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**PASS CHRISTIAN PUBLIC SCHOOL DISTRICT**

**Unaudited Financial Statements  
For the Year Ended June 30, 2005**

**Charles L. Shivers, CPA  
Ridgeland, MS**



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AUDITOR'S REPORT

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Member  
AICPA  
MSCPA

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and Board of Trustees  
Pass Christian Public School District

I was engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian Public School District as of and for the year ended June 30, 2005, which collectively comprise the Pass Christian Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pass Christian Public School District's management.

Sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support the account balances for local revenues, instructional expenditures, support services expenditures, noninstructional expenditures, facilities acquisition and construction expenditures and capital assets on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian Public School District. Certain required disclosures were omitted from the Notes to the Financial Statements.

Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support the account balances listed above on the financial statements and certain required disclosures were omitted from the Notes to the Financial Statements, and I was not able to apply other audit procedures to satisfy myself, the scope of my work was not sufficient for me to express, and I do not express an opinion on the school district's financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 11, 2006, on my consideration of the Pass Christian Public School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an 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 considered in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and related notes are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. Management of the district has elected to omit the Management's Discussion and Analysis. However, I have applied certain limited procedures to the Budgetary Comparison Schedule and related notes 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.

My engagement was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pass Christian Public School District's basic financial statements. The accompanying 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 as required by the Mississippi State Auditor's Office. However, I did not audit the information and express no opinion on it.



Ridgeland, MS  
May 11, 2006

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## BASIC FINANCIAL STATEMENTS

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Pass Christian Public School District  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 5,650,186
Due from other governments	\$ 266,956
Accrued interest receivable	\$ 21,662
Inventories	\$ 14,181
Restricted assets (Note 2)	\$ 115,712
Capital assets, net (Note 4)	\$ 19,269,409
Total Assets	<u>\$ 25,338,106</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 755,411
Deferred revenue	\$ 3,420
Interest payable on long-term liabilities	\$ 197,475
Long-term liabilities (Due within one year) (Note 5)	
Capital related liabilities	\$ 1,264,814
Non-capital related liabilities	\$ 246,430
Long-term liabilities (Due beyond one year) (Note 5)	
Capital related liabilities	\$ 11,669,836
Non-capital related liabilities	\$ 259,981
Total Liabilities	<u>\$ 14,397,367</u>
<b>Net assets</b>	
Investment in capital assets (net of related debt)	\$ 6,334,759
Restricted net assets	
Expendable	
School-based activities	\$ 420,943
Debt service	\$ 1,203,262
Capital improvements	\$ 420,000
Forestry improvements	\$ 4,077
Unemployment benefits	\$ 42,715
Non-expendable	
Sixteenth section	\$ 104,445
Unrestricted	<u>\$ 2,410,538</u>
Total Net Assets	<u>\$ 10,940,739</u>

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

Pass Christian Public School District  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Instruction	\$ 9,098,013	\$ 215,758	\$ 1,226,873	\$ (7,655,382)
Support services	\$ 5,397,358		\$ 16,224	\$ (5,381,134)
Non-instructional	\$ 1,560,618	\$ 273,513	\$ 761,975	\$ (525,130)
Sixteenth section	\$ 2,144			\$ (2,144)
Interest and other expenses on long-term liabilities	\$ 542,241			\$ (542,241)
<b>Total Governmental Activities</b>	<b>\$ 16,600,374</b>	<b>\$ 489,271</b>	<b>\$ 2,005,072</b>	<b>\$ (14,106,031)</b>
<b>General Revenues</b>				
<b>Taxes</b>				
General purpose levies				\$ 5,759,147
Debt purpose levies				\$ 1,545,117
Gaming				\$ 238,576
<b>Unrestricted grants and contributions</b>				
State				\$ 6,831,798
Federal				\$ 39,515
Unrestricted investment earnings				\$ 62,531
Sixteenth section sources				\$ 13,384
Other				\$ 39,719
<b>Total General Revenues</b>				<b>\$ 14,529,787</b>
<b>Changes in Net Assets</b>				<b>\$ 423,756</b>
<b>Net Assets - Beginning</b>				<b>\$ 10,518,975</b>
Prior Period Adjustments (Note 8)				\$ (1,992)
<b>Net Assets - Beginning - Restated</b>				<b>\$ 10,516,983</b>
<b>Net Assets - Ending</b>				<b>\$ 10,940,739</b>

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

Pass Christian Public School District  
 Balance Sheet - Governmental Funds  
 June 30, 2005

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Local Building Projects Fund	Bond Issue 97 Retirement Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 1,798,457	\$ 1,562,601	\$ 872,074	\$ 1,532,766	\$ 5,765,898
Due from other governments	\$ 164,410		\$ 22,043	\$ 80,503	\$ 266,956
Accrued interest receivable	\$ 5,103	\$ 7,308	\$ 5,678	\$ 3,573	\$ 21,662
Due from other funds (Note 3)	\$ 375,889			\$ 21,238	\$ 397,127
Inventories				\$ 14,181	\$ 14,181
<b>Total Assets</b>	<b>\$ 2,343,859</b>	<b>\$ 1,569,909</b>	<b>\$ 899,795</b>	<b>\$ 1,652,261</b>	<b>\$ 6,465,824</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable & accrued liabilities	\$ 639,046			\$ 116,365	\$ 755,411
Due to other funds (Note 3)	\$ 237,773	\$ 120,000		\$ 39,354	\$ 397,127
Deferred revenue				\$ 3,420	\$ 3,420
<b>Total Liabilities</b>	<b>\$ 876,819</b>	<b>\$ 120,000</b>	<b>\$ -</b>	<b>\$ 159,139</b>	<b>\$ 1,155,958</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Capital project purposes				\$ 420,000	\$ 420,000
Debt service purposes			\$ 899,795	\$ 500,942	\$ 1,400,737
Permanent fund purposes				\$ 104,445	\$ 104,445
Unemployment benefits				\$ 42,715	\$ 42,715
Forestry improvements				\$ 4,077	\$ 4,077
Inventory				\$ 14,181	\$ 14,181
<b>Unreserved</b>					
<b>Undesignated, reported in</b>					
General fund	\$ 1,467,040				\$ 1,467,040
Special revenue funds				\$ 291,050	\$ 291,050
Capital projects funds		\$ 1,449,909			\$ 1,449,909
Permanent funds				\$ 115,712	\$ 115,712
<b>Total Fund Balances</b>	<b>\$ 1,467,040</b>	<b>\$ 1,449,909</b>	<b>\$ 899,795</b>	<b>\$ 1,493,122</b>	<b>\$ 5,309,866</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,343,859</b>	<b>\$ 1,569,909</b>	<b>\$ 899,795</b>	<b>\$ 1,652,261</b>	<b>\$ 6,465,824</b>

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

Pass Christian Public School District  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 5,309,866
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$5,859,018. (Note 4)	\$ 19,269,409
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds. (Note 5)	\$ (13,441,061)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (197,475)</u>
Total net assets - governmental activities	<u>\$ 10,940,739</u>

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

Pass Christian Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2005

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Local Building Projects Fund	Bond Issue 97 Retirement Fund	Other Governmental Funds	
<b>Revenues</b>					
Local sources	\$ 6,298,623	\$ 15,268	\$ 893,272	\$ 924,005	\$ 8,131,168
State sources	\$ 7,057,753			\$ 146,428	\$ 7,204,181
Federal sources	\$ 39,515			\$ 1,632,691	\$ 1,672,206
Sixteenth section sources				\$ 13,384	\$ 13,384
<b>Total Revenues</b>	<b>\$ 13,395,891</b>	<b>\$ 15,268</b>	<b>\$ 893,272</b>	<b>\$ 2,716,508</b>	<b>\$ 17,020,939</b>
<b>Expenditures</b>					
Instruction	\$ 7,926,281			\$ 1,046,290	\$ 8,972,571
Support services	\$ 4,703,326	\$ 12,009		\$ 503,341	\$ 5,218,676
Noninstructional services	\$ 42,712			\$ 820,003	\$ 862,715
Sixteenth section				\$ 2,144	\$ 2,144
Facilities acquisition and construction	\$ 192,014	\$ 140,469			\$ 332,483
Debt service					
Principal (Note 5)			\$ 405,000	\$ 799,665	\$ 1,204,665
Interest			\$ 438,523	\$ 186,926	\$ 625,449
Other			\$ 66,621		\$ 66,621
<b>Total Expenditures</b>	<b>\$ 12,864,333</b>	<b>\$ 152,478</b>	<b>\$ 910,144</b>	<b>\$ 3,358,369</b>	<b>\$ 17,285,324</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 531,558</b>	<b>\$ (137,210)</b>	<b>\$ (16,872)</b>	<b>\$ (641,861)</b>	<b>\$ (264,385)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds of refunding bonds (Note 5)			\$ 7,705,000		\$ 7,705,000
Proceeds of loans (Note 5)				\$ 420,000	\$ 420,000
Operating transfers in (Note 3)	\$ 1,477,711	\$ 33		\$ 747,975	\$ 2,225,719
Operating transfers out (Note 3)	\$ (2,011,380)	\$ (120,000)		\$ (94,339)	\$ (2,225,719)
Payment to refunded bond escrow agent			\$ (7,639,653)		\$ (7,639,653)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (533,669)</b>	<b>\$ (119,967)</b>	<b>\$ 65,347</b>	<b>\$ 1,073,636</b>	<b>\$ 485,347</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,111)</b>	<b>\$ (257,177)</b>	<b>\$ 48,475</b>	<b>\$ 431,775</b>	<b>\$ 220,962</b>
<b>Fund Balances</b>					
July 1, 2004	\$ 1,471,143	\$ 1,707,086	\$ 851,320	\$ 1,070,493	\$ 5,100,042
Prior period adjustments (Note 8)	\$ (1,992)				\$ (1,992)
July 1, 2004, as restated	\$ 1,469,151	\$ 1,707,086	\$ 851,320	\$ 1,070,493	\$ 5,098,050
Decrease in reserve for inventory				\$ (9,146)	\$ (9,146)
June 30, 2005	\$ 1,467,040	\$ 1,449,909	\$ 899,795	\$ 1,493,122	\$ 5,309,866

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

Pass Christian 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

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 220,962
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$347,172 and the depreciation expense amounted to \$608,306. (Note 4)	\$ (261,134)
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	\$ 8,554,665
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds. (Note 5)	\$ (42,990)
Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities. (Note 5)	\$ (8,125,000)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities. (Note 4)	\$ 3,191
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 83,208
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ (9,146)</u>
Changes in net assets of governmental activities	<u><u>\$ 423,756</u></u>

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

Pass Christian Public School District  
Statement of Net Assets - Fiduciary Funds  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	<u>\$ 28,897</u>
Total Assets	<u><u>\$ 28,897</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 28,897</u>
Total Liabilities	<u><u>\$ 28,897</u></u>

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

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Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

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

B. Basis of Presentation.

The school district's basic financial statements 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 reporting government 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 nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The 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. It also includes 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 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/expenses. 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. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. 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.

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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 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.

Local Building Projects Funds – This is a capital projects funds that is financed with local funds and is used to account for building projects of the school district.

Bond Issue 97 Retirement Fund – This is a debt service fund used to account for the payment of principal and interest on long term debt obligations.

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

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 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

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 used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual 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.

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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 board of trustees. 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.

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 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.

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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. 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. (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 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 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:

- a. 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.
- b. 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.
- c. 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 capital project purposes - An account that represents a portion of the fund balance that is legally restricted for capital expenditures or expenditures for maintaining, repairing or equipping school district facilities in accordance with bonding resolutions approved by the board of trustees.

Reserved for debt service purposes - An account that represents a portion of the fund balance that is legally restricted for the retirement of school district debt.

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

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

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 - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

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.

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

The liability for these compensated absences is recorded as 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.

