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PASS CHRISTIAN SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

Charles L. Shivers, CPA
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Pass Christian School District

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2007, which collectively comprise the Pass Christian School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pass Christian School District's management. My responsibility is to express opinions on these financial statements based on my audit.

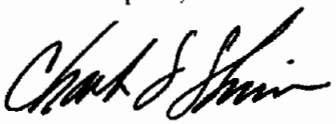
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian 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*, I have also issued my report dated January 28, 2008, on my consideration of the Pass Christian School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and related notes are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



Ridgeland, MS
January 28, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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PASS CHRISTIAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The discussion and analysis of Pass Christian 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.

The Pass Christian Public School District is comprised of four schools with an average daily attendance of 1489 students for the fiscal year ended June 30, 2007. This enrollment is down from approximately 1980 students prior to Hurricane Katrina. The district does anticipate consistent growth in enrollment as the community rebuilds. At this time, the four schools include a lower elementary school for grades K-2, an upper elementary school for grades 3-5, a middle school for grades 6-8, and a high school for grades 9-12. Our student population is 30% black, 4% Asian, 2% Hispanic, and 64% Caucasian. Sixty-seven percent of our students qualify for the free or reduced lunch program. A significant number of our students qualify as homeless due to post-Katrina living conditions in FEMA trailers or other temporary living arrangements. Despite a high percentage of socioeconomically disadvantaged students and homeless living conditions, the Pass Christian Public School District has very high student achievement test scores that rank the District among the top districts in the State of Mississippi.

FINANCIAL HIGHLIGHTS

- Total net assets increased $8,537,133, which represents 30% increase from fiscal year 2006.
- General revenues account for $14,756,887 in revenue, or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $9,785,788 or 40% of total revenues.
- The District had $17,778,575 in expenses; only $9,785,788 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $14,756,887 were adequate to provide for these programs.
- Among major funds, the General Fund had $13,097,961 in revenues and $7,620,843 in expenditures. The General Fund's fund balance decreased $535,084 from the prior year.
- Capital assets, net of accumulated depreciation, increased by $2,553,893. The increase is the result of completed construction of buildings and facilities.
- Long-term debt decreased by $3,167,084.

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 15 and 16 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively, of this report.

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 17 and 19 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 21 and a Statement of Changes in Fiduciary Net Assets on page 22.

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. The notes to the financial statements can be found on pages 23 - 35 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 - 43 of this report.

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 can be found on pages 47 and 49, respectively, of 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 $36,206,496 as of June 30, 2007.

By far the largest portion of the District's net assets (22.7%) reflects its investment in capital assets (e.g., land, buildings, construction in progress, 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 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 as of June 30, 2007 and 2006, respectively.

	Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Current assets	$ 29,836,081	$ 27,472,544	8.6 %
Non depreciable capital assets, net	2,465,966	4,020,231	-38.7 %
Depreciable capital assets, net	16,644,697	12,536,539	32.8%
Total assets	48,946,744	44,029,314	11.2 %
Current liabilities	1,083,974	1,536,593	-29.5%
Long-term debt outstanding	11,656,274	14,823,358	-21.4%
Total liabilities	12,740,248	16,359,951	-22.1%
Net assets:			
Invested in capital assets, net of related debt	8,062,972	4,441,934	81.5 %
Restricted	1,934,627	4,165,258	-53.6 %
Unrestricted	26,208,897	19,062,171	37.5 %
Total net assets	$ 36,206,496	$ 27,669,363	30.9 %

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

- The principal retirement of $3,174,083 of long-term debt.
- The addition of $3,131,898 in capital assets from the construction of a new school and purchase of mobile equipment and furniture and equipment.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were $24,542,675. The total cost of all programs and services was $17,778,575. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2007 and 2006, respectively.

