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Audited Financial Statements  
June 30, 2007

**Fortenberry and Ballard, PC**  
Certified Public Accountants

FINANCIAL AUDIT REPORT

**Moss Point School District  
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INDEPENDENT AUDITOR'S REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTAL INFORMATION

# FORTENBERRY AND BALLARD, PC

Certified Public Accountants

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

Superintendent and School Board  
Moss Point School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2007, which collectively comprise the Moss Point School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Moss Point School District's management. 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 Moss Point 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 February 1, 2008 on our consideration of the Moss Point 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.

AICPA & MSCPA

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

The Management's Discussion and Analysis on pages 8 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 39 and 43 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 an opinion on the financial statements that collectively comprise the Moss Point 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. 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.

*FORTENBERRY & BALLARD, PC*

J.E. Fortenberry, III, PC  
February 1, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MOSS POINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**FINANCIAL HIGHLIGHTS**

- General revenues accounts for \$30,781,937, or 71% of all revenues. The general revenues for 2006 consisted of \$29,838,337, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,767,125, 29% of total revenues compared to \$13,710,321 or 31% in 2006.
- The district had \$37,196,185 in expenditures, an amount that increased when compared with the \$36,124,213 in expenditures for the prior year; only \$12,767,125 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$30,781,937 were adequate to provide for these programs.
- Among major funds, the General Fund had \$29,385,369 in revenues and \$24,194,502 in expenditures. In 2006 the General Fund had \$25,610,844 in revenues and \$22,268,094 in expenditures. The General Fund's fund balance increased \$4,257,122 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$769,369.
- Long-term debt increased by \$2,409,239 due primarily to the issuance of \$2,500,000 in Qualified Zone Academy Bonds for renovations to Moss Point High School.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar

to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

The government-wide financial statements can be found on pages 17 and 18 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

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

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 23.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 37 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 39 through 41 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 45 and 46 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$31,289,994 as of June 30, 2007.

A large portion of the District's net assets (26%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net

result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
<b>Assets</b>			
Current assets	\$ 24,790,738	21,222,678	16.8%
Capital assets, net	11,609,989	10,840,610	7.1%
<b>Total assets</b>	<b>36,400,727</b>	<b>32,063,288</b>	<b>13.5%</b>
<b>Liabilities</b>			
Current liabilities	1,324,354	5,749,030	-77.0%
Long-term liabilities	3,786,379	1,377,141	174.9%
<b>Total liabilities</b>	<b>5,110,733</b>	<b>7,126,171</b>	<b>-28.3%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	8,019,376	9,749,997	-17.7%
Restricted	14,078,350	1,248,558	1027.6%
Unrestricted	9,192,268	13,938,562	-34.1%
<b>Total Net Assets</b>	<b>\$ 31,289,994</b>	<b>24,937,117</b>	<b>25.5%</b>

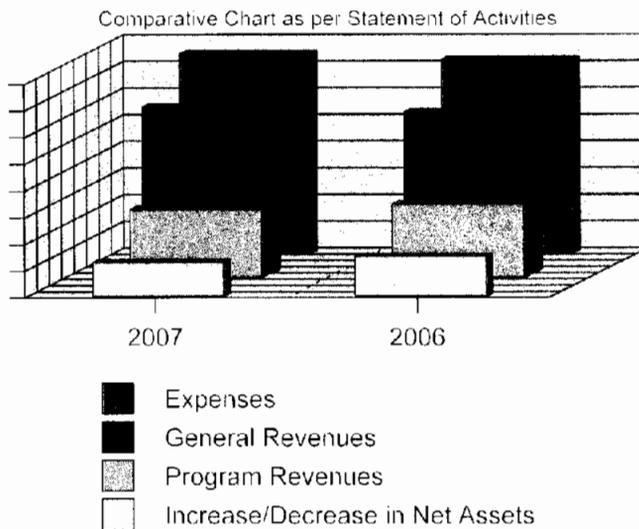
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of long-term debt principal in the amount of \$2,500,000

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 were \$43,548,658. The total cost of all programs and services was \$36,124,213. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007, and 2006, respectively.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
<b>Revenues</b>			
<b><u>Program Revenues</u></b>			
Charges for services	\$ 446,056	613,592	-27.3%
Operating Grants and Contributions	12,321,069	12,917,979	-4.6%
Capital Grants and Contributions		178,750	-100.0%
<b>Total Program Revenues</b>	<b>12,767,125</b>	<b>13,710,321</b>	<b>-6.9%</b>
<b><u>General Revenues</u></b>			
Property Taxes	8,304,588	7,263,628	14.3%
Unrestricted Grants and Contributions	19,478,624	17,179,823	13.4%
Unrestricted Investment Earnings	736,369	209,581	251.4%
Sixteenth Section Sources	7,796	22,984	-66.1%

Other	<u>2,254,560</u>	<u>5,162,321</u>	-56.3%
Total General Revenues	<u>30,781,937</u>	<u>29,838,337</u>	25.6%
<b>Total revenues</b>	<b><u>43,549,062</u></b>	<b><u>43,548,658</u></b>	0.0%
<b>Expenses</b>			
Instruction	18,497,050	17,837,328	3.7%
Support services	16,609,687	16,346,234	1.6%
Non-instructional	2,003,358	1,933,047	3.6%
Interest on long-term liabilities	<u>86,090</u>	<u>7,604</u>	1032.2%
<b>Total expenses</b>	<b><u>37,196,185</u></b>	<b><u>36,124,213</u></b>	3.0%
Increase (Decrease) in net assets	<u>6,352,877</u>	<u>7,424,445</u>	-14.4%
Net Assets, July 1	24,937,117	17,509,946	42.4%
Prior Period Adjustment		<u>2,726</u>	
Net Assets, June 30	<b><u>\$ 31,289,994</u></b>	<b><u>24,937,117</u></b>	25.5%

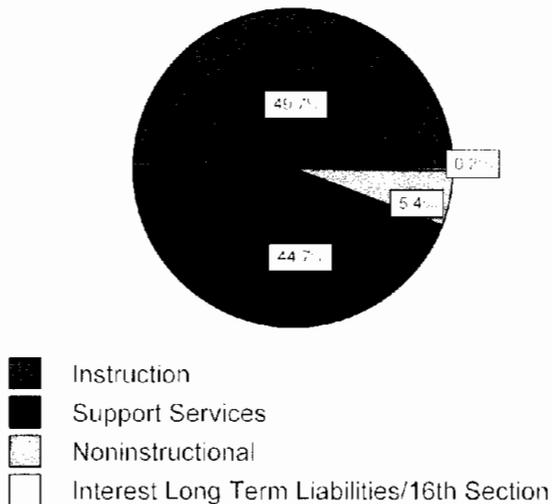


**Governmental activities.**

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

	2007 Expenses	2006 Expenses	2007 Net (Expense) Revenue	2006 Net (Expense) Revenue
Instruction	\$ 18,497,050	17,837,328	(12,401,243)	(7,692,100)
Support Services	16,609,687	16,346,234	(11,715,784)	(15,611,127)
Non-Instructional	2,003,358	1,933,047	(225,943)	896,939
Interest on Long-Term Liabilities	86,090	7,604	(86,090)	(7,604)
<b>\$</b>	<b>37,196,185</b>	<b>36,124,213</b>	<b>(24,429,060)</b>	<b>(22,413,892)</b>

Expenses as per Statement of Activities



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$23,493,724, an increase of \$8,020,076. \$23,116,069 or 98.39% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds,

grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$377,655 or 1.61% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$4,257,122. The fund balance of Other Governmental Funds showed an increase of \$568,465.

## **BUDGETARY HIGHLIGHTS**

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

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

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

Budget amounts for expenditures were amended as funding sources/amounts changed. In FY 07 increases were made for higher costs of bus fuel and utilities and the continuation of district-wide facility improvement projects.

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

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the District's total capital assets were \$21,697,481, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$1,603,853 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$10,087,492 and total depreciation expense for the year was \$860,834, resulting in total net capital assets of \$11,609,989.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	\$ 479,587	479,587	0.0%
Buildings	8,831,309	9,139,981	-3.4%
Building improvements	46,021	0	
Improvements other than buildings	147,690	156,731	-5.8%
Mobile equipment	965,431	710,036	36.0%
Furniture and equipment	1,139,951	354,275	221.8%
	<u>\$ 11,609,989</u>	<u>10,840,610</u>	7.1%

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

**Debt Administration.** At June 30, 2007, the District had \$3,590,613 of outstanding debt, of which none is due within one year.

			Percentage
	2007	2006	Change
Qualified Zone Academy Bonds	\$2,500,000	0	
Community Disaster Loan	1,090,613	1,090,613	0.0%
Compensated absences	195,767	286,528	-31.7%
	<u>\$3,786,380</u>	<u>1,377,141</u>	174.9%

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

## **CURRENT ISSUES**

The Moss Point School District is financially sound. The Monthly Attendance Record submitted to the Mississippi Department of Education for Month 6, FY 07, shows enrollment to be 3,417 students, Month 6, FY 06 enrollment was 3,821 students. The District is proud of its community support of the public schools.

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Finance Office of the Moss Point School District, 4924 Church Street, Moss Point, MS 39563-2645 .

FINANCIAL STATEMENTS

Moss Point School District  
Statement of Net Assets  
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 21,748,712
Due from other governments	2,923,152
Other receivables, net	2,598
Inventories and prepaid items	109,388
Restricted assets	6,888
Capital assets, non-depreciable:	
Land	479,587
Capital assets, net of accumulated depreciation:	
Buildings	8,831,309
Building improvements	46,021
Improvements other than buildings	147,690
Mobile equipment	965,431
Furniture and equipment	<u>1,139,951</u>
<b>Total Assets</b>	<u><u>36,400,727</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,296,615
Unearned revenue	399
Interest payable on long-term liabilities	27,339
Long-term liabilities, due within one year	
Non-capital related liabilities	9,788
Long-term liabilities, due beyond one year	
Capital related liabilities	3,590,613
Non-capital related liabilities	<u>185,979</u>
<b>Total Liabilities</b>	<u><u>5,110,733</u></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	8,019,376
Restricted net assets:	
Expendable:	
School-based activities	1,708,431
Capital improvements	12,094,281
Forestry improvements	483
Unemployment benefits	268,267
Non-expendable:	
Sixteenth section	6,888
Unrestricted	<u>9,192,268</u>
<b>Total Net Assets</b>	<u><u>\$ 31,289,994</u></u>

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

Moss Point School District  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 18,497,050	132,210	5,963,597	(12,401,243)
Support services	16,609,687	-	4,893,903	(11,715,784)
Non-instructional	2,003,358	313,846	1,463,569	(225,943)
Interest on long-term liabilities	86,090	-	-	(86,090)
<b>Total Governmental Activities</b>	<b>\$ 37,196,185</b>	<b>446,056</b>	<b>12,321,069</b>	<b>(24,429,060)</b>
<b>General Revenues:</b>				
Taxes:				
				8,002,158
				302,430
Unrestricted grants and contributions:				
				17,527,970
				1,950,654
				736,369
				7,796
				2,254,560
				<u>30,781,937</u>
				Change in Net Assets <u>6,352,877</u>
				Net Assets - Beginning <u>24,937,117</u>
				Net Assets - Ending <u>\$ 31,289,994</u>

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

Moss Point School District  
 Balance Sheet - Governmental Funds  
 June 30, 2007

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Restart School Grant	Other Capital Projects	QZAB Projects	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,252,788	486	12,094,281	2,494,043	1,914,002	21,755,600
Due from other governments	2,437,862	-	-	-	485,290	2,923,152
Due from other funds	145,530	-	-	-	-	145,530
Inventories and prepaid items	49,193	-	-	-	60,195	109,388
<b>Total Assets</b>	<b>\$ 7,885,373</b>	<b>486</b>	<b>12,094,281</b>	<b>2,494,043</b>	<b>2,459,487</b>	<b>24,933,670</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 926,321	486	-	293,810	75,998	1,296,615
Due to other funds	55,906	-	-	-	87,026	142,932
Deferred revenue	-	-	-	-	399	399
<b>Total Liabilities</b>	<b>982,227</b>	<b>486</b>	<b>-</b>	<b>293,810</b>	<b>163,423</b>	<b>1,439,946</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Inventory	49,193				60,195	109,388
Unemployment compensation					268,267	268,267
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General Fund	6,853,953					6,853,953
Special Revenue Funds				2,200,233	1,648,719	3,848,952
Capital projects			12,094,281			12,094,281
Debt service					311,995	311,995
Permanent Funds					6,888	6,888
<b>Total Fund Balances</b>	<b>6,903,146</b>	<b>-</b>	<b>12,094,281</b>	<b>2,200,233</b>	<b>2,296,064</b>	<b>23,493,724</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,885,373</b>	<b>486</b>	<b>12,094,281</b>	<b>2,494,043</b>	<b>2,459,487</b>	<b>24,933,670</b>

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

Moss Point 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	\$ 23,493,724
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
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 \$10,087,492.	11,609,989
Accrued interest on long-term debt recognized as it becomes due.	(27,339)
Short-term liabilities due and payable in the following period not reported in the funds:	
Compensated absences	(9,788)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(185,979)
Capital-related liabilities	<u>(3,590,613)</u>
Total Net Assets - Governmental Activities	\$ <u>31,289,994</u>

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

## MOSS POINT SCHOOL DISTRICT

Exhibit D

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2007

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Restart School Grant	Other Capital Projects	QZAB MPHS Renovations		
<b>Revenues:</b>						
Local sources	\$ 8,461,481	-	495,008	52,793	1,807,614	10,816,896
State sources	17,616,147	-	-	-	550,951	18,167,098
Federal sources	3,307,741	5,416,352	-	-	4,908,462	13,632,555
Sixteenth section sources	-	-	-	-	27,771	27,771
<b>Total Revenues</b>	<b>29,385,369</b>	<b>5,416,352</b>	<b>495,008</b>	<b>52,793</b>	<b>7,294,798</b>	<b>42,644,320</b>
<b>Expenditures:</b>						
Instruction	11,431,166	3,235,228	-	-	4,451,667	19,118,061
Support services	12,623,775	2,181,124	342	293,810	1,691,130	16,790,181
Noninstructional services	78,032	-	-	-	1,887,597	1,965,629
Facilities acquisition and construction	61,529	-	410	-	-	61,939
Debt service:						
Other	-	-	-	58,750	-	58,750
<b>Total Expenditures</b>	<b>24,194,502</b>	<b>5,416,352</b>	<b>752</b>	<b>352,560</b>	<b>8,030,394</b>	<b>37,994,560</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>5,190,867</b>	<b>-</b>	<b>494,256</b>	<b>(299,767)</b>	<b>(735,596)</b>	<b>4,649,760</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds of loans				2,500,000		2,500,000
Insurance loss recoveries	904,395					904,395
Sale of transportation equipment	500					500
Operating transfers in	39,130		500,000		1,874,781	2,413,911
Other financing sources	-				408	408
Operating transfers out	(1,871,446)				(542,465)	(2,413,911)
<b>Total Other Financing Sources (Uses)</b>	<b>(927,421)</b>	<b>-</b>	<b>500,000</b>	<b>2,500,000</b>	<b>1,332,724</b>	<b>3,405,303</b>
<b>Net Change in Fund Balances</b>	<b>4,263,446</b>	<b>-</b>	<b>994,256</b>	<b>2,200,233</b>	<b>597,128</b>	<b>8,055,063</b>
<b>Fund Balances:</b>						
July 1, 2006	2,646,024	-	11,100,025	-	1,727,599	15,473,648
Increase (Decrease) in reserve for inventory	(6,324)				(28,663)	(34,987)
June 30, 2007	\$ 6,903,146	-	12,094,281	2,200,233	2,296,064	23,493,724

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

MOSS POINT SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2007

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 8,055,063
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 \$1,631,143 and the depreciation expense amounted to \$860,834.	770,309
Proceeds from the sale of assets are reported in the governmental funds as revenue, but only the gain or loss on the sale of assets is reported in the Statement of Activities.	(500)
Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.	(2,500,000)
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.	(27,340)
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.	(430)
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 Statement of Activities.	(34,987)
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	90,761
Rounding difference***	<u>1</u>
Change in Net Assets of Governmental Activities	\$ <u><u>6,352,877</u></u>

(\*\*\*) Other adjustment(s) needed to reconcile the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

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

Moss Point School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>2,200,373</u>
Total Assets	\$ <u><u>2,200,373</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,127,417
Due to other funds	2,598
Due to student clubs	<u>70,358</u>
Total Liabilities	\$ <u><u>2,200,373</u></u>

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

**Moss Point School District**

Notes to the Financial Statements  
June 30, 2007

## **Moss Point 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Moss Point 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 statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### ***Government-wide Financial Statements***

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

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

## Moss Point School District

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

### *Fund Financial Statements:*

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

### C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

QZAB Projects Fund - This fund is used to account for expenditures of Qualified Zone Academy bond proceeds obtained specifically for the renovation of Moss Point High School.

Restart School Grant - This fund is used to provide assistance or services to local educational agencies and non public schools to help defray the expenses related to the restart of operations in, the reopening of, and the re-enrollment of students that serve

## Moss Point School District

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

in which a major disaster has been declared related to Hurricanes Katrina and Rita.

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

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

Additionally the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

#### D. Account Classifications.

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

## **Moss Point School District**

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

### **E. Encumbrances.**

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

### **F. Cash and Cash Equivalents.**

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

Cash and cash equivalents consist of amounts on deposit in demand account 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 type described in Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments are reported at fair value.

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

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

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

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

### **I. Capital Assets.**

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

## Moss Point School District

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

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

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

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

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

(\*) The threshold amounts will correspond with the amounts for the asset classifications, as listed. See **Note 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 6** for details.

### K. Interfund Transactions and Balances.

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

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

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs

## **Moss Point School District**

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

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 borrows that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted", or "invested in capital assets, net of related debt."

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

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

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

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

Reserved for unemployment compensation - 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.

## **Moss Point School District**

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

### **M. Property Taxes.**

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

### **N. Mississippi Adequate Education Program Revenues.**

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

### **O. Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

### **(2) 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 are imposed by statutes as follows:

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

## Moss Point School District

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$21,755,600 and \$2,200,373, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$21,748,712 and restricted assets - \$6,888. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$24,645,176.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial 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 \$24,645,176 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

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 145,530	\$ 55,906
Other Governmental Funds	0	87,026
Fiduciary Funds	<u>0</u>	<u>2,598</u>
Total Funds	\$ 145,530	\$ 145,530

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

#### B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 39,130	\$ 1,871,446
Other Capital Projects	500,000	0
Other Governmental Funds	<u>1,874,781</u>	<u>542,465</u>
Total Funds	\$ 2,413,911	\$ 2,413,911

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

**Moss Point 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:

	Balance 7-01-2006	Additions	Retirements	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>				
Land	\$ 479,587			479,587
Total non-depreciable capital assets	<u>479,587</u>	<u>0</u>	<u>0</u>	<u>479,587</u>
<u>Depreciable capital assets:</u>				
Buildings	15,433,754	0		15,433,754
Building Improvements	0	47,939	0	47,939
Improvements other than buildings	226,069	0		226,069
Mobile equipment	2,077,827	395,649	7,300	2,466,176
Furniture and equipment	1,876,391	1,187,555	19,990	3,043,956
Total depreciable capital assets	<u>19,614,041</u>	<u>1,631,143</u>	<u>27,290</u>	<u>21,217,894</u>
<u>Less accumulated depreciation for:</u>				
Buildings	6,293,773	308,672		6,602,445
Building Improvements	0	1,918		1,918
Improvements other than buildings	69,338	9,041		78,379
Mobile equipment	1,367,791	139,524	6,570	1,500,745
Furniture and equipment	1,522,116	401,679	19,790	1,904,005
Total accumulated depreciation	<u>9,253,018</u>	<u>860,834</u>	<u>26,360</u>	<u>10,087,492</u>
Total depreciable capital assets, net	<u>10,361,023</u>	<u>770,309</u>	<u>930</u>	<u>11,130,402</u>
Governmental activities capital assets, net	<u>\$ 10,840,610</u>	<u>770,309</u>	<u>930</u>	<u>11,609,989</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 402,347
Support Services	422,456
Non-instructional	<u>36,031</u>
<b>Total depreciation expense</b>	<b><u>\$860,834</u></b>

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Principal Payments	Balance 6-30-2007	Amounts due within one year
A. Community Disaster Loan	1,090,613			1,090,613	
B. Qualified Zone Academy Bonds	0	2,500,000	0	2,500,000	
C. Compensated absences payable	286,528		90,761	195,767	9,788
Total	<u>\$ 1,377,141</u>	<u>2,500,000</u>	<u>90,761</u>	<u>3,786,380</u>	<u>9,788</u>

**Moss Point School District**

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

A. Community Disaster Loan

Debt currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community Disaster Loan	3.0%	05/06	05/11	\$1,090,613	\$1,090,613

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	\$ 0	32,898	32,898
2009	0	32,898	32,898
2010	0	32,898	32,898
2011	1,090,613	32,898	1,123,511
Total	<u>\$ 1,090,613</u>	<u>131,592</u>	<u>1,222,205</u>

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

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.

B. Qualified Zone Academy Bonds

Debt currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified Zone Academy Bonds	0%	12/06	12/16	\$2,500,000	\$2,500,000

This debt will be retired from the QZAB sinking fund.

## Moss Point School District

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

### C. Compensated Absences.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employee's 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 Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 392-01 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2007 was 11.30% 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 \$1,890,960, \$1,801,066, and \$1,699,779, 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 arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

## Moss Point School District

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

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2008	\$ 5,170
2009	4,770
2010	4,770
2011	4,770
2012	4,770
2013-2039	<u>128,790</u>
Total	<u>\$153,040</u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts 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 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 \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. 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.

## Moss Point School District

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

(9) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Hancock Bank has entered into such an arrangement dated 12-15-2006.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before December 1. The amount accumulated in the sinking fund at the end of the period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2008	\$ 262,500
2009	262,500
2010	262,500
2011	262,500
2012	262,500
2013 - 2015	697,824
Total	<u>\$ 2,010,324</u>

(10) Subsequent events.

On June 25, 2007, Engle Martin & Associates, Inc. detailed a proposed insurance adjustment for Moss Point School District regarding a claim for wind damage sustained to both school buildings and personal property damage sustained District-wide. The net adjusted wind damage claim totals approximately \$3,270,465, the full amount of which is anticipated to be received by the District in a subsequent period.

(11) Impairment of capital assets.

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

## **Moss Point School District**

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

On November 27, 2005, one wing of East Park Elementary School was damaged by fire. It was estimated that 30% of the building had to be replaced. At the time of the fire, the building in its entirety had a net capital asset value (historical cost less accumulated depreciation) of \$592,199. The wing damaged by fire had an estimated net capital asset value of \$177,660. During fiscal year 2006, insurance recoveries totaling \$1,230,690 were received by the District resulting in a net gain from impairment loss due to insurance recoveries of \$1,053,030. In the current fiscal year, an additional claim was made and received for \$892,459. This insurance recovery mainly covered remainder building and personal property losses incurred in the prior fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**MOSS POINT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2007

