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Audited Financial Statements  
June 30, 2005

**J.E. Fortenberry, III, PC**  
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Moss Point School District  
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**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board  
Moss Point School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2005, which collectively comprise the Moss Point School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Moss Point School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Moss Point School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 25, 2007 on my consideration of the Moss Point School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. 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 my audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedules and corresponding notes on pages 38-41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

**AICPA & MSCPA**

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Moss Point 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, PC  
January 25, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MOSS POINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Moss Point 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 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.

**FINANCIAL HIGHLIGHTS**

- General revenues account for \$23,748,853, or 77% of all revenues. The general revenues for 2004 consisted of \$23,072,328, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,231,472, 23% of total revenues compared to \$8,420,627 or 27% in 2004.
- The district had \$30,361,895 in expenditures, an amount that increased when compared with the \$30,153,289 in expenditures for the prior year; only \$7,231,472 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$23,748,853 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,177,595 in revenues and \$22,250,243 in expenditures. In 2004 the General Fund had \$23,105,898 in revenues and \$20,953,141 in expenditures. The General Fund's fund balance decreased \$1,037,075 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$209,809.
- Long-term debt decreased by \$333,350.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic 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 include all assets and liabilities.

The statement of net assets presents information on all 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 and other expenses on long-term liabilities.

The government-wide financial statements can be found on pages 16 and 17 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 to 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 financial 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 on pages 19 and 21, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented

separately in the governmental 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 on pages 18 and 20 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 separate Statements of Fiduciary Net Assets on page 22.

**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 on pages 23-37 of 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 statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 38-41 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 43 and 44 of this report.

## **GOVERNMENT-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 \$17,509,946 as of June 30, 2005.

A large portion of the District's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

assets and the depreciation of capital assets.

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

	<u>2005</u>	<u>2004</u>	<u>Percentage Change</u>
<b>Assets</b>			
Current assets	\$ 8,497,921	8,325,397	2.1%
Capital assets, net	<u>11,181,816</u>	<u>11,391,625</u>	-1.8%
<b>Total assets</b>	19,679,737	19,717,022	-0.2%
<b>Liabilities</b>			
Current liabilities	1,692,496	2,014,861	-16.0%
Long-term liabilities	<u>477,295</u>	<u>810,645</u>	-41.1%
<b>Total liabilities</b>	2,169,791	2,825,506	-23.2%
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	10,921,948	11,389,346	-4.1%
Restricted	3,219,601	1,489,007	116.2%
Unrestricted	<u>3,368,397</u>	<u>4,013,163</u>	-16.1%
<b>Total Net Assets</b>	\$ 17,509,946	16,891,516	3.7%

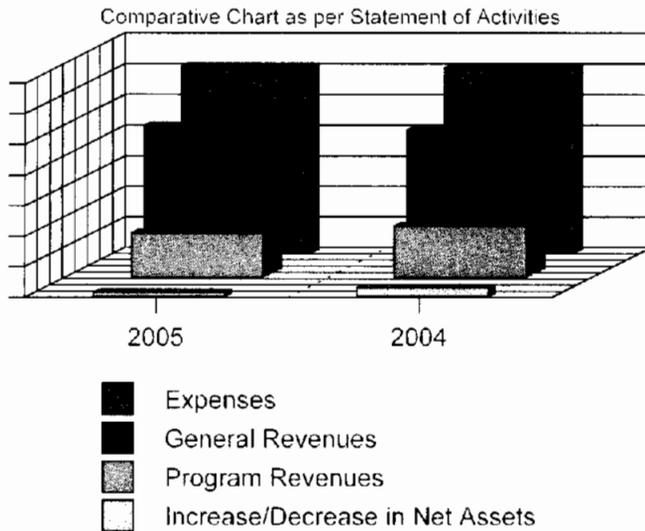
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$313,767 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$30,980,325. The total cost of all programs and services was \$30,361,895. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005, and 2004, respectively.