	Change in Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Revenues:			
Program revenues:			
Charges for services	$ 351,893	$ 103,332	240.5%

Operating grants and contributions	6,887,102	9,034,436	-23.8%
Capital grants and contributions	2,546,793	9,295,776	-72.6%
General revenues:			
Property taxes	5,956,514	7,302,804	-18.4%
Grants and contributions not restricted	8,790,308	7,631,205	15.2%
Other	10,065	471,211	-97.9%
Total revenues	24,542,675	33,838,764	-27.5%
Expenses:			
Instruction	9,130,033	9,057,347	0.8%
Support services	7,343,587	11,700,399	-37.2%
Non-instructional	816,637	723,104	12.9%
Sixteenth section	2,042	1,349	51.4%
Interest and other expense on long-term liabilities	486,276	534,458	-9.0%
Total expenses	17,778,575	22,016,657	-19.2%
Special items	1,773,033	11,469,008	-84.5%
Increase (Decrease) in net assets	8,537,133	16,746,766	- 49.0%
Net Assets, July 1	27,669,363	10,922,579	153.3%
Net Assets, June 30	$ 36,206,496	$ 27,669,363	30.9%

Transactions that had an impact on the Statement of Activities included the completed construction on building projects, the repayment of substantial debt, and the reduction in special items.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2007 and 2006, respectively. 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	$ 9,130,033	$ (1,181,853)	$ 9,057,347	$ (2,043,527)
Support services	7,343,587	(6,319,691)	11,700,399	(2,037,666)
Non-instructional	816,637	(2,925)	723,104	1,033,887
Sixteenth section	2,042	(2,042)	1,349	(1,349)
Interest and other expenses on long-term liabilities	486,276	(486,276)	534,458	(534,458)
Total expenses	$ 17,778,575	$ (7,992,787)	$ 22,016,657	$ (3,583,113)

- Net cost of governmental activities ($7,992,787), was financed by general revenue, which is made up of primarily property taxes ($5,956,514) and state revenue ($7,760,384).
- Investment earnings accounted for $892,586 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 the year, its governmental funds reported a combined fund balance of $28,948,958, an increase of $2,726,291. $1,530,034 or 5.3% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $27,418,924 or 94.7% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $535,084 a result of financing local building projects. The fund balance of Other Governmental Funds showed a decrease due primarily to the retirement of substantial debt of the district

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Actual revenues from local sources were less than originally budgeted due to a shortfall for ad ad valorem taxes because of the lingering effects of Hurricane Katrina on the district's tax base.
- Original budget amounts for instructional and related expenditures in the General Fund are less than the final budget amounts due to a local costs being paid by Federal assistance for students displaced by Hurricane Katrina.
- Actual operating transfers out were more than originally budgeted due to the transfer of funds to building projects funds to assist in covering the increasing costs of re-building facilities following Hurricane Katrina.
- Actual revenues from Federal sources in the FEMA fund were less than the original budget due to the slow reimbursement process from FEMA/MEMA.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to some school construction being delayed until next fiscal year.

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 were $23,571,443, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $3,125,486 from the previous year. Total accumulated depreciation as of June 30, 2007 was $4,460,780 and total depreciation expense for the year was $577,941, resulting in total net assets of $19,110,663.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	$ 484,731	$ 454,503	6.7%
Construction in progress	1,981,235	3,565,728	-44.4%
Buildings	13,917,115	9,843,555	41.4%
Improvements other than buildings	1,855,863	1,921,895	-3.4%
Mobile equipment	750,295	710,123	5.7%
Furniture and equipment	121,424	60,966	99.2%
Total	$ 19,110,663	$ 16,556,770	15.4%

Additional information of the District's capital assets can be found in Note 4 on page 30 of this report.

Debt Administration. At June 30, 2007, the District had $11,656,274 in general obligation bonds and other long-term debt outstanding, of which $1,288,367 is due within one year.

	Outstanding Debt		Percentage
	2007	2006	Change
General obligation bonds payable	$ 7,830,000	$ 8,340,000	-6.1%
Limited obligation bonds payable	2,114,141	2,249,216	-6.0%
Three mill notes payable	1,103,550	1,525,620	-27.7%
Shortfall notes payable	0	106,938	-100.0%
Community disaster loans payable	445,961	445,961	0.0%
MDB special obligation bonds payable	0	2,000,000	-100.0%
Compensated absences payable	162,622	155,623	4.5%
Total	$ 11,656,274	$ 14,823,358	-21.4%

The District maintains an excellent bond rating with.

Additional information of the District's long-term debt can be found in Note 5 on pages 31 - 33 of this report.