Exhibit I

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,752,979	7,764,963	8,461,481	11,984	696,518
State sources	17,622,062	17,641,376	17,616,147	19,314	(25,229)
Federal sources	6,875,000	1,781,847	3,307,741	(5,093,153)	1,525,894
Total Revenues	<u>32,250,041</u>	<u>27,188,186</u>	<u>29,385,369</u>	<u>(5,061,855)</u>	<u>2,197,183</u>
<b>Expenditures:</b>					
Instruction	15,514,244	13,315,029	11,431,166	2,199,215	1,883,863
Support services	16,873,679	14,524,832	12,623,775	2,348,847	1,901,057
Noninstructional services	600,000	84,395	78,032	515,605	6,363
Facilities acquisition and construction	-	64,814	61,529	(64,814)	3,285
Total Expenditures	<u>32,987,923</u>	<u>27,989,070</u>	<u>24,194,502</u>	<u>4,998,853</u>	<u>3,794,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(737,882)</u>	<u>(800,884)</u>	<u>5,190,867</u>	<u>(63,002)</u>	<u>5,991,751</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans				-	-
Insurance loss recoveries	1,678,000	904,395	904,395	(773,605)	-
Sale of transportation equipment		500	500	500	-
Transfers in	2,703,988	4,218,172	39,130	1,514,184	(4,179,042)
Transfers out	(3,819,474)	(6,319,474)	(1,871,446)	(2,500,000)	4,448,028
Total Other Financing Sources (Uses)	<u>562,514</u>	<u>(1,196,407)</u>	<u>(927,421)</u>	<u>(1,758,921)</u>	<u>268,986</u>
Net Change in Fund Balances	<u>(175,368)</u>	<u>(1,997,291)</u>	<u>4,263,446</u>	<u>(1,821,923)</u>	<u>6,260,737</u>
<b>Fund Balances:</b>					
July 1, 2006	3,047,200	2,646,024	2,646,024	(401,176)	-
Increase (decrease) in reserve for inventory	-	-	(6,324)	-	(6,324)
June 30, 2007	<u>\$ 2,871,832</u>	<u>648,733</u>	<u>6,903,146</u>	<u>(2,223,099)</u>	<u>6,254,413</u>

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

**MOSS POINT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Restart School Fund  
 For the Year Ended June 30, 2007

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 5,000,000	5,416,352	5,416,352	416,352	-
Total Revenues	<u>5,000,000</u>	<u>5,416,352</u>	<u>5,416,352</u>	<u>416,352</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	2,628,000	3,235,228	3,235,228	(607,228)	-
Support services	2,372,000	2,181,124	2,181,124	190,876	-
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Total Expenditures	<u>5,000,000</u>	<u>5,416,352</u>	<u>5,416,352</u>	<u>(416,352)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
July 1, 2006	-	-	-	-	-
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**MOSS POINT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 QZAB Projects  
 For the Year Ended June 30, 2007

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	45,232	52,793	45,232	7,561
Total Revenues	-	45,232	52,793	45,232	7,561
<b>Expenditures:</b>					
Support services	-	1,035,810	293,810	(1,035,810)	742,000
Debt Service:					
Other	-	58,750	58,750	(58,750)	-
Total Expenditures	-	1,094,560	352,560	(1,035,810)	742,000
Excess (Deficiency) of Revenues Over Expenditures	-	(1,049,328)	(299,767)	(990,578)	749,561
<b>Other Financing Sources (Uses):</b>					
Proceeds of QZAB bonds payable	-	2,500,000	2,500,000	2,500,000	-
Total Other Financing Sources (Uses)	-	2,500,000	2,500,000	2,500,000	-
Net Change in Fund Balances	-	1,450,672	2,200,233	1,450,672	(749,561)
<b>Fund Balances:</b>					
July 1, 2006	-	-	-	-	-
June 30, 2007	\$ -	1,450,672	2,200,233	1,450,672	(749,561)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Moss Point School District**

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

**Moss Point School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2007

**Schedule 1**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$103,999
Child Nutrition Cluster:		
School Breakfast Program	10.553	336,216
National School Lunch Program	10.555	962,405
Summer Food Service Program for Children	10.559	54,771
Total child nutrition cluster		<u>1,353,392</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>1,457,391</u>
<b><u>U. S. DEPARTMENT OF DEFENSE</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	<u>58,082</u>
<b><u>FEDERAL COMMUNICATION COMMISSION</u></b>		
Administered through the Universal Service Administrative Company		
The schools and Libraries Program of the Universal Service Fund	32.xxx	<u>99,515</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,243,152
Vocational Education - Basic Grant to States	84.048	52,651
Safe and Drug Free Schools and Communities - National Programs	84.184	86,099
Safe and Drug Free Schools and Communities - State Grants	84.186	28,881
21st Century Community Learning Centers	84.287	199,041
Foreign Language Assistance	84.293	20,865
State Grants for Innovative Programs	84.298	6,689
Education Technology State Grants	84.318	11,697
Transition to Teaching	84.350	280
Improving Teacher Quality - State Grants	84.367	423,722
Hurricane Education Recovery	84.938	5,416,352
Special Education Cluster:		
Special Education - Grants to States	84.027	1,213,300
Special Education - Preschool Grants	84.173	19,690
Total special education cluster		<u>1,232,990</u>
Total passed-through the MDE		<u>7,489,429</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>8,722,419</u>
<b><u>CORP FOR NATIONAL &amp; COMMUNITY SERVICE</u></b>		
Passed-through the Mississippi Department of Education:		
Learn and Serve America	94.004	<u>9,721</u>
<b><u>U. S. DEPARTMENT OF HOMELAND SECURITY</u></b>		
Direct Program:		
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	1,841,845
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>1,841,845</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$12,188,973</u></u>

**Notes to Schedule**

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

MOSS POINT SCHOOL DISTRICT  
 Schedule 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	\$ 22,767,029	1,172,700	1,559,937	3,190,128	
Other	15,227,531	439,898	34,246	7,417,357	
<b>Total</b>	<b>\$ 37,994,560</b>	<b>1,612,598</b>	<b>1,594,183</b>	<b>10,607,485</b>	
Total number of students*	3,209				
Cost per student	\$ 11,840	503	497	3,306	

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); and 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.

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

**Note: include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line**

INTERNAL CONTROL AND COMPLIANCE REPORTS

# FORTENBERRY AND BALLARD, PC

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

Superintendent and School Board  
Moss Point School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2007, which collectively comprise Moss Point School District's basic financial statements and have issued our report thereon dated February 1, 2008. We conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing 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 opinion 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.

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 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 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.

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 district's internal control.

Our consideration of the 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 or material weaknesses. We did not note any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

AICPA & MSCPA

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**Moss Point School District**

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

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry and Ballard, PC

February 1, 2008

Certified Public Accountants

# FORTENBERRY AND BALLARD, PC

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

Superintendent and School Board  
Moss Point School District

### Compliance

We have audited the compliance of the Moss Point School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that 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 my 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, the Moss Point School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

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

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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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program(s) 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 school district's internal control.

Our consideration of the 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 or material weaknesses. We did not note any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Fortenberry & Ballard, PC

Fortenberry and Ballard, PC  
February 1, 2008

Certified Public Accountants

AICPA & MSCPA

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

# FORTENBERRY AND BALLARD, PC

Certified Public Accountants

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

Superintendent and School Board  
Moss Point School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2007, which collectively comprise Moss Point School District's basic financial statements and have issued our report thereon dated February 1, 2008. We conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(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 to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,388.06 classroom supply funds carried over from previous years.

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

The results of 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.

AICPA & MSCPA

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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.

*FORTENBERRY & BALLARD, PC*

Fortenberry and Ballard, PC  
February 1, 2008

Certified Public Accountants

AICPA & MSCPA

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Moss Point 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:
  - (1) Material weaknesses identified? No.
  - (2) Significant deficiencies identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: unqualified.
5. Internal control over major programs:
  - a. Material weaknesses identified? No.
  - b. Significant deficiencies identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133?  
No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA# 10.553  
CFDA# 10.555  
CFDA# 10.559

- b. Title I Grants to Local Educational Agencies.  
CFDA# 84.010
  - c. Special Education Cluster:  
CFDA# 84.027  
CFDA# 84.173
  - d. Improving Teacher Quality  
CFDA# 84.367
  - e. Hurricane Education Recovery  
CFDA# 84.938
  - f. Disaster Grant - Public Assistance  
CFDA# 97.036
8. The dollar threshold used to distinguish between Type A and Type B programs was: \$365,669.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