	<u>2005</u>	<u>2004</u>	<u>Percentage Change</u>
<b>Revenues</b>			
<b><u>Program Revenues</u></b>			
Charges for services	\$ 611,719	576,419	6.1%
Operating Grants and Contributions	6,413,636	7,811,209	-17.9%
Capital Grants and Contributions	<u>206,117</u>	<u>32,999</u>	524.6%
Total Program Revenues	7,231,472	8,420,627	-14.1%
<b><u>General Revenues</u></b>			
Property Taxes	7,350,059	6,790,119	8.2%
Unrestricted Grants and Contributions	16,190,253	16,076,440	0.7%
Unrestricted Investment Earnings	106,136	66,441	59.7%
Sixteenth Section Sources	12,341	5,955	107.2%

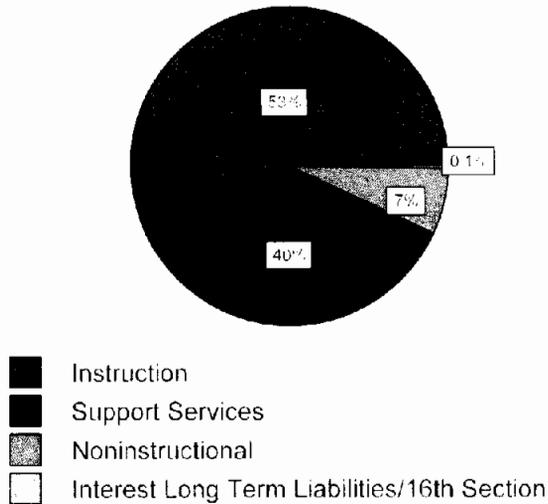
Other	90,064	133,373	-32.5%
Total General Revenues	23,748,853	23,072,328	2.9%
<b>Total revenues</b>	<b>30,980,325</b>	<b>31,492,955</b>	<b>-1.6%</b>
<b>Expenses</b>			
Instruction	16,013,542	16,377,913	-2.2%
Support services	12,289,887	11,553,927	6.4%
Non-instructional	2,040,453	2,190,019	-6.8%
Interest on long-term liabilities	18,013	31,430	-42.7%
<b>Total expenses</b>	<b>30,361,895</b>	<b>30,153,289</b>	<b>0.7%</b>
Increase (Decrease) in net assets	618,430	1,339,666	-53.8%
Net Assets, July 1	16,891,516	15,551,850	8.6%
Prior Period Adjustment	0	0	
Net Assets, June 30	<b>\$ 17,509,946</b>	<b>16,891,516</b>	<b>3.7%</b>



**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section 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 contribution of the State and District's taxpayers by each of these functions.

	2005	2004	2005	2004
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 16,013,542	16,377,913	(13,520,003)	(12,583,621)
Support Services	12,289,887	11,553,927	(11,497,607)	(8,963,467)
Non-Instructional	2,040,453	2,190,019	1,905,200	(154,144)
Interest on Long-Term Liabilities	18,013	31,430	(18,013)	(31,430)
	\$ 30,361,895	30,153,289	(23,130,423)	(21,732,662)

Expenses as per Statement of Activities



## 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 \$6,805,425, a increase of \$494,889. \$6,719,310 or 98.73% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at

the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$86,115 or 1.27% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$1,037,075. The fund balance of Other Governmental Funds showed an increase of \$12,192.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

Budget amounts for revenue from local, state and federal sources in the General Fund were increased primarily due to the final Adequate Education allocation, which was budgeted originally at an amount less than the tentative allocation as recommended by the Mississippi Department of Education as a safeguard for possible state funding cuts mid-year.

Budget amounts for expenditures were amended as funding sources/amounts changed. In FY 05 increases were made for higher costs of bus fuel and utilities and the continuation of district-wide facility improvement projects.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount.

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 \$20,065,560, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$344,617 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$8,883,744 and total depreciation expense for the year was \$610,722, resulting in total net capital assets of \$11,181,816.

	Capital Assets, Net of Depreciation		Percentage
	2005	2004	Change
Land	\$ 479,587	479,587	0.0%
Buildings	9,448,656	9,757,331	-3.2%
Improvements other than buildings	137,274	87,947	56.1%
Mobile equipment	797,272	670,370	18.9%
Furniture and equipment	319,027	388,931	-18.0%
Leased property under capital leases	0	7,459	-100.0%
	<u>\$11,181,816</u>	<u>11,391,625</u>	<u>-1.8%</u>

Additional information of the District's capital assets can be found in Note 5 on page 33 of this report.

**Debt Administration.** At June 30, 2005, the District had \$259,868 in a shortfall note outstanding, of which \$259,868 is due within one year.

