



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Table of Contents

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
<u>Government-wide financial statements</u>	
Statement of Net Assets.....	11
Statement of Activities.....	12
<u>Governmental Fund Financial Statements</u>	
Balance Sheet.....	13
Reconciliation of Government Funds Balance Sheet to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance.....	15
Reconciliation of the Government Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	16
Statement of Fiduciary Net Assets.....	17
Notes to Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	33
Notes to the Required Supplementary Information.....	36
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards.....	37
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds.....	38
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.....	39
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.....	41
Independent Auditor's Report On Compliance with State Laws and Regulations.....	43
Schedule of Findings and Questioned Costs.....	45
Auditee's Corrective Action Plan.....	48
Auditee's Summary Schedule of Prior Audit Findings.....	49

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society
of Certified Public
Accountants

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

August 10, 2008

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis / Waveland School District as of and for the year ended June 30, 2007, which collectively comprise the Bay St. Louis / Waveland School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bay St. Louis / Waveland School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis / Waveland School District, as of June 30, 2007, 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*, we have also issued our report dated August 10, 2008, on our consideration of the Bay St. Louis / Waveland School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The Management's Discussion and Analysis on pages (3) through (10) and the Budgetary Comparison Schedule and corresponding notes on pages (33) through (36) are not a required part of the basic financial statements but are

supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay St. Louis / Waveland 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 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McDaniel CPA Firm

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The discussion and analysis of the Bay St. Louis - Waveland School District’s financial performance provides an overall narrative review of the School District’s financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District’s performance as a whole; readers should also review the financial statements and the notes to the basic 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

- Total net assets, including the effect of prior period adjustments, increased \$3,419,928, which represents a 21% increase from fiscal year 2006. This increase is due primarily to federal funds received under the Restart School Grant which resulted from Hurricane Katrina.
- General revenues accounted for \$16,429,236 in revenue, or 42% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$22,373,649, or 58% of total revenues.
- The District had \$35,432,766 in expenses; only \$22,373,649 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,429,236 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,951,424 in revenues and \$11,341,938 in expenditures. This resulted in an excess of revenues over expenditures in the amount of \$5,609,486. This excess is due primarily to federal funds received under the Restart School Grant which resulted from Hurricane Katrina. A portion of expenditures related to instruction, support services and noninstructional services normally incurred in the General Fund were reported in the Restart School Grant Fund and federal sources were received to cover those expenditures. After net other financing uses of \$279,929, the net change in fund balance for the General Fund was an increase of \$5,329,557 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$122,604.
- Long-term debt increased by \$883,888.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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.

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 financing decisions. Both the governmental fund balance

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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.

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.

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.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$19,970,446 as of June 30, 2007.

The district’s net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$6,928,247 of the District’s net assets (35%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

its students; consequently these assets are not available for future spending. \$1,194,899 of the District’s net assets (6%) reflects its restricted net assets. The restricted net assets are expendable for school based activities, debt service and unemployment benefits. \$11,847,300 of the District’s net assets (59%) reflects its unrestricted net assets.

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, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Current assets	\$ 28,971,212	\$ 25,787,688	12.3 %
Capital assets, net	<u>13,938,247</u>	<u>14,060,851</u>	(0.9) %
Total assets	<u>42,909,459</u>	<u>39,848,539</u>	7.7 %
Current liabilities	831,899	2,074,795	(59.9) %
Long-term debt outstanding	<u>22,107,114</u>	<u>21,223,226</u>	4.2 %
Total liabilities	<u>22,939,013</u>	<u>23,298,021</u>	(1.5) %
Net assets:			
Invested in capital assets, net of related debt	6,928,247	6,205,851	11.6 %
Restricted	1,194,899	2,074,595	(42.4) %
Unrestricted	<u>11,847,300</u>	<u>8,270,072</u>	43.3 %
Total net assets	<u>\$ 19,970,446</u>	<u>16,550,518</u>	20.7 %

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents due primarily to federal funds received during the fiscal year resulting from Hurricane Katrina.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.
- Long-term debt outstanding increased from the previous fiscal year due primarily to proceeds received from a Community Disaster Loan as a result of Hurricane Katrina.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the reduction of capital related debt during the fiscal year.