CURRENT ISSUES

The Pass Christian Public Schools is financially stable. The District is very proud of its community support of the public schools and the academic achievement of the students in all schools. Once again, all schools in the district achieved the highest level of state accreditation and all schools met the Adequate Yearly Progress (AYP) requirement of the No Child Left Behind (NCLB) legislation.

The District has committed itself to financial excellence for many years. The millage remained the same over the last three years. In addition, 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.

Latest enrollment figures indicate that student enrollment in the District will increase approximately 5% each year as the community rebuilds from the devastation caused by Hurricane Katrina. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Pass Christian Public School District, 6303 W. Wittmann Road, Pass Christian, MS 39571.

BASIC FINANCIAL STATEMENTS

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Pass Christian Public Schools
Statement of Net Assets
June 30, 2007

Exhibit A

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	$ 4,429,204
Investments (Note 2)	$ 22,026,000
Due from other governments	$ 2,830,502
Accrued interest receivable	$ 292,046
Other receivables, net	$ 7,531
Inventories and prepaid items	$ 21,830
Restricted assets (Note 2)	$ 228,968
Non-depreciable capital assets (Note 4)	$ 2,465,966
Depreciable capital assets, net (Note 4)	$ 16,644,697
Total Assets	$ 48,946,744
Liabilities	
Accounts payable and accrued liabilities	$ 884,651
Deferred revenue	$ 2,472
Interest payable on long-term liabilities	$ 196,851
Long-term liabilities (Due within one year) (Note 5)	
Capital related liabilities	$ 1,212,105
Non-capital related liabilities	$ 16,262
Long-term liabilities (Due beyond one year) (Note 5)	
Capital related liabilities	$ 9,835,586
Non-capital related liabilities	$ 592,321
Total Liabilities	$ 12,740,248
Net assets	
Investment in capital assets (net of related debt)	$ 8,062,972
Restricted net assets	
Expendable	
School-based activities	$ 382,905
Debt service	$ 1,277,862
Forestry improvements	$ 4,333
Unemployment benefits	$ 40,559
Non-expendable	
Sixteenth section	$ 228,968
Unrestricted	$ 26,208,897
Total Net Assets	$ 36,206,496

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

Pass Christian Public Schools
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities
Primary Government					
Governmental Activities					
Instruction	$ 9,130,033	$ 145,183	$ 6,020,242	$ 1,782,755	$ (1,181,853)
Support services	$ 7,343,587		$ 259,858	$ 764,038	$ (6,319,691)
Non-instructional	$ 816,637	$ 206,710	$ 607,002		$ (2,925)
Sixteenth section	$ 2,042				$ (2,042)
Interest and other expenses on long-term liabilities	$ 486,276				$ (486,276)
Total Governmental Activities	$ 17,778,575	$ 351,893	$ 6,887,102	$ 2,546,793	$ (7,992,787)
General Revenues					
Taxes					
General purpose levies					$ 4,691,217
Debt purpose levies					$ 1,085,769
Gaming					$ 179,528
Unrestricted grants and contributions					
State					$ 7,760,384
Federal					$ 113,769
Unrestricted investment earnings					$ 892,586
Sixteenth section sources					$ 23,569
Other					$ 10,065
Total General Revenues					$ 14,756,887
Special items (Note 12)					$ 1,773,033
Total General Revenues and Special Items					$ 16,529,920
Changes in Net Assets					$ 8,537,133
Net Assets - Beginning					$ 27,669,363
Net Assets - Ending					$ 36,206,496