(2) 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. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits.** The board of trustees 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 school district deposits in financial institutions are held in the name of the Mississippi 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 school district'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 board of trustees to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). That section permits the following types of investments: (a) certificates of deposit and interest bearing accounts; (b)

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

sponsored enterprise obligations; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of those securities enumerated in (b) and (c) above; (e) direct obligations of the US in open-end or closed-end of any management type investment company. 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. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,765,898 and \$28,897, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$5,650,186 and Restricted Assets - \$115,712. The Restricted Assets represents the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was unavailable.

**Custodial Credit Risk – Deposits.** Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the school 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. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the school district.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 375,889	\$ 237,773
Other major funds		
Local building projects funds	\$	\$ 120,000
Bond issue 97 retirement fund		\$ 39,354
Non-major funds	\$ 21,238	
Total funds	\$ 397,127	\$ 397,127

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 1,477,711	\$ 2,011,380
Other major fund		
Local building projects fund	\$ 33	\$ 120,000

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

	Transfer In	Transfers Out
Non-major Funds	\$ 747,975	\$ 94,339
Total funds	\$ 2,225,719	\$ 2,225,719

The purpose of the interfund transfers within the General Fund are to finance basic operations of the district that are not directly funded (i.e., state funded special education, vocational program, activity and athletic programs). The transfers out in the Non-major funds are primarily the transfer of indirect cost on federal programs to the General Fund.

(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
<u>Non-depreciable capital assets:</u>					
Land	\$ 454,503				\$ 454,503
Construction in progress	\$ 1,865,573	\$ 302,781		\$ (2,147,814)	\$ 20,540
Total non-depreciable capital assets	\$ 2,320,076	\$ 302,781	\$ 0	\$ (2,147,814)	\$ 475,043
<u>Depreciable capital assets:</u>					
Buildings	\$ 17,447,268			\$ 2,147,814	\$ 19,595,082
Building improvements	\$ 568,024				\$ 568,024
Improvements other than buildings	\$ 2,921,745	\$ 29,703			\$ 2,951,448
Mobile equipment	\$ 1,200,848				\$ 1,200,848
Furniture and equipment	\$ 343,773	\$ 14,688	\$ (20,479)		\$ 337,982
Total depreciable capital assets	\$ 22,481,658	\$ 44,391	\$ (20,479)	\$ 2,147,814	\$ 24,653,384
<u>Less accumulated depreciation</u>					
Buildings	\$ 3,463,773	\$ 377,358			\$ 3,841,131
Building improvements	\$ 50,217	\$ 22,563			\$ 72,780
Improvements other than buildings	\$ 755,272	\$ 107,040			\$ 862,312
Mobile equipment	\$ 739,907	\$ 56,753			\$ 796,660
Furniture and equipment	\$ 265,213	\$ 44,592	\$ (23,670)		\$ 286,135
Total accumulated depreciation	\$ 5,274,382	\$ 608,306	\$ (23,670)	\$ 0	\$ 5,859,018
Total depreciable capital assets, net	\$ 17,207,276	\$ (563,915)	\$ 3,191	\$ 0	\$ 18,794,366
Governmental activities capital assets, net	\$ 19,527,352	\$ (261,134)	\$ 3,191	\$ 0	\$ 19,269,409

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 399,921
Support services	\$ 208,385
Total depreciation expense	\$ 608,306

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(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	Amounts due within one year
A. General obligation bonds payable	\$ 8,670,000	\$ 7,705,000	\$ 7,755,000	\$ 8,620,000	\$ 725,000
B. Limited obligation bonds payable	\$ 2,501,842		\$ 123,479	\$ 2,378,363	\$ 129,147
C. Three mill notes payable	\$ 1,870,776	\$ 420,000	\$ 354,489	\$ 1,936,287	\$ 410,667
D. Transportation equipment loans payable	\$ 98,700		\$ 98,700	\$ 0	
E. Shortfall notes payable	\$ 559,360		\$ 222,997	\$ 336,363	\$ 229,425
F. Compensated absences payable	\$ 127,058	\$ 42,990		\$ 170,048	\$ 17,005
Total	<u>\$ 13,827,736</u>	<u>\$ 8,167,990</u>	<u>\$ 8,554,665</u>	<u>\$ 13,441,061</u>	<u>\$ 1,511,244</u>

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 1997	Varies	9-1-97	9-1-07	\$ 10,100,000	\$ 915,000
General obligation refunding bonds, Series 2005	Varies	5-19-05	6-30-18	\$ 7,705,000	\$ 7,705,000
Total				<u>\$ 17,805,000</u>	<u>\$ 8,620,000</u>

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 bonds	4.59%	3-12-98	8-15-18	\$ 2,705,993	\$ 2,378,363

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.

Three mill notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2003	2.7%	12-17-03	12-17-08	\$ 1,870,000	\$ 1,516,287
Three mill notes, 2005	3.375%	6-27-05	6-27-13	\$ 420,000	\$ 420,000
				<u>\$ 2,290,000</u>	<u>\$ 1,936,287</u>

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Shortfall notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes, 2003	2.63%	6-15-03	6-15-06	\$ 367,787	\$ 125,792
Shortfall notes, 2004	3.19%	6-18-04	6-18-07	\$ 311,000	\$ 210,571
				<u>\$ 678,787</u>	<u>\$ 336,363</u>

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' salary were paid.

(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 \$906,754, \$859,504 and \$778,542, respectively, which equaled the required contributions for each year.

(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 board of trustees, 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 board of trustees to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board of trustees 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	\$ 5,997
2007	\$ 5,997
2008	\$ 5,997
2009	\$ 5,997
2010	\$ 5,997
2011 – 2015	\$ 3,505
2016 – 2020	\$ 3,505
2021 – 2025	\$ 3,505

Pass Christian Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Thereafter		\$ <u>3,353</u>
Total		\$ <u>46,908</u>

(8) Prior Period Adjustments/Exhibits.

Exhibit B and D	Amount	Explanation
Total Exhibit B and D	\$ <u>1,992</u>	Error correction

(9) Subsequent Events.

Hurricane Katrina (August 2005) totally destroyed two schools, caused significant damage to the high school building and destroyed considerable amounts of furniture and equipment. The extent of losses due to the damage is undetermined at this time.

(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. 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.

SUPPLEMENTARY INFORMATION

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Pass Christian 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 No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>56,725</u>
Child nutrition cluster:		
School breakfast program	10.553	\$ 176,210
National school lunch program	10.555	\$ 474,057
Total child nutrition cluster		\$ <u>650,267</u>
Total U.S. Department of Agriculture		\$ <u>706,992</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 380,904
Vocational education - basic grants to states	84.048	\$ 25,008
Safe and drug-free schools and communities - state grants	84.186	\$ 5,018
State grants of innovative programs	84.298	\$ 7,770
Education technology - state grants	84.318	\$ 11,146
Improving teacher quality – state grants	84.367	\$ <u>122,118</u>
Total		\$ <u>551,964</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 350,242
Special education - preschool grants	84.173	\$ <u>25,543</u>
Total		\$ <u>375,785</u>
Total passed-through Mississippi Department of Education		\$ <u>927,749</u>
Total U.S. Department of Education		\$ <u>927,749</u>
Total for All Federal Awards		\$ <u>1,634,741</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 12,075,572	\$ 8,288,880	\$ 1,382,191	\$ 2,404,501
Other	\$ 5,209,752	\$ 683,691	\$ 276,076	\$ 4,249,985
<b>Total</b>	<b>\$ 17,285,324</b>	<b>\$ 8,972,571</b>	<b>\$ 1,658,267</b>	<b>\$ 6,654,486</b>
Total number of students	<u>1,971</u>			
Cost per student	\$ <u>8,770</u>	\$ <u>4,552</u>	\$ <u>841</u>	\$ <u>3,376</u>

Notes to the schedule.

Instruction - includes the activities dealing directly with the interaction between teachers and students (all 1000 function codes).

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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Pass Christian Public School District  
 Budgetary Comparison Schedule for the 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	\$ 6,152,144	\$ 6,298,623	\$ 6,298,623	\$ (146,479)	\$ -
State sources	\$ 7,111,057	\$ 7,057,753	\$ 7,057,753	\$ 53,304	\$ -
Federal sources	\$ 31,000	\$ 39,515	\$ 39,515	\$ (8,515)	\$ -
<b>Total Revenues</b>	<u>\$ 13,294,201</u>	<u>\$ 13,395,891</u>	<u>\$ 13,395,891</u>	<u>\$ (101,690)</u>	<u>\$ -</u>
<b>Expenditures</b>					
Instruction	\$ 8,059,269	\$ 7,926,281	\$ 7,926,281	\$ 132,988	\$ -
Support services	\$ 4,833,330	\$ 4,703,326	\$ 4,703,326	\$ 130,004	\$ -
Noninstructional services	\$ 42,498	\$ 42,712	\$ 42,712	\$ (214)	\$ -
Facilities acquisition and construction	\$ 575,250	\$ 192,014	\$ 192,014	\$ 383,236	\$ -
<b>Total Expenditures</b>	<u>\$ 13,510,347</u>	<u>\$ 12,864,333</u>	<u>\$ 12,864,333</u>	<u>\$ 646,014</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>\$ (216,146)</u>	<u>\$ 531,558</u>	<u>\$ 531,558</u>	<u>\$ (747,704)</u>	<u>\$ -</u>
<b>Other Financing Sources (Uses)</b>					
Sale of transportation equipment	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ -
Sale of other property	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ -
Operating transfers in	\$ 1,358,218	\$ 1,477,711	\$ 1,477,711	\$ (119,493)	\$ -
Operating transfers out	\$ (2,043,133)	\$ (2,011,380)	\$ (2,011,380)	\$ (31,753)	\$ -
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (682,915)</u>	<u>\$ (533,669)</u>	<u>\$ (533,669)</u>	<u>\$ (149,246)</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<u>\$ (899,061)</u>	<u>\$ (2,111)</u>	<u>\$ (2,111)</u>	<u>\$ (896,950)</u>	<u>\$ -</u>
<b>Fund Balances</b>					
July 1, 2004	\$ 1,471,143	\$ 1,471,143	\$ 1,471,143	\$ -	\$ -
Prior period adjustments	\$ -	\$ (1,992)	\$ (1,992)	\$ 1,992	\$ -
July 1, 2004, as restated	<u>\$ 1,471,143</u>	<u>\$ 1,469,151</u>	<u>\$ 1,469,151</u>	<u>\$ 1,992</u>	<u>\$ -</u>
June 30, 2005	<u>\$ 572,082</u>	<u>\$ 1,467,040</u>	<u>\$ 1,467,040</u>	<u>\$ (894,958)</u>	<u>\$ -</u>

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

Pass Christian Public School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2005

(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 board of trustees. By statute, final budget revisions must be approved on or before a date established by the Mississippi Board of Education (generally on or about September 1 of the following fiscal year). A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**

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# Charles L. Shivers, CPA

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

Superintendent and Board of Trustees  
Pass Christian Public School District

I was engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian Public School District as of and for the year ended June 30, 2005, which collectively comprise the district's basic financial statements and have issued my report thereon dated May 11, 2006. I do not express an opinion on the governmental activities, each major fund, and the aggregate remaining fund information because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to support revenue, expenditure and capital asset account balances.

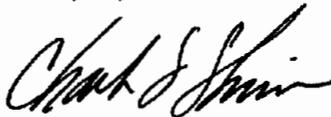
### Internal Control Over Financial Reporting

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 opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting 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 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. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

### Compliance and Other Matters

For the reasons described in the first paragraph, I was unable to perform tests of the school district's 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 my audit, and accordingly, I do not express such an opinion.

This report is intended solely for the information and use of the district's board of trustees 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.



Ridgeland, MS  
May 11, 2006

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## 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 Board of Trustees  
Pass Christian Public School District

### Compliance

I was engaged to audit the compliance of the Pass Christian 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 district's major federal programs are identified in the summary of auditor's results section of the accompanying 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. 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 that 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.

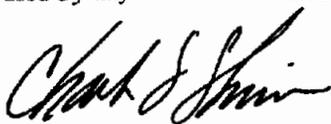
Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support activities allowed/unallowed, allowable cost/cost principles, eligibility, period of availability of funds, matching/level of effort/earmarking, procurement suspension and debarment, and special test and provisions, I do not express an opinion on the school district's compliance with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. See Finding 05-01 in the Schedule of Findings and Questioned Costs.

### Internal Control Over Compliance

The management of the Pass Christian Public School District is responsible for establishing and maintaining effective internal control over compliance with the 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 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 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. I noted no 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 district's board of trustees 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.



Ridgeland, MS  
May 11, 2006

**REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

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## REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and Board of Trustees  
Pass Christian Public School District

I was engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian Public School District as of and for the year ended June 30, 2005, which collectively comprise Pass Christian Public School District's basic financial statements and have issued my report thereon dated May 11, 2006.

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 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 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 \$5,129 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations, where applicable, did not disclose any instances of noncompliance with 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.



Ridgeland, MS  
May 11, 2006

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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Pass Christian 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 basic financial statements:                     | Disclaimer    |
| 2. | Material noncompliance relating to the basic financial statements?                     | No            |
| 3. | Internal control over financial reporting:   |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |     |   |               |
|-----|---|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:   | Disclaimer    |
| 5.  | Internal control over major programs:   |               |
|     | a. Material weaknesses identified?  | No            |
|     | b. Reportable conditions identified that are not considered to be material weaknesses?  | None Reported |
| 6.  | Any audit finding(s) reported as required by section __.510(a) of Circular A-133?   | Yes           |
| 7.  | Federal program identified as major program:  |               |
|     | a. Child Nutrition Cluster  |               |
|     | CFDA #: 10.553  |               |
|     | CFDA #: 10.555  |               |
|     | b. Title I grants to Local Educational Agencies   |               |
|     | CFDA #: 84.010  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes           |
| 10. | Prior fiscal year audit findings 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**

The results of my tests did not disclose any findings related to the financial statements.

**Section 3: Federal Award Findings and Questioned Costs**

**Finding 05-01**

**Program:** Child Nutrition Cluster, CFDA #10.553 and 10.555, US Department of Agriculture, passed through the Mississippi Department of Education

<b>Compliance Requirement:</b>	Activities allowed/unallowed
	Allowable cost/cost principles
	Eligibility
	Procurement suspension and debarment
	Special test and provisions

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

**Program:** Title I – grants to local education agencies, CFDA #84.010, US Department of Education, passed through the Mississippi Department of Education

<b>Compliance Requirement:</b>	Activities allowed/unallowed
	Allowable cost/cost principles
	Period of availability of funds
	Matching, level of effort and earmarking
	Procurement suspension and debarment
	Special test and provisions

Because sufficient competent evidential matter was either lost or destroyed due to the effects of Hurricane Katrina and was not available to document and support activities allowed/unallowed, allowable cost/cost principles, eligibility, period of availability of funds, procurement suspension and debarment, and special test and provisions, I was unable to express and do not express an opinion on the school district's compliance with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**AUDITEE'S CORRECTIVE ACTION PLAN**

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June 16, 2006

As required by Section 325(c) of OMB Circular A-133, the Pass Christian Public 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.

Finding

05-01

Corrective Action Plan

- a. Contact person responsible for corrective action  
Marsha Garziano
- b. Description of correction action to be taken  
The district has contracted with Central Access Systems to provide the EDSAR document storage and retrieval system. This system includes off-site scanning of all documents and off-site hosting and maintenance of all files.
- c. Anticipated completion date of corrective action  
September 2006

Sincerely,

Sue Matheson, Ed.D.  
Superintendent

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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### Summary Schedule of Prior Audit Findings

May 10, 2006

Financial and Compliance Audit Division

As required by Section \_\_.315(b) of OMB Circular A-133, the Pass Christian Public School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2005.

<b>Findings</b>	<b>Status</b>
04-01	Corrected

Sincerely,



Sue Matheson, Ed.D.  
Superintendent

SM/kis

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