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

- Restricted net assets decreased from the previous fiscal year due primarily to a decrease in amounts restricted for debt service.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in the fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$38,802,885. The total cost of all programs and services was \$35,432,766. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Change in Net Assets		Percentage Change
	June 30, 2007	June 30, 2006	
Revenues:			
Program Revenues:			
Charges for Services	\$ 206,676	\$ 91,879	124.94%
Operating grants and contributions	22,166,973	27,531,296	-19.48%
General revenues:			
Property taxes	4,936,726	5,003,476	-1.33%
Grants and contributions not restricted	9,095,931	8,837,646	2.92%
Other	2,396,579	6,387,782	-62.48%
Total revenues	38,802,885	47,852,079	-18.91%
Expenses:			
Instruction	10,188,675	12,705,766	-19.81%
Support Services	23,814,457	23,976,636	-0.68%
Non-instructional	810,181	2,321,740	-65.10%
Sixteenth Section	1,512	-	
Interest and other expense on long-term liabilities	617,941	578,737	6.77%
Total expenses	35,432,766	39,582,879	-10.48%
Increase (Decrease) in net assets	3,370,119	8,269,200	-59.24%
Net Assets, July 1	16,550,518	8,782,224	88.45%
Prior period adjustments	49,809	(500,906)	
Net Assets, Restated, July 1	16,600,327	8,281,318	100.46%
Net Assets, June 30	\$ 19,970,446	\$ 16,550,518	20.66%

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions. During the previous fiscal year, the District received approximately \$4,000,000 in federal revenue related to the Displaced Student Grants resulting from Hurricane Katrina. Displaced Student Grant funds were not recorded in the current fiscal year.
- General revenues decreased from the previous fiscal year due primarily to a decrease in insurance loss recoveries (other general revenues) as compared with the prior year.

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

- Instruction and non-instructional expenses decreased from the previous fiscal year due primarily to a decrease in instructional and non-instructional related expenses incurred in the Displaced Student Grant Funds and FEMA/MEMA Grant Fund as compared with prior year.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District’s taxpayers by each of these functions.

	2007		2006	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 10,188,675	\$ (5,664,466)	\$ 12,705,766	\$ (5,584,744)
Support services	23,814,457	(6,826,087)	23,976,636	(5,807,596)
Non-instructional	810,181	50,889	2,321,740	11,373
Sixteenth section	1,512	(1,512)	0	0
Interest and other expenses on long-term liabilities	617,941	(617,941)	578,737	(578,737)
Total expenses	\$ 35,432,766	\$ (13,059,117)	\$ 39,582,879	\$ (11,959,704)

- The net cost of governmental activities for fiscal year 2007 in the amount of \$13,059,117 was financed by general revenue, which is made up of primarily property taxes of \$4,936,726 and state revenue of \$8,957,028.
- Investment earnings accounted for \$597,547 of funding.

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 fiscal year June 30, 2007, its governmental funds reported a combined fund balance of \$28,728,614. The net change in fund balance for the fiscal year was an increase of \$4,610,403 due primarily to federal revenue received from a Community Disaster Loan and the Restart School Grant and FEMA/MEMA Grant, all resulting from Hurricane Katrina.

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

\$27,357,813, or 95%, of the fund balance is reported in the unreserved section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District’s discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$1,370,801, or 5%, is reserved to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits and debt service purposes.

The General Fund is the principal operating fund of the District. The General Fund had \$16,951,424 in revenues and \$11,341,938 in expenditures. This resulted in an excess of revenues over expenditures in the amount of \$5,609,486. This excess is due primarily to federal funds received under the Restart School Grant which resulted from Hurricane Katrina. A portion of expenditures related to instruction, support services and noninstructional services normally incurred in the General Fund were reported in the Restart School Grant Fund and federal sources were received to cover those expenditures. After net other financing uses of \$279,929 and prior period adjustments, the net change in fund balance for the General Fund was an increase of \$5,394,522 from the previous fiscal year. The net change in fund balance for the FEMA/MEMA Grant Fund for the fiscal year was a decrease of \$120,831. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$586,996 due primarily to the deficiency of revenues over expenditures in various governmental funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. The budget revisions were routine in nature and were not considered significant when compared to overall revenues and expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District’s total capital assets, before depreciation, were \$17,726,406, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$342,410 from the previous year. During the fiscal year, the District purchased three new school buses and various other items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$479,560. Total accumulated depreciation as of June 30, 2007 was \$3,788,159, resulting in total net capital assets of \$13,938,247.

**BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 217,851	\$ 217,851	0.0 %
Buildings	12,824,331	13,167,620	(2.6) %
Improvements other than buildings	131,612	141,736	(7.1) %
Mobile equipment	369,238	152,288	142.5 %
Furniture and equipment	<u>395,215</u>	<u>381,356</u>	3.6 %
Total	<u>\$13,938,247</u>	<u>\$ 14,060,851</u>	(0.9) %

Debt Administration. At June 30, 2007, the District had \$22,107,114 in general obligation bonds and other long-term debt outstanding, of which \$838,767 is due within one year. During the fiscal year, the District obtained a Community Disaster Loan in the amount of \$1,627,933 resulting from Hurricane Katrina. The District made principal payments on long-term debt in the amount of \$845,000 during the fiscal year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
General obligation bonds payable	\$ 6,745,000	\$ 7,435,000	(9.3) %
Three mill notes payable	265,000	420,000	(36.9) %
Shortfall notes payable	3,377,933	1,750,000	93.0 %
Other loans payable	11,500,000	11,500,000	0.0 %
Compensated absences payable	<u>219,181</u>	<u>118,226</u>	85.4 %
Total	<u>\$ 22,107,114</u>	<u>\$ 21,223,226</u>	4.2 %

CURRENT ISSUES

The Bay St. Louis - Waveland School District had an enrollment of 2,350 students prior to Hurricane Katrina and provided educational services through six campuses. Currently, the student enrollment is approximately at 71% of the enrollment recorded prior to Hurricane Katrina. To date, the Middle School is the only facility that is completed and fully functional. Currently, repairs and renovations are being made at the High School in order to support the students and staff. The construction time line reflects a September completion date. Campuses have been reconfigured throughout the district and four campuses have been consolidated into three in order to remove students from future construction areas. Rebuilding has been a slow process due to the federal funds and the insurance settlements not being agreed upon. Not being able to resolve these issues has reduced cash flow when requesting reimbursement from FEMA. The District continues to move forward with the recovery process and has two design phases at 95% complete, with the intention of starting construction in November of 2008. The recovery process has been slow and will continue to take several years, but the Bay St. Louis - Waveland School District strives to meet the needs of the students and continue the quest for excellence in education.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent’s Office of the Bay St. Louis – Waveland School District, 201 Carrol Avenue, Bay St. Louis, MS 39520.

BASIC FINANCIAL STATEMENTS

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 19,202,576
Due from other governments	9,722,464
Inventories and prepaid items	46,172
Capital assets, non-depreciable	
Land	217,851
Capital assets, net of accumulated depreciation:	
Buildings	12,824,331
Improvements other than buildings	131,612
Mobile equipment	369,238
Furniture and equipment	395,215
Total Assets	42,909,459
Liabilities:	
Accounts payable and accrued liabilities	242,598
Interest payable on long-term liabilities	589,301
Long-term liabilities, due within one year:	
Capital related liabilities	830,000
Non-capital related liabilities	8,767
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,180,000
Non-capital related liabilities	15,088,347
Total Liabilities	22,939,013
Net Assets:	
Investments in capital assets, net of related debt	6,928,247
Restricted net assets:	
Expendable:	
School-based activities	459,571
Debt service	685,621
Unemployment benefits	49,707
Unrestricted	11,847,300
Total Net Assets	\$ 19,970,446

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 10,188,675	90,737	4,433,472	\$ (5,664,466)	
Support Services	23,814,457		16,988,370	(6,826,087)	
Non-instructional	810,181	115,939	745,131	50,889	
Sixteenth section	1,512			(1,512)	
Interest on long-term liabilities	617,941			(617,941)	
Total governmental activities	\$ 35,432,766	206,676	22,166,973	(13,059,117)	

General Revenues:	
Taxes:	
General purpose levies	4,355,873
Debt purpose levies	580,853
Unrestricted grants and contributions:	
State	8,957,028
Federal	138,903
Unrestricted investment earnings	597,547
Sixteenth section sources	8,323
Other	1,790,709
Total general revenues	16,429,236

Change in Net Assets	3,370,119
Net Assets - Beginning	16,550,518
Prior Period Adjustments	49,809
Net Assets - Beginning - Restated	16,600,327
Net Assets - Ending	\$ 19,970,446

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Restart School Grant Fund	FEMA / MEMA Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 13,914,952		3,627,855	1,659,769	\$ 19,202,576
Due from other governments	2,212,399	315,088	6,730,801	484,178	9,722,464
Due from other funds	11,001,463			26,929	11,028,392
Inventories and prepaid items				46,172	46,172
Total assets	27,128,814	315,088	10,358,656	2,197,046	39,999,604
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	95,994	34,242		112,362	242,598
Due to other funds		280,846	10,350,000	397,546	11,028,392
Total liabilities	95,994	315,088	10,350,000	509,908	11,270,990
Fund Balances:					
Reserved for:					
Inventory				46,172	46,172
Debt service				1,274,922	1,274,922
Unemployment benefits				49,707	49,707
Unreserved:					
Undesignated, reported in:					
General fund	27,032,820				27,032,820
Special revenue funds			8,656	316,337	324,993
Total fund balances	27,032,820	-	8,656	1,687,138	28,728,614
Total liabilities and fund balances	\$ 27,128,814	315,088	10,358,656	2,197,046	\$ 39,999,604

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 28,728,614
Amount reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ (3,788,159).	13,938,247
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(22,107,114)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(589,301)
Total net assets - governmental activities	<u>\$ 19,970,448</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Restart School Grant Fund	FEMA / MEMA Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 6,366,941		85,851	764,396	\$ 7,217,188
State sources	8,864,641			749,344	9,613,985
Federal sources	1,719,642	4,626,131	14,467,456	2,463,423	23,276,852
Sixteenth section sources				8,323	8,323
Total revenues	16,951,424	4,626,131	14,553,307	3,985,486	40,116,348
Expenditures:					
Instruction	5,276,332	2,447,827	403,988	1,967,457	10,095,604
Support services	6,081,399	2,163,407	14,565,168	973,438	23,763,412
Noninstructional services	4,207	14,897	4,232	733,885	757,221
Sixteenth section				1,512	1,512
Debt service:					
Principal				845,000	845,000
Interest				357,666	357,666
Total expenditures	11,341,938	4,626,131	14,973,388	4,878,958	35,820,415
Excess (deficiency) of revenues over expenditures	5,609,486	-	(420,081)	(893,472)	4,295,933
Other Financing Sources (Uses)					
Insurance loss recoveries			314,250		314,250
Operating transfers in	7,359,607			341,187	7,700,794
Other financing sources				220	220
Operating transfers out	(7,639,536)		(23,656)	(37,602)	(7,700,794)
Total other financing sources (uses)	(279,929)	-	290,594	303,805	314,470
Net change in fund balances	5,329,557	-	(129,487)	(589,667)	4,610,403
Fund Balances:					
July 1, 2006	21,638,298	-	129,487	2,274,134	24,041,919
Prior period adjustments	64,965		8,656	(4,244)	69,377
July 1, 2006, as restated	21,703,263	-	138,143	2,269,890	24,111,296
Increase(Decrease) Reserve for Inventory	-			6,915	6,915
June 30, 2007	\$ 27,032,820	-	8,656	1,687,138	\$ 28,728,614

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes In Fund Balances to the Statement of Activities
For the Year Ended June 30, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 4,610,403
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$ 376,584 and the depreciation expense amounted to \$ (479,560).	(102,976)
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(1,627,933)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	845,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(260,275)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(60)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statements of Activities.	6,915
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds.	
Compensated absences	(100,955)
Change in net assets of governmental activities	<u>\$ 3,370,119</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Net Assets - Fiduciary Funds
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 696,062
<i>Total assets</i>	<u>696,062</u>
Liabilities	
Accounts payable and accrued liabilities	619,246
Due to student clubs	76,816
<i>Total liabilities</i>	<u>\$ 696,062</u>

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

NOTES TO FINANCIAL STATEMENTS

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

(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 "other stand-alone government." The school district is a related organization of, but not a component unit of, the cities of Bay St. Louis and Waveland since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government - Wide Financial Statements:

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

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.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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 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. This fund accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Restart School Grant Fund – This fund is used to account for the expendable portion of sixteenth section revenues received.

FEMA / MEMA Fund – This fund is used to account for the proceeds from the issue of bonds for construction of new schools and the related construction project costs.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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 cost.

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 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 *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three 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 three months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

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

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	-	-
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:

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 (5) for details).

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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:

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 classified as designated and undesignated.

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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

Reserved for unemployment benefits – An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Unreserved, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

(2) Cash and Cash Equivalents.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's 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.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds \$ 19,202,576, and \$ 696,062, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$ 19,202,576. The bank balance was \$ 20,945,040.

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 the risk on behalf of the district. Deposits above 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, 2007, none of the district's bank balance of \$ 20,945,040 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances:

The following is a summary of interfund transactions and balances:

A. Due from / To Other Funds.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 11,001,463	-
Restart school grant fund		280,846
FEMA/MEMA fund		10,350,000
Other governmental funds	<u>26,929</u>	<u>397,546</u>
Total Funds	<u><u>11,028,392</u></u>	<u><u>11,028,392</u></u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ending 6/30/2007.

C. Transfers In / Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 7,359,607	7,639,536
FEMA / MEMA fund		23,656
Other governmental funds	341,187	37,802
Total Funds	<u><u>7,700,794</u></u>	<u><u>7,700,794</u></u>

Transfers are made monthly from the General Fund to other funds for operations as federal and state funding for those funds is not sufficient to sustain those funds.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

(4) Capital Assets.

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6/30/2007</u>
<u>Non-depreciable capital</u>						
Land	\$ 217,851					\$ 217,851
Total non-depreciable	<u>217,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,851</u>
<u>Depreciable capital assets</u>						
Buildings	16,272,317				(28,178)	16,244,139
Improvements other than buildings	253,100					253,100
Mobile equipment	168,715	260,363				429,078
Furniture and equipment	472,013	116,221	5,996			582,238
Total depreciable capital assets	<u>17,166,145</u>	<u>376,584</u>	<u>5,996</u>	<u>-</u>	<u>(28,178)</u>	<u>17,508,555</u>
<u>Less accumulated depreciation for:</u>						
Buildings	3,104,697	323,565			(8,454)	3,419,808
Improvements other than buildings	111,364	10,124				121,488
Mobile equipment	16,427	43,413				59,840
Furniture and equipment	90,657	102,458	5,936		(156)	187,023
Total accumulated depreciation	<u>3,323,145</u>	<u>479,560</u>	<u>5,936</u>	<u>-</u>	<u>(8,610)</u>	<u>3,788,159</u>
Total depreciable capital assets, net	<u>13,843,000</u>	<u>(102,976)</u>	<u>60</u>	<u>-</u>	<u>(19,568)</u>	<u>13,720,396</u>
Governmental activities capital assets, net	<u>\$ 14,060,851</u>	<u>(102,976)</u>	<u>60</u>	<u>-</u>	<u>(19,568)</u>	<u>\$ 13,938,247</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 61,434
Support Services	363,299
Non-instructional	54,827
Total depreciation expense	\$ 479,560

(5) Long-term liabilities.

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2007</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 7,435,000		(690,000)	6,745,000	725,000
B. Three mill notes payable	420,000		(155,000)	265,000	105,000
C. Shortfall notes payable	1,750,000	1,627,933		3,377,933	-
D. Other loans payable	11,500,000			11,500,000	-
E. Compensated absences payable	118,226	100,955		219,181	8,767
Total	\$ 21,223,226	1,728,888	(845,000)	22,107,114	838,767

A. General obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 2002	variable	6/1/2002	11/1/2009	1,805,000	640,000
General obligation bonds, Series 1997	variable	9/1/1997	09/01/2017	9,000,000	6,105,000
Total				\$ 10,805,000	\$ 6,745,000

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	725,000	298,659	1,023,659
2009	770,000	266,260	1,036,260
2010	465,000	238,331	703,331
2011	490,000	215,650	705,650
2012	515,000	191,781	706,781
2013-2017	3,060,000	551,000	3,611,000
2018-2022	720,000	17,100	737,100
Total	\$ 6,745,000	\$ 1,778,781	\$ 8,523,781

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 4.60 % of property assessments as of October 1, 2006. This debt will be retired from the Bond Sinking Fund # 4031.

B. Three mill note payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax note	5.23%	1/25/2000	1/25/2010	\$ 1,000,000	100,000
Limited tax note	2.99%	1/5/2005	1/5/2010	2,750,000	165,000
Total				\$ 3,750,000	265,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	105,000	12,778	117,778
2009	105,000	8,519	113,519
2010	55,000	1,644	56,644
Total	\$ 265,000	\$ 22,941	\$ 287,941

This debt will be retired from the Short-term Debt Fund.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

C. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community Disaster Loan	3.12%	6/2006	6/2011	<u>\$ 3,377,933</u>	<u>\$ 3,377,933</u>
Total				<u>\$ 3,377,933</u>	<u>\$ 3,377,933</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	-	54,600	54,600
2008	-	54,600	54,600
2009	-	54,600	54,600
2010	-	54,600	54,600
2011	<u>3,377,933</u>	<u>54,600</u>	<u>3,432,533</u>
Total	<u>\$ 3,377,933</u>	<u>\$ 273,000</u>	<u>\$ 3,650,933</u>

Community Disaster Loan will be retired from the District Maintenance Fund 1120.

Pursuant to HR 2206 – Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis.

In addition, the Community Disaster Loan was recorded as federal revenue on the statement of revenues, expenditures and changes in fund balances, Exhibit D.

D. Other loans payable.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Special obligation notes payable Hurricane Katrina Mississippi Development Bank	variable	9/1/2005	8/1/2010	11,500,000	11,500,000
Total				<u>\$ 11,500,000</u>	<u>\$ 11,500,000</u>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

Year Ending June 30	Principal	Interest	Total
2008	-	-	-
2009	-	776,250	776,250
2010	-	517,500	517,500
2011	11,500,000	258,750	11,758,750
Total	<u>\$ 11,500,000</u>	<u>\$ 1,552,500</u>	<u>\$ 13,052,500</u>

This debt will be retired from the debt service fund # 4031.

E. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Mississippi Code Annotated (1972). Compensated absences will be paid from the fund from which the employees' salaries 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 Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 rate for fiscal year ended June 30, 2007, was 11.3% 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, 2007, 2006, and 2005 were \$ 1,111,017, \$ 1,057,145 and \$ 1,022,838, 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 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 rising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

<u>Year Ending June 30</u>	<u>Amount</u>
2008	2,400
2009	2,400
2010	2,400
2011	2,400
2012	2,400
2013-2017	12,000
2018-2022	12,000
2023-2027	12,000
2028-2031	7,200
Total	\$ 55,200

(8) Prior Period Adjustments/Exhibits.

Exhibit B – Statement of Activities

<u>Explanation:</u>	<u>Amount</u>
1. Adjustments related to the recording of prior period transactions.	<u>49,809</u>

Exhibit D – Statement of Revenue, Expenditures and Changes in Fund Balances

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
General fund	Adjustment related to prior year transaction.	\$ 64,955
FEMA / MEMA fund	Adjustment related to prior year transaction.	8,656
Other governmental funds	Adjustment related to prior year transaction.	(4,244)
	Total	<u><u>69,377</u></u>

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settle 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 121 school districts and one community college and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$ 700,000. For a claim exceeding \$ 700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the 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.

REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	6,389,806	7,062,678	6,366,941	672,872	(695,737)
State sources	9,042,299	9,042,299	8,864,641	-	(177,658)
Federal sources	79,000	79,000	1,719,842	-	1,640,842
Total Revenues	15,511,105	16,183,977	16,951,424	672,872	767,447
Expenditures:					
Instruction	8,340,872	8,340,872	5,276,332	-	3,064,540
Support services	6,706,492	6,706,492	6,061,399	-	645,093
Noninstructional services	350	350	4,207	-	(3,857)
Facilities acquisition and construction	1,000,000	1,000,000	-	-	1,000,000
Total Expenditures	16,047,714	16,047,714	11,341,938	-	4,705,776
Excess (deficiency) of revenues over expenditures	(536,609)	136,263	5,609,486	672,872	5,473,223
Other Financing Sources (Uses)					
Proceeds of loans	-	-	-	-	-
Insurance loss recoveries	-	-	-	-	-
Operating transfers in	607,985	607,985	7,359,607	-	6,751,622
Operating transfers out	(1,907,963)	(1,907,963)	(7,639,536)	-	(5,731,573)
Total Other Financing Sources (Uses)	(1,299,978)	(1,299,978)	(279,929)	-	1,020,049
Net change in fund balances	(1,836,587)	(1,163,715)	5,329,557	672,872	6,493,272
Fund Balances:					
July 1, 2006	1,411,505	20,445,796	21,638,298	19,034,291	1,192,502
Prior Period Adjustments			64,965		64,965
July 1, 2006, as restated	1,411,505	20,445,796	21,703,263	19,034,291	1,257,467
June 30, 2007	(425,082)	19,282,081	27,032,820	19,707,163	7,750,739

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Restart School Grant Fund
 For the Year Ended June 30, 2007

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	11,032,733	11,032,733	4,626,131	-	(8,406,602)
Total Revenues	11,032,733	11,032,733	4,626,131	-	(8,406,602)
Expenditures:					
Instruction	3,628,462	3,628,462	2,447,827	-	1,180,635
Support services	6,309,271	6,309,271	2,163,407	-	4,145,864
Noninstructional services	1,095,000	1,095,000	14,897	-	1,080,103
Total Expenditures	11,032,733	11,032,733	4,626,131	-	6,406,602
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund Balances:					
July 1, 2006	-	-	-	-	-
June 30, 2007	-	-	-	-	-

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 FEMA / MEMA Grant Fund
 For the Year Ended June 30, 2007

Schedule 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	-	-	85,851	-	85,851
Federal sources	15,645,168	15,645,168	14,467,456	-	(1,177,712)
Total Revenues	15,645,168	15,645,168	14,553,307	-	(1,091,861)
Expenditures:					
Instruction	629,000	629,000	403,988	-	225,012
Support services	14,565,168	14,565,168	14,565,168	-	-
Noninstructional services	351,000	351,000	4,232	-	346,768
Facilities acquisition and construction	-	-	-	-	-
Total Expenditures	15,545,168	15,545,168	14,973,368	-	571,780
Excess (deficiency) of revenues over expenditures	100,000	100,000	(420,081)	-	(520,081)
Other Financing Sources (Uses)					
Insurance loss recoveries	-	-	314,250	-	314,250
Operating transfers out	-	-	(23,656)	-	(23,656)
Total Other Financing Sources (Uses)	-	-	290,594	-	290,594
Net change in fund balances	100,000	100,000	(129,487)	-	(229,487)
Fund Balances:					
July 1, 2006	129,487	129,487	129,487	-	-
Prior Period Adjustments	-	-	8,656	-	8,656
July 1, 2006, as restated	129,487	129,487	138,143	-	8,656
June 30, 2007	229,487	229,487	8,656	-	(220,831)

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to the Required Supplemental Information
For the Year Ended June 30, 2007**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed - through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 57,522
Child Nutrition Cluster:		
School breakfast program	10.553	140,882
National school lunch program	10.555	552,715
Summer food service program for children	10.559	50,862
Total child nutrition cluster		<u>744,259</u>
Total U.S. Department of Agriculture		<u>801,781</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12 XXX	51,865
Total U.S. Department of Defense		<u>51,865</u>
<u>Federal Communication Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32 XXX	40,044
Total Federal Communications Commission		<u>40,044</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	732,447
Career and technical education - basic grants to states	84.048	5,001
Safe and drug-free schools and communities - state grants	84.185	20,464
Eisenhower professional development state grants	84.281	92,509
Education technology state grants	84.318	20,789
Teacher quality enhancement grants	84.338	6,000
Rural education	84.358	186
Improving teacher quality - state grants	84.387	294,812
Grants for state assessments and related activities	84.369	9,890
Hurricane education recovery	84.938	4,626,131
Total		<u>5,808,229</u>
Special education cluster:		
Special education - grants to states	84.027	451,577
Special education - preschool grants	84.173	20,393
Total		<u>471,970</u>
Total Passed-through Mississippi Department of Education		<u>6,280,199</u>
Total U.S. Department of Education		<u>6,280,199</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Development Authority		
Community disaster loan	97.030	1,627,933
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants - public assistance (Presidentially Declared Disasters)	97.036	14,467,456
Total		<u>16,095,389</u>
Total U.S. Department of Health and Human Services		<u>16,095,389</u>
Total for All Federal Awards		<u>\$ 23,269,278</u>

NOTES TO SCHEDULE

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

Bay St. Louis / Waveland School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures			
		General Administration	School Administration	Other	
Salaries and fringe benefits	\$ 12,954,196	613,464	1,035,083	864,252	
Other	22,866,219	317,479	87,858	19,294,592	
Total	35,820,415	930,943	1,122,941	20,158,844	
Total number of students *		1,622			
Cost per student		\$ 22,084			
		574	692	12,428	

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

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

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

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

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

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society
of Certified Public
Accountants

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

August 10, 2008

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bay St. Louis / Waveland School District as of and for the year ended June 30, 2007, which collectively comprise Bay St. Louis / Waveland School District's basic financial statements and have issued our report thereon dated August 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel : 601-296-1007 / 601-408-9378
Fax: 601-296-6477
Email: mccpafirm@gmail.com

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above in Finding 2007-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 10, 2008

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

Compliance

We have audited the compliance of the Bay St. Louis / Waveland 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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Bay St. Louis / Waveland 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, 2007.