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

Pass Christian Public Schools
Balance Sheet - Governmental Funds
June 30, 2007

Exhibit C

	Major Funds						
	General Fund	Restart Fund	FEMA Fund	Hurricane Fund	Local Building Projects	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents (Note 2)	$ 2,295,031			$ 1,433,975	$ 46,610	$ 882,556	$ 4,658,172
Investments (Note 2)				$ 8,862,000	$ 11,840,000	$ 1,324,000	$ 22,026,000
Due from other governments	$ 209,737	$ 688,222	$ 1,857,652			$ 74,891	$ 2,830,502
Accrued interest receivable	$ 2,211			$ 138,136	$ 137,038	$ 14,661	$ 292,046
Other receivables, net			$ 593			$ 6,938	$ 7,531
Due from other funds (Note 3)	$ 659,180	$ 3,266	$ 41,460	$ 1,790,945	$ 1,500,000	$ 16,159	$ 4,011,010
Inventories						$ 21,830	$ 21,830
Total Assets	$ 3,166,159	$ 691,488	$ 1,899,705	$ 12,225,056	$ 13,523,648	$ 2,341,035	$ 33,847,091
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	$ 519,714	$ 76,740	$ 105,493	$ 20,877		$ 161,827	$ 884,651
Due to other funds (Note 3)	$ 1,550,776	$ 614,748	$ 1,794,212	$ 6,016		$ 45,258	$ 4,011,010
Deferred revenue						$ 2,472	$ 2,472
Total Liabilities	$ 2,070,490	$ 691,488	$ 1,899,705	$ 26,893	$ -	$ 209,557	$ 4,898,133
Fund Balances							
Reserved for							
Debt service purposes						$ 1,401,423	$ 1,401,423
Permanent fund purposes						$ 228,968	$ 228,968
Unemployment benefits						$ 40,559	$ 40,559
Forestry improvements						$ 4,333	$ 4,333
Inventory						$ 21,830	$ 21,830
Unreserved							
Designated, reported in Special Revenue Funds				$ 12,198,163			$ 12,198,163
Designated, reported in Capital Projects Fund					$ 13,523,648		$ 13,523,648
Undesignated, reported in							
General fund	$ 1,095,669						$ 1,095,669
Special revenue funds						$ 424,735	$ 424,735
Permanent funds						$ 9,630	$ 9,630
Total Fund Balances	$ 1,095,669	$ -	$ -	$ 12,198,163	$ 13,523,648	$ 2,131,478	$ 28,948,958
Total Liabilities and Fund Balances	$ 3,166,159	$ 691,488	$ 1,899,705	$ 12,225,056	$ 13,523,648	$ 2,341,035	$ 33,847,091

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

Pass Christian Public Schools
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	Amount
Total fund balance - governmental funds	$ 28,948,958
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of $4,460,780.	$ 19,110,663
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	$ (11,656,274)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	$ (196,851)
Total net assets - governmental activities	$ 36,206,496

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

Pass Christian Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2007

Exhibit D

	Major Funds						
	General Fund	Restart Fund	FEMA Fund	Hurricane Fund	Local Building Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Local sources	$ 5,304,279			$ 490,826	$ 255,822	$ 1,562,128	$ 7,613,055
State sources	$ 7,679,913					$ 142,795	$ 7,822,708
Federal sources	$ 113,769	$ 4,709,836	$ 2,546,794			$ 1,702,879	$ 9,073,278
Sixteenth section sources						$ 23,569	$ 23,569
Total Revenues	$ 13,097,961	$ 4,709,836	$ 2,546,794	$ 490,826	$ 255,822	$ 3,431,371	$ 24,532,610
Expenditures							
Instruction	$ 2,651,832	$ 3,826,698	$ 748,769	$ 278,075		$ 1,338,919	$ 8,844,293
Support services	$ 4,918,143	$ 722,815	$ 672,979	$ 361,147		$ 584,415	$ 7,259,499
Noninstructional services		$ 783	$ 134,819	$ 1,660		$ 673,160	$ 810,422
Sixteenth section						$ 2,042	$ 2,042
Facilities acquisition and construction	$ 50,868	$ 12,100	$ 1,043,472	$ 1,579,566		$ 240,678	$ 2,926,684
Debt service							
Principal (Note 5)						$ 3,174,083	$ 3,174,083
Interest						$ 568,683	$ 568,683
Other						$ 3,711	$ 3,711
Total Expenditures	$ 7,620,843	$ 4,562,396	$ 2,600,039	$ 2,220,448	$ -	$ 6,585,691	$ 23,589,417
Excess (Deficiency) of Revenues Over Expenditures	$ 5,477,118	$ 147,440	$ (53,245)	$ (1,729,622)	$ 255,822	$ (3,154,320)	$ 943,193
Other Financing Sources (Uses)							
Insurances loss recoveries				$ 1,773,033			$ 1,773,033
Operating transfers in (Note 3)	$ 124,278	$ 25,477	$ 78,722	$ 250,000	$ 5,035,952	$ 881,160	$ 6,395,589
Other financing sources						$ 10,065	$ 10,065
Operating transfers out (Note 3)	$ (6,136,480)	$ (172,917)	$ (25,477)	$ (3,314)		$ (57,401)	$ (6,395,589)
Total Other Financing Sources (Uses)	$ (6,012,202)	$ (147,440)	$ 53,245	$ 2,019,719	$ 5,035,952	$ 833,824	$ 1,783,098
Net Change in Fund Balances	$ (535,084)	$ -	$ -	$ 290,097	$ 5,291,774	$ (2,320,496)	$ 2,726,291
Fund Balances							
July 1, 2006	$ 1,630,753	$ -	$ -	$ 11,908,066	$ 8,231,874	$ 4,444,516	$ 26,215,209
Increase in reserve for inventory	$ -	$ -	$ -	$ -	$ -	$ 7,458	$ 7,458
June 30, 2007	$ 1,095,669	$ -	$ -	$ 12,198,163	$ 13,523,648	$ 2,131,478	$ 28,948,958

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

Pass Christian Public Schools
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

Exhibit D-1

		Amount
Net change in fund balance - governmental funds	$	2,726,291
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to $3,131,898 and the depreciation expense amounted to $577,941.	$	2,553,957
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	$	3,174,083
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	$	(6,999)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	$	(64)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	$	82,407
The governmental funds reported an increase in reserve for inventory while the transaction is not reported in the statement of activities.	$	7,458
Changes in net assets of governmental activities	$	8,537,133

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

Pass Christian Public Schools
Statement of Net Assets - Fiduciary Funds
June 30, 2007

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	$ 86,792	$ 40,412
Total Assets	$ -	$ 40,412
Liabilities		
Due to student clubs		$ 40,127
Other payables		$ 285
Total Liabilities	$ -	$ 40,412
Net Assets		
Reserved for endowments	$ 86,792	
Total Net Assets	$ 86,792	

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

Pass Christian Public Schools
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2007

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	$ 590
Contributions and donations from private sources	$ 65,419
Total Additions	$ 66,009
Deductions	
Scholarships awarded	$ 49,048
Total Deductions	$ 49,048
Changes in Net Assets	$ 16,961
Net Assets	
July 1, 2006	$ 69,831
June 30, 2007	$ 86,792

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pass Christian since the governing authority of the city selects a majority of the school district's board of trustees, but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. 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 and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Restart Fund – This special revenue fund is used to account for the Federal funds that were made available through a new grant to assist with restarting school services after having been closed as a result of Hurricane Katrina.

FEMA Fund – This special revenue fund is used to account for the Federal funds that were made available as a result of Hurricane Katrina to assist with repairs, renovations and construction that were not covered by insurance.

Hurricane Fund – This special revenue fund is used to account for the insurance proceeds, donations and contributions as a result of Hurricane Katrina.

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

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of 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 the *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 the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposits with 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.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

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).

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

b. Restricted net assets - Consists of net assets with constraints placed on the use either by

(1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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

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

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

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

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

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

Unreserved - designated, reported in special revenue funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of school district facilities.

Unreserved - designated, reported in capital projects fund - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of school district facilities.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or

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

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report 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 and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits. The 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 school district deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the school district's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972) and investments authorized under Section 27-105-365 Miss. Code Ann. (1972) . That authority permits the following types of investments: (a) certificates of deposit and interest bearing accounts; (b) direct US Treasury obligations; (c) US Government agencies, US Government instrumentalities or US Government sponsored enterprise obligations; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of those securities enumerated in (b) and (c) above; (e) direct obligations of the US in open-end or closed-end of any management type investment company; (f) in a trust consisting of pooled or commingled funds that includes investments in commercial paper and bankers acceptances or other short-term obligations issued by banks having one (1) of the two (2) highest short-term rating categories of either Standard Poor's Corporation or Moody's Investors Service, or corporate notes and bonds having one (1) of the three (3) highest long-term rating categories of either Standard Poor's Corporation or Moody's Investors Service, or in any open-ended or closed-ended management-type investment company or investment trust registered under the provisions or 15 USCS Section 80(a)-1 et seq. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and private purpose / fiduciary funds was $4,658,172 and $127,204, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - $4,429,204 and Restricted Assets - $228,968. The Restricted Assets represents the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $6,487,617.

Custodial Credit Risk – Deposits. Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the school district.

Investments.

The school district had the following investments at year end:

Investment	Credit Rating	Maturities	Fair Value
Certificates of Deposit	N/A	Various	$ 22,026,000

Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

Concentration of Credit Risk. The district does not have a policy that limits investment types. The district had 100% of its investments in Certificates of Deposit.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental funds:		
General fund	$ 659,180	$ 1,550,776
Restart fund	$ 3,266	$ 614,748
FEMA fund	$ 41,460	$ 1,794,212
Hurricane Fund	$ 1,790,945	$ 6,016
Local building projects fund	$ 1,500,000	
Other governmental funds	$ 16,159	$ 45,258
Total funds	$ 4,011,010	$ 4,011,010

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments and to transfer certain allowable cost permitted by several new Federal programs.

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	$ 124,278	$ 6,136,480
Restart fund	$ 25,477	$ 172,917
FEMA fund	$ 78,722	$ 25,477
Hurricane Fund	$ 250,000	$ 3,314
Local building projects fund	$ 5,035,952	
Other governmental funds	$ 881,160	$ 57,401
Total funds	$ 6,395,589	$ 6,395,589

The purpose of the interfund transfers out of the General Fund are to finance basic operations of the district that are not directly funded (i.e., vocational program, to provide matching funds for the FEMA program

and to provide funding for the local building project. The transfers out in the other governmental funds are primarily the transfer of indirect cost on federal programs to the General Fund.

(4) Capital Assets.

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

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Balance 6-30-2007
Non-depreciable capital assets:					
Land	$ 454,503	$ 30,228			$ 484,731
Construction in progress	$ 3,565,728	$2,824,787		$ (4,409,280)	$ 1,981,235
Total non-depreciable capital assets	$ 4,020,231	$2,855,015	$ 0	$ (4,409,280)	$ 2,465,966
Depreciable capital assets:					
Buildings	$12,256,488			$ 4,409,280	$16,665,768
Improvements other than buildings	$ 2,600,788	$ 36,223			$ 2,637,011
Mobile equipment	$ 1,413,650	$ 130,329			$ 1,543,979
Furniture and equipment	$ 154,800	$ 110,331	$ (6,412)		$ 258,719
Total depreciable capital assets	$16,425,726	$ 276,883	$ (6,412)	$ 4,409,280	$21,105,477
Less accumulated depreciation					
Buildings	$ 2,412,933	$ 335,720			$ 2,748,653
Improvements other than buildings	$ 678,893	$ 102,255			$ 781,148
Mobile equipment	$ 703,527	$ 90,157			$ 793,684
Furniture and equipment	$ 93,834	$ 49,809	$ (6,348)		$ 137,295
Total accumulated depreciation	$ 3,889,187	$ 577,941	$ (6,348)	$ 0	$ 4,460,780
Total depreciable capital assets, net	$12,536,539	$(301,058)	$ (64)	$ 4,409,280	$16,644,697
Governmental activities capital assets, net	$16,556,770	$2,553,957	$ (64)	$ 0	$19,110,663

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 360,625
Support services	$ 207,354
Non-instructional services	$ 9,962
Total depreciation expense	$ 577,941

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	Remaining Commitment	Required Future Financing
Athletic renovations	$ 36,896	$ 0
Maintenance building	$ 2,388,619	$ 0
Transportation building	$ 234,669	$ 0
K-8 school	$ 30,105,943	$ 0
DeLisle elementary school	$ 332,362	$ 0
Total	$ 33,098,489	$ 0

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds payable	$ 8,340,000		$ 510,000	$ 7,830,000	$ 540,000
B. Limited obligation bonds payable	$ 2,249,216		$ 135,075	$ 2,114,141	$ 141,275
C. Three mill notes payable	$ 1,525,620		$ 422,070	$ 1,103,550	$ 433,791
D. Shortfall notes payable	$ 106,938		$ 106,938	$ 0	
E. Community disaster loan	$ 445,961		$	445,961	$ 0
F. MDB special obligation bonds	$ 2,000,000		$ 2,000,000	$ 0	
G. Compensated absences payable	$ 155,623	$ 6,999	$	162,622	$ 16,262
Total	$ 14,823,358	$ 6,999	$ 3,174,083	$ 11,656,274	$ 1,131,328

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1997	Varies	9-1-97	9-1-07	$ 10,100,000	$ 470,000
General obligation refunding bonds, Series 2005	Varies	5-19-05	6-30-18	$ 7,705,000	$ 7,360,000
Total				$ 17,805,000	$ 7,830,000

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

Year Ending June 30	Principal	Interest	Total
2008	$ 540,000	$ 288,688	$ 828,688
2009	$ 540,000	$ 297,763	$ 837,763
2010	$ 560,000	$ 246,828	$ 806,828
2011	$ 605,000	$ 227,200	$ 832,200
2012	$ 630,000	$ 205,587	$ 835,587
2013 – 2017	$ 4,030,000	$ 605,381	$ 4,635,381
2018	$ 925,000	$ 18,500	$ 943,500
Total	$ 7,830,000	$ 1,889,947	$ 9,719,947

This debt will be retired from the Bond Issue 07 Retirement Fund (Debt Service Fund).

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 then 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 7.1% of property assessments as of October 30, 2006.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	4.59%	3-12-98	8-15-18	$ 2,705,993	$ 2,114,141

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

Year Ending June 30	Principal	Interest	Total
2008	$ 141,275	$ 97,039	$ 238,314
2009	$ 147,759	$ 90,555	$ 238,314
2010	$ 154,542	$ 83,772	$ 238,314
2011	$ 161,635	$ 76,679	$ 238,314
2012	$ 169,054	$ 69,826	$ 238,880
2013 – 2017	$ 969,038	$ 222,533	$ 1,191,571
2018 – 2019	$ 370,838	$ 23,885	$ 394,723
Total	$ 2,114,141	$ 664,289	$ 2,778,430

This debt will be retired from the MAEP Bond Retirement Fund (Debt Service Funds).

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Three mill notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2003	2.7%	12-17-03	12-17-08	$ 1,870,000	$ 778,337
Three mill notes, 2005	3.375%	6-27-05	6-27-13	$ 420,000	$ 325,213
				$ 2,290,000	$ 1,103,550

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

Year Ending June 30	Principal	Interest	Total
2008	$ 433,791	$ 31,991	$ 465,782
2009	$ 445,839	$ 19,943	$ 465,782
2010	$ 53,225	$ 7,557	$ 60,782
2011	$ 55,021	$ 5,761	$ 60,782

Year Ending June 30	Principal	Interest	Total
2012	$ 56,878	$ 3,904	$ 60,782
2013	$ 58,796	$ 1,984	$ 60,780
Total	$ 1,103,550	$ 71,140	$ 1,174,690

This debt will be retired from the Note Retirement Fund (Debt Service Fund) and the EEF Building and Bus Fund (Special Revenue Fund).

D. Shortfall notes payable.

This debt was fully retired from the Shortfall Note Retirement Fund (Debt Service Fund) during the year.

E. Community disaster loan.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Community disaster loan	3.02%	6-2-06	6-1-11	$ 445,961	$ 445,961

This loan is due and payable June 1, 2011. The loan will be repaid from the District Maintenance Fund (General Fund).

F. Mississippi Development Bank special obligation bonds.

This debt was fully retired from the Cash Flow Fund (Special Revenue Fund) during the year.

G. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 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 $936,691, $904,300 and $906,754, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

(8) Sixteenth Section Lands.

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

Year Ending June 30		Amount
2008	$	7,038
2009	$	7,038
2010	$	7,038
2011	$	701
2012	$	701
2013 – 2017	$	3,505
2018 – 2022	$	3,505
2023 – 2027	$	3,505
2028 – 2032	$	3,055
Thereafter	$	1,757
Total	$	37,843

(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. 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.

(10) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated 1998 creating The Learning Center. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Pass Christian Public School District and the Gulfport Public School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Gulfport Public School District has been designated as the lead school district for The Learning Center, and the operations of the consortium are included in its financial statements.

(11) Vocational School Consortium.

On June 14, 1983, the Pass Christian Public School District, the Long Beach Public School District and the Mississippi Gulf Coast Community College entered into a joint agreement to create the West Harrison County

Occupational Training Center. The Mississippi Gulf Coast Community College is the fiscal agent for the Training Center, thus they are responsible for hiring employees, payroll, paying bills, upkeep of facilities, etc. The Pass Christian Public School District provides transportation of its students to the Training Center. The school district's share of the annual operating cost is based on its prorated anticipated student participation applied to the proposed budget established Mississippi Gulf Coast Community College. A funding agreement is required each year.

(12) Special Items.

During the 2007 fiscal year, the school district received $1,773,033 from an insurance carrier for the losses incurred from damages caused by Hurricane Katrina in August 2005.

(13) Economic Dependency.

The school district is significantly economically dependent on an ad valorem tax payer (DuPont Corporation). In the event of a loss of these ad valorem taxes, the district would encounter an economic hardship.

(14) Subsequent Events.

In July 2007, the district issued shortfall notes for the General Fund (District Maintenance Fund) for $1,153,784 and for the Debt Service Funds (Note Retirement Fund) for $73,290.

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REQUIRED SUPPLEMENTARY INFORMATION

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Pass Christian Public Schools
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 6,351,917	$ 5,253,699	$ 5,304,279	$ (1,098,218)	$ 50,580
State sources	$ 7,678,220	$ 7,679,913	$ 7,679,913	$ 1,693	$ -
Federal sources	$ 35,000	$ 113,769	$ 113,769	$ 78,769	$ -
Total Revenues	$ 14,065,137	$ 13,047,381	$ 13,097,961	$ (1,017,756)	$ 50,580
Expenditures					
Instruction	$ 6,793,227	$ 2,651,832	$ 2,651,832	$ 4,141,395	$ -
Support services	$ 5,074,329	$ 4,918,143	$ 4,918,143	$ 156,186	$ -
Facilities acquisition and construction	$ 198,800	$ 50,868	$ 50,868	$ 147,932	$ -
Debt service					
Interest	$ 2,000	$ -	$ -	$ 2,000	$ -
Total Expenditures	$ 12,068,356	$ 7,620,843	$ 7,620,843	$ 4,447,513	$ -
Excess (Deficiency) of Revenues Over Expenditures	$ 1,996,781	$ 5,426,538	$ 5,477,118	$ 3,429,757	$ 50,580
Other Financing Sources (Uses)					
Proceeds of loans	$ -	$ 1,153,784	$ -	$ 1,153,784	$ (1,153,784)
Sale of transportation equipment	$ 1,000		$ -	$ (1,000)	$ -
Sale of other property	$ 1,000		$ -	$ (1,000)	$ -
Operating transfers in	$ 1,286,764	$ 1,186,760	$ 124,278	$ (100,004)	$ (1,062,482)
Operating transfers out	$ (2,159,128)	$ (7,198,961)	$ (6,136,480)	$ (5,039,833)	$ 1,062,481
Total Other Financing Sources (Uses)	$ (870,364)	$ (4,858,417)	$ (6,012,202)	$ (3,988,053)	$ (1,153,785)
Net Change in Fund Balances	$ 1,126,417	$ 568,121	$ (535,084)	$ (558,296)	$ (1,103,205)
Fund Balances					
July 1, 2006	$ 1,630,753	$ 1,630,753	$ 1,630,753	$ -	$ -
June 30, 2007	$ 2,757,170	$ 2,198,874	$ 1,095,669	$ (558,296)	$ (1,103,205)

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

Pass Christian Public Schools
Budgetary Comparison Schedule for the Major Special Revenue Fund - Restart Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 4,720,094	$ 4,709,836	$ 4,709,836	$ (10,258)	$ -
Total Revenues	$ 4,720,094	$ 4,709,836	$ 4,709,836	$ (10,258)	$ -
Expenditures					
Instruction	$ 140,533	$ 3,826,698	$ 3,826,698	$ (3,686,165)	$ -
Support services	$ 234,995	$ 722,815	$ 722,815	$ (487,820)	$ -
Noninstructional services	$ 1,500	$ 783	$ 783	$ 717	$ -
Facilities acquisition and construction	$ -	$ 12,100	$ 12,100	$ (12,100)	$ -
Total Expenditures	$ 377,028	$ 4,562,396	$ 4,562,396	$ (4,185,368)	$ -
Excess (Deficiency) of Revenues Over Expