did not have the supporting documentation and one purchase order was dated after the invoice.

Recommendation

The district should implement policies and procedures to insure that all purchase orders agree to the purchase requisition, properly approved and that they are completed in a timely manner and correctly as to product description and expense classification.

Section 3: Federal Award Findings and Questioned Costs

None

Biloxi Public Schools

Business Office

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Shane L. Switzer, CPA • Director of Business Management

Financial and Compliance Audit Division

As Required by Section __ 315(c) of OMB Circular A-133, the Biloxi Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

Finding	Corrective Action Plan Details
04-1.	a. Name of contact person responsible for Corrective Action: Shane L. Switzer, CPA, Director of Business Management, 228-374-1810.
	b. Corrective Action Taken: The District concurs with the auditor's recommendation, and is re-emphasizing the existing policies and procedures that are in place. Furthermore, the District is taking measures to ensure that no purchase order is approved unless it is in accordance with District policy and state purchasing laws. The District is also considering additional staff to strengthen controls and assist with the workload of the purchasing department.
	c. Anticipated Completion Date: This finding has already been addressed, and will continue to be monitored.

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Biloxi Public School District
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2005

Section II – Financial Statement Findings

04-1 This finding wasn't noted until after the current fiscal year ended. The District has since implemented procedures to ensure compliance with the applicable procurement laws.