			Percentage
	2005	2004	Change
Shortfall notes payable	\$259,868	511,556	-49.2%
Obligations under capital leases	0	2,279	-100.0%
Obligations under energy efficiency lease	0	59,800	-100.0%
Compensated absences	<u>217,427</u>	<u>237,010</u>	<u>-8.3%</u>
	<u>\$477,295</u>	<u>810,645</u>	<u>-41.1%</u>

Additional information of the District's long-term debt can be found in Note 6 on page 34 of this report.

## **CURRENT ISSUES**

The Moss Point School District is financially sound. The Monthly Attendance Record submitted to the Mississippi Department of Education for Month 6, FY 05, shows enrollment to be 3,821 students, Month 6, FY 04 enrollment was 3,947 students. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are 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 Finance Office of the Moss Point School District, 4924 Church Street, Moss Point, MS 39563-2645 .

## FINANCIAL STATEMENTS

**MOSS POINT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS AND OTHER DEBITS</b>	
<b>Assets:</b>	
<i>Cash and other deposits</i>	\$ 7,803,797
<i>Due from other governments</i>	601,121
<i>Inventories and prepaid items</i>	86,115
<i>Restricted Assets</i>	6,888
<i>Capital Assets, net of accumulated depreciation</i>	11,181,816
<b>Total Assets</b>	<u>19,679,737</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	324,835
<i>Due to other governments</i>	1,320,215
<i>Deferred revenue</i>	47,446
<b>Long-term liabilities (due within one year):</b>	
<i>Capital related liabilities</i>	259,868
<i>Non-capital related liabilities</i>	10,871
<b>Long-term liabilities (due beyond one year)</b>	
<i>Non-capital related liabilities</i>	206,556
<b>Total Liabilities</b>	<u>2,169,791</u>
<b>NET ASSETS</b>	
<i>Invested in Capital Assets, Net of Related Debt</i>	10,921,948
<b>Restricted For:</b>	
<i>School Based Activities</i>	903,098
<i>Debt Service</i>	1,780
<i>Capital Improvements</i>	2,150,528
<i>Forestry</i>	482
<i>Unemployment</i>	156,825
<i>Sixteenth Section</i>	
<i>Nonexpendable</i>	6,888
<i>Unrestricted</i>	3,368,397
<b>Total Net Assets</b>	<u>\$ 17,509,946</u>

The accompanying notes are an integral part of this statement.

**MOSS POINT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary government					
Governmental Activities:					
<i>Instruction</i>	16,013,542	211,644	2,075,778	206,117	(13,520,003)
<i>Support services</i>	12,289,887	--	792,280	--	(11,497,607)
<i>Noninstructional services</i>	2,040,453	400,075	3,545,578	--	1,905,200
<i>Interest on long-term liabilities</i>	18,013	--	--	--	(18,013)
Total Primary Government	<u>\$ 30,361,895</u>	<u>\$ 611,719</u>	<u>\$ 6,413,636</u>	<u>\$ 206,117</u>	<u>(23,130,423)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					7,350,059
Unrestricted grants and contributions:					
<i>State</i>					16,092,861
<i>Federal</i>					97,392
<i>Unrestricted investment earnings</i>					106,136
<i>Sixteenth section sources</i>					12,341
<i>Other</i>					90,064
Total general revenues					<u>23,748,853</u>
Change in Net Assets					618,430
Net Assets - Beginning					<u>16,891,516</u>
Net Assets - Ending					<u>\$ 17,509,946</u>

The accompanying notes are an integral part of this statement.