Internal Control Over Compliance

The management of the Bay St. Louis / Waveland School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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.

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

August 10, 2008

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bay St. Louis / Waveland School District as of and for the year ended June 30, 2007, which collectively comprise Bay St. Louis / Waveland School District's basic financial statements and have issued our report thereon dated August 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instance of noncompliance. The district reported \$9,553 of classroom supply funds carried over from previous years.

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

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

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

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

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

McDaniel CPA Firm

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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:	
	a. Material weakness(es) identified?	yes
	b. Significant deficiency (ies) identified that are not considered to be material weaknesses?	yes

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	unqualified
5.	Internal Control over major programs:	
	a. Material weakness(es) identified?	no
	b. Significant deficiency (ies) identified that are not considered to be material weaknesses?	no
6.	Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133?	no
7.	Federal programs identified as major programs:	
	a. Disaster grants - public assistance (Presidentially Declared Disasters)	
	CFDA #: 97.036	
	b. Child nutrition cluster	
	CFDA#: 10.553	
	CFDA#: 10.555	
	CFDA#: 10.559	
	c. Title I grants to local educational agencies	
	CFDA #: 84.010	
8.	The dollar threshold used to distinguish between type A and type B programs:	\$ 698,078
9.	Auditee qualified as a low-risk auditee?	no
10.	Prior fiscal year audit finding(s) 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

Significant Deficiency Not Considered to be a Material Weakness

07-1 Finding

In our test of receipts and deposits of activity funds and club funds, we noted the following internal control weaknesses:

- a.) Per inquiry and review it was found that there was a lack of segregation of duties in the accounting and depositing of activity and club funds.
- b.) Deposits were not made on a timely basis.
- c.) Some deposits were incomplete.

Recommendation

We recommend having someone independent of the bank reconciliation process, independent of the preparation of the deposit slip and independent of the receipting of funds, take the deposit to the bank.

Also, we recommend making deposits on a daily basis.

Response

Procedures have been implemented to correct the above deficiencies.

Significant Deficiency Considered to be a Material Weakness

07-2 Finding

Per inquiry and review of bank statements and bank reconciliations, it was determined that one bank account was not reconciled at June 30, 2007.

Recommendation

We recommend that all bank accounts of the district be reconciled on a monthly basis.

Response

Procedures have been implemented to correct the above deficiency.

Section 3: Federal Award Findings and Questioned Costs

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

BAY ST. LOUIS – WAVELAND SCHOOL DISTRICT

201 CARROLL AVENUE
BAY ST. LOUIS, MISSISSIPPI 39520

Tel: 228-467-6621
Fax: 228-466-4895

Auditee's Corrective Action Plan

Financial Compliance & Audit Division

As required by Section __.315(c) of OMB Circular A-133, the Bay St. Louis / Waveland 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, 2007.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2007-1	<p>a. Name of Contact Person Responsible for Corrective Action: Kevin Boyce, Business Administrator (228) 467-6621</p> <p>b. Corrective Action Planned: The district has implemented procedures to properly segregate duties in the accounting and depositing of activity and club funds. Also, deposits will be made on a daily basis.</p> <p>c. Anticipated Completion Date: Procedures are presently in place.</p>
2007-2	<p>a. Name of Contact Person Responsible for Corrective Action: Kevin Boyce, Business Administrator (228) 467-6621</p> <p>b. Corrective Action Planned: The district has implemented procedures to ensure that all bank accounts are reconciled on a monthly basis.</p> <p>c. Procedures are presently in place.</p>

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____ .315(b) of OMB Circular A-133, the Bay St. Louis / Waveland School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2007:

<u>Finding</u>	<u>Status</u>
2006-1	Corrective action taken.
2006-2	Corrective action taken.
2006-3	Corrective action taken.