**MOSS POINT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	General Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 4,217,212	\$ 2,150,528	\$ 1,442,945	\$ 7,810,685
<i>Due from other governments</i>	310,675	-	290,446	601,121
<i>Inventories and prepaid items</i>	50,448	-	35,667	86,115
<b>Total Assets</b>	<b>\$ 4,578,335</b>	<b>\$ 2,150,528</b>	<b>\$ 1,769,058</b>	<b>\$ 8,497,921</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 298,201	\$ -	\$ 26,634	\$ 324,835
<i>Due to other funds</i>	1,095,681	-	224,534	1,320,215
<i>Deferred revenue</i>	-	-	47,446	47,446
<b>Total Liabilities</b>	<b>1,393,882</b>	<b>-</b>	<b>298,614</b>	<b>1,692,496</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
<i>Inventory</i>	50,448	-	35,667	86,115
<i>Unemployment</i>			156,825	156,825
<i>Forestry</i>			482	482
<i>Permanent funds</i>			6,888	6,888
<b>Unreserved, undesignated, reported in:</b>				
<i>General fund</i>	3,134,005	-	-	3,134,005
<i>Special Revenue funds</i>	-	-	1,268,802	1,268,802
<i>Capital projects funds</i>	-	2,150,528	-	2,150,528
<i>Debt service funds</i>	-	-	1,780	1,780
<b>Total Fund Balances</b>	<b>3,184,453</b>	<b>2,150,528</b>	<b>1,470,444</b>	<b>6,805,425</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,578,335</b>	<b>\$ 2,150,528</b>	<b>\$ 1,769,058</b>	<b>\$ 8,497,921</b>

**MOSS POINT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005*

Total fund balances - governmental funds balance sheet	\$ 6,805,425
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,181,816
Liabilities due in one year	(259,868)
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(217,427)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 17,509,946</u>

The accompanying notes are an integral part of this statement.

**MOSS POINT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
Local sources	\$ 7,377,017	\$ --	\$ 701,525	\$ 8,078,542
State sources	16,216,273	--	727,173	16,943,446
Federal sources	584,305	--	5,282,255	5,866,560
Sixteenth section sources	--	--	12,341	12,341
Total revenues	<u>24,177,595</u>	<u>--</u>	<u>6,723,294</u>	<u>30,900,889</u>
<b>Expenditures:</b>				
Instruction	12,670,255	--	3,109,029	15,779,284
Support services	9,502,543	376,748	2,466,076	12,345,367
Noninstructional services	--	--	1,923,606	1,923,606
Facilities acquisition and construction	13,980	60,664	--	74,644
Debt service:				
Principal	62,078	--	251,688	313,766
Interest	1,387	--	16,626	18,013
Total expenditures	<u>22,250,243</u>	<u>437,412</u>	<u>7,767,025</u>	<u>30,454,680</u>
Excess (deficiency) of revenues (over) expenditures	1,927,352	(437,412)	(1,043,731)	446,209
<b>Other financing sources (uses):</b>				
Insurance loss recoveries	79,436	--	--	79,436
Operating transfers in	70,051	1,987,940	1,440,438	3,498,429
Operating transfers out	(3,113,914)	--	(384,515)	(3,498,429)
Other financing uses	--	--	--	--
Total other financing sources (uses)	<u>(2,964,427)</u>	<u>1,987,940</u>	<u>1,055,923</u>	<u>79,436</u>
Net change in fund balance	(1,037,075)	1,550,528	12,192	525,645
<b>Fund Balances:</b>				
July 1, 2004	4,221,528	600,000	1,489,008	6,310,536
July 1, 2004 as restated	4,221,528	600,000	1,489,008	6,310,536
Increase (decrease) in reserve for inventory	--	--	(30,756)	(30,756)
June 30, 2005	<u>\$ 3,184,453</u>	<u>\$ 2,150,528</u>	<u>\$ 1,470,444</u>	<u>\$ 6,805,425</u>

The accompanying notes are an integral part of this statement.

**MOSS POINT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005*

Net change in fund balances - total governmental funds	\$ 525,645
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	401,482
The depreciation of capital assets used in governmental activities is not reported in the funds.	(610,722)
Capital asset gain or loss on disposition of asset	(569)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	2,279
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	311,488
Change in inventory is an adjustment to FB in funds but affects non-instructional EX in SOA.	(30,756)
Compensated absences reported as amount earned in SOA but as amount paid in the funds.	<u>19,583</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 618,430</u>

The accompanying notes are an integral part of this statement.

**MOSS POINT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2005

	Agency Funds
<b>ASSETS</b>	
Assets:	
Cash and other deposits	\$ 659,730
Due from other funds	1,320,215
<b>Total Assets</b>	<b>\$ 1,979,945</b>
<b>LIABILITIES</b>	
Liabilities:	
Accounts Payable & Accrued Liabilities	\$ 1,925,269
Claims payable	293
Due to student clubs	54,383
<b>Total Liabilities</b>	<b>\$ 1,979,945</b>

The accompanying notes are an integral part of this statement.

**Moss Point School District**  
Notes to the Financial Statements  
June 30, 2005

## **Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

### (1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

#### A. Financial Reporting Entity.

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 a "primary government." The school district is governed by a five member board which each member was elected by the citizens of the city of Moss Point.

#### 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 the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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.

## Moss Point School District

Notes to Financial Statements  
For the Year Ended June 30, 2005

### ***Fund Financial Statements:***

Fund financial statements of the reporting entity 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 takes 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 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 so 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.

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.

**Capital Project Funds** - This fund accounts for the funds transferred from the General Fund and the expenditures associated with the renovation and construction of school facilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

## Moss Point School District

Notes to Financial Statements  
For the Year Ended June 30, 2005

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 Project 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 to account 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.

### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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 result of operations.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *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 the *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.

## **Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

### **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 account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

### **G. Investments.**

The school district is allowed, by statute, to invest excess fund, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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 of greater than twelve months when acquired. Investments are reported at fair value.

### **H. Inventories and Prepaid Items.**

Donated inventories 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

### **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 assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for

**Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

all assets, except land. The following scale details those thresholds.

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>Useful Life</u>
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 amounts will correspond with the amounts for the asset classifications, as listed. See **Note (5)** for details.

**J. Long-term liabilities.**

Long-term liabilities are the unmatured principal of bonds, warrants, notes or other forms of noncurrent 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. 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 (6)** 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 receivables 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 requires to collect to the fund that statute or budget requires 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 4** for details for interfund transactions, including receivables and payables at year-end.

## **Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

### 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, construction, 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."

#### ***Fund Financial Statements:***

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between 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 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 unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest land.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

## Moss Point School District

Notes to Financial Statements  
For the Year Ended June 30, 2005

### M. Property Taxes.

Ad valorem property taxes are levied by the governing authorities of the City of Moss Point 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.

### 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 and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

### (2) Changes in Accounting Standards.

As required, the Moss Point School District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks 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.

### (3) Cash and Cash Equivalents, and Investments.

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

## **Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (3), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amount less than \$100 can be credited to the General Fund.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$7,810,685, and \$659,730 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$7,803,797 and Restricted assets \$6,888. The restricted assets represents the cash balance of the 16<sup>th</sup> 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 \$9,376,364.

***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 the FDIC coverage are collateralized by the pledging financial institutions 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 \$9,376,364 was exposed to custodial credit risk.

**Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$0	\$1,095,681
Other governmental funds	0	224,534
Fiduciary Funds	<u>1,320,215</u>	<u>0</u>
Total Funds	\$1,320,215	\$1,320,215

The purpose of the Due From/To other funds balances was to eliminate deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 70,051	\$ 3,113,914
Capital Project Fund	1,987,940	0
Other Governmental Funds	<u>1,440,438</u>	<u>384,515</u>
Total Funds	\$ 3,498,429	\$3,498,429

The purpose of the transfers was to reimburse federal administrative costs, to move indirect cost to operating account, for construction uses, etc. All transfers were routine and consistent with the fund making the transfer.

(5) Capital Assets.

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

	Balance 7-01-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 479,587				479,587
Total non-depreciable capital assets	<u>479,587</u>	0	0		<u>479,587</u>
<u>Depreciable capital assets:</u>					
Buildings	15,433,754				15,433,754
Improvements other than buildings	140,339	57,230			197,569
Mobile equipment	1,827,383	238,400			2,065,783
Furniture and equipment	1,826,925	105,852	56,865	12,955	1,888,867
Leased property under capital leases	12,955			(12,955)	0
Total depreciable capital assets	<u>19,241,356</u>	<u>401,482</u>	<u>56,865</u>		<u>19,585,973</u>

**Moss Point School District**

**Notes to Financial Statements  
For the Year Ended June 30, 2005**

	Balance 7-01-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
<u>Less accumulated depreciation for:</u>					
Buildings	5,676,423	308,675			5,985,098
Improvements other than buildings	52,392	7,903			60,295
Mobile equipment	1,157,013	111,498			1,268,511
Furniture and equipment	1,437,994	182,646	56,296	5,496	1,569,840
Leased property under capital leases	5,496			(5,496)	0
<b>Total accumulated depreciation</b>	<b>8,329,318</b>	<b>610,722</b>	<b>56,296</b>	<b>0</b>	<b>8,883,744</b>
<b>Total depreciable capital assets, net</b>	<b>10,912,038</b>	<b>(209,240)</b>	<b>569</b>	<b>0</b>	<b>10,702,229</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 11,391,625</b>	<b>(209,240)</b>	<b>569</b>	<b>0</b>	<b>11,181,816</b>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 396,771
Support Services	182,920
Non-instructional	<u>31,031</u>
<b>Total depreciation expense</b>	<b><u>\$ 610,722</u></b>

(6) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Principal Payments	Balance 6-30-2005	Amounts due within one year
A. Shortfall notes payable	511,556		251,688	259,868	259,868
B. Obligations under capital leases	2,279		2,279	0	
C. Obligations under energy efficiency lease	59,800		59,800	0	
D. Compensated absences payable	237,010		19,583	217,427	
<b>Total</b>	<b>\$ 810,645</b>	<b>0</b>	<b>333,350</b>	<b>477,295</b>	<b>259,868</b>

A. Shortfall notes payable.

Debt currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Revenue Shortfall note, series 2003	3.25%	06/03	06/06	\$755,257	\$259,868

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

**Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>259,868</u>	<u>8,446</u>	<u>268,314</u>
Total	<u>\$259,868</u>	<u>\$8,446</u>	<u>\$268,314</u>

This debt will be retired from the shortfall notes retirement fund.

**B. Obligation under capital lease.**

The School District has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is comprised of a copier

The various options available to the lessee for this lease are as follows:

1. Assume ownership at end of lease.

This debt was retired during the year.

**C. Obligation under energy efficiency lease.**

An energy efficiency sublease agreement dated October 17, 2001, was executed by and between the School District, the School District sublease, the State of Mississippi Department of Finance and Administration, the lessee and Carlyle Capital Markets, Inc., the lessor.

This agreement authorized the borrowing of \$352,995 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of that lease shall be made for the School District maintenance fund and not exceed ten (10) years.

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

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

This debt was retired from the School District Maintenance Fund.

**D. Compensated Absences.**

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

## Moss Point School District

Notes to Financial Statements  
For the Year Ended June 30, 2005

absences will be paid from the fund from which the employee's salaries were paid.

(7) 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 392-01 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 rate for fiscal year ending June 30, 2005 was 10.75% 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 \$1,699,779, \$1,601,346, and \$1,525,239, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2006	\$ 5,170
2007	5,170
2008	5,170
2009	5,170
2010	4,770
2011-2015	23,850
2016-2020	23,850

**Moss Point School District**

Notes to Financial Statements  
For the Year Ended June 30, 2005

2021-2025	23,850
2026-2030	23,850
2031-2039	<u>42,930</u>
Total	<u>\$163,780</u>

(9) Other Commitments.

Operating Leases.

1. Four Copiers located at the central office and one copier located at Moss Point High School Athletic Department.
2. Software

Lease expenditures for the year ended June 30, 2005 amounted to \$42,355. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2006	\$ 42,355
2007	35,677
2008	<u>2,287</u>
Total	<u>\$80,319</u>

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to

## **Moss Point School District**

### **Notes to Financial Statements For the Year Ended June 30, 2005**

deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) **Subsequent events.**

On November 30, 2005, subsequent to the year reported in this financial statement, Moss Point School District applied for a Special Community Disaster Loan (SCDL), as a result of the major disaster declaration for the State of Mississippi. The Community Disaster Loan Act of 2005 authorized FEMA to make a SCDL to any local government or other political subdivision, which may suffer a substantial loss of tax and other revenue as a result of a major disaster and demonstrates a need for financial assistance in order to perform its governmental functions. Moss Point School District was approved for a SCDL in the amount of \$2,947,117 at an interest rate of 3%, which is to be used for the purpose of allowing the District to carry on existing functions or to expand such functions to meet disaster-related needs associated with hurricane Katrina's destruction.

On August 15, 2005, subsequent to the year reported in this financial statement, Moss Point School District submitted a loan application in the amount of \$2,500,000 to the State Department of Education. The Qualified Zone Academy Bonds will supply funds for the much needed renovation at Moss Point High School. A tentative budget has been prepared for the renovating, repairing, and equipping of the school buildings and related facilities. The District must repay its QZAB in one lump sum in 10 years. To assist in the repayment, the District will make annual deposits into an investment vehicle to earn interest.

REQUIRED SUPPLEMENTARY INFORMATION

MOSS POINT SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,587,250	7,606,613	7,377,017	19,363	(229,596)
State sources	16,190,204	16,190,204	16,216,273	-	26,069
Federal sources	207,500	150,121	584,305	(57,379)	434,184
Total Revenues	<u>23,984,954</u>	<u>23,946,938</u>	<u>24,177,595</u>	<u>(38,016)</u>	<u>230,657</u>
<b>Expenditures:</b>					
Instruction	12,906,475	12,976,501	12,670,255	(70,026)	306,246
Support services	9,853,391	9,754,478	9,502,543	98,913	251,935
Facilities acquisition and construction	13,980	13,980	13,980	-	-
Debt Service					
Principal	62,078	62,078	62,078	-	-
Interest	1,387	1,387	1,387	-	-
Total Expenditures	<u>22,837,311</u>	<u>22,808,424</u>	<u>22,250,243</u>	<u>28,887</u>	<u>558,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,147,643</u>	<u>1,138,514</u>	<u>1,927,352</u>	<u>(9,129)</u>	<u>788,838</u>
<b>Other Financing Sources (Uses):</b>					
Insurance Loss Recoveries	-	567,400	79,436	567,400	(487,964)
Transfers In	2,813,057	3,450,454	70,051	637,397	(3,380,403)
Transfers out	(3,711,238)	(5,974,594)	(3,113,914)	(2,263,356)	2,860,680
Total Other Financing Sources (Uses)	<u>(898,181)</u>	<u>(1,956,740)</u>	<u>(2,964,427)</u>	<u>(1,058,559)</u>	<u>(1,007,687)</u>
Net Change in Fund Balances	<u>249,462</u>	<u>(818,226)</u>	<u>(1,037,075)</u>	<u>(1,067,688)</u>	<u>(218,849)</u>
<b>Fund Balances:</b>					
July 1, 2004	-	4,221,528	4,221,528	4,221,528	-
June 30, 2005	\$ <u>249,462</u>	<u>3,403,302</u>	<u>3,184,453</u>	<u>3,153,840</u>	<u>(218,849)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Moss Point School District**

### **Notes to the Required Supplementary Information For the Year Ended June 30, 2005**

#### **Budgetary Comparison Schedule**

**(1) Basis of Presentation**

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

**(2) Budget Amendments and Revisions.**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before 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.

SUPPLEMENTAL INFORMATION

**Moss Point School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2005

**Schedule 1**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Noncash assistance:		
Food Donation	10.550	\$106,368
Child Nutrition Cluster:		
School Breakfast Program	10.553	427,442
National School Lunch Program	10.555	1,077,645
Summer Food Service Program for Children	10.559	31,216
Total child nutrition cluster		<u>1,536,303</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>1,642,671</u>
<b><u>U. S. DEPARTMENT OF DEFENSE</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	<u>54,252</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>		
Direct Program:		
Public Safety Partnership Community Policing Grant	16.710	<u>102,669</u>
<b><u>FEDERAL COMMUNICATION COMMISSION</u></b>		
Administered through the Universal Service Administrative Company		
The schools and Libraries Program of the Universal Service Fund	32.xxx	<u>97,392</u>
<b><u>OFFICE OF AIR AND RADIATION, ENVIRONMENTAL PROTECTION AGENCY</u></b>		
Direct Program:		
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	<u>33,600</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,405,730
Vocational Education - Basic Grant to States	84.048	76,355
Safe and Drug Free Schools and Communities - State Grants	84.186	27,187
21st Century Community Learning Centers	84.287	298,780
State Grants for Innovative Programs	84.298	24,515
Education Technology State Grants	84.318	33,319
Comprehensive School Reform Demonstration	84.332	64,851
Improving Teacher Quality - State Grants	84.367	393,138
Grants for State Assessments and Related Activities	84.369	131
Special Education Cluster:		
Special Education - Grants to States	84.027	1,098,522
Special Education - Preschool Grants	84.173	24,454
Total special education cluster		<u>1,122,976</u>
Total passed-through the MDE		<u>2,324,006</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>3,446,982</u>
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>		
Direct Program:		
Disaster Grants - Public Assistance	97.036	<u>486,782</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$5,864,348</u></u>

**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and 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.

**Moss Point School District****Schedule 2**

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	\$ 22,584,159	16,594,094	2,831,959	3,158,106
Other	7,870,521	3,032,625	660,876	4,177,020
<b>Total</b>	<b>\$ 30,454,680</b>	<b>19,626,719</b>	<b>3,492,835</b>	<b>7,335,126</b>
Total number of students *	3,770			
Cost per student	\$ 8,078	5,206	926	1,946

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 the 1000 functional codes)

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

Other - includes all expenditure functions not included in Instruction or Administrative

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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  
Moss Point School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2005, which collectively comprise Moss Point School District's basic financial statements and have issued my report thereon dated January 25, 2007. I conducted my 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 my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 05-1.

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. My 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, I believe the reportable condition described in the finding referred to 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit

and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

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.



J.E. Fortenberry, III, PC  
January 25, 2007

Certified Public Accountant

## **J.E. FORTENBERRY, III, PC**

**Certified Public Accountant**

### **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**

Superintendent and School Board  
Moss Point School District

#### Compliance

I have audited the compliance of the Moss Point 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 the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I 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 I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, the Moss Point 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 the Moss Point 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 my audit, I 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 my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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 condition in which the design or operation of one or more of the internal control components does

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not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, 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. I did not note any matters involving internal control over compliance and its operation that I consider to be 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 these specified parties. However, this report is a matter of public record and its distribution is not limited.



J.E. Fortenberry, III, PC  
January 25, 2007

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**

**Certified Public Accountant**

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

Superintendent and School Board  
Moss Point School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2005, which collectively comprise Moss Point School District's basic financial statements and have issued my report thereon dated January 25, 2007. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures 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 \$78,765.39 classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

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



J.E. Fortenberry, III, PC  
January 25, 2007

Certified Public Accountant

**AICPA & MSCPA**

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Moss Point 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 relating to the financial statements? No.
3. Internal control over financial reporting:
  - (1) Material weaknesses identified? No.
  - (2) Reportable conditions 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 weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA# 10.553  
CFDA# 10.555  
CFDA# 10.559
  - b. Title I Grants to Local Educational Agencies.  
CFDA# 84.010
  - c. Special Education Cluster  
CFDA# 84.027  
CFDA# 84.173
  - d. Improving Teacher Quality  
CFDA# 84.367

- e. Disaster Grants  
CFDA# 97.036
- 8. The dollar threshold used to distinguish between Type A and Type B programs was: \$300,000.
- 9. Auditee qualified as a low-risk auditee? Yes.
- 10. Prior fiscal year audit findings and questioned cost 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? No.

## Section 2: Financial Statement Findings

### Reportable Conditions Not Considered to be Material Weaknesses

#### 05-1 Finding

The following internal control weaknesses were noted during my examination of expenditure transactions selected for test purposes.

A sample of sixty (60) items was tested for compliance with the District's purchasing policies when there was evidence of Accounts Payable personnel not following the board's purchasing policies in the following instances. In three (3) instances the invoices were dated prior to the purchase orders due to the lack of authorization prior to the purchase order being issued. There were also four (4) instances in which copies of the invoices were used to pay vendors.

#### Recommendation

The District should implement and follow policies and procedures to correct the above noted weaknesses. At a minimum the District should implement the following procedures:

Purchase orders should be prepared and approved by personnel prior to the ordering of goods or services.

Only original invoices should be used for processing payments.

## Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

**Moss Point School District**  
4924 Church Street  
Moss Point, MS 39563-2645

**Rachel Carpenter, Ph.D. - Superintendent**  
**David Rubenstein - Chief Financial Officer**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(b) of OMB Circular A-133, the Moss Point School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
05-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Rachel Carpenter, Superintendent, 228-475-0691 David Rubenstein, Chief Financial Officer, 228-474-2269</p> <p>b. Corrective Action Planned:</p> <p>The school district will take every measurable step to ensure purchase orders are prepared and approved by personnel prior to the ordering of goods. Written purchasing procedures will be distributed to all sites. In service will be conducted for administrators and appropriate staff.</p> <p>c. Auditor's Note:</p> <p>Auditor noted that the above steps were implemented during the fiscal year. The instances reported occurred only at the beginning of the year and were corrected before the end of the year.</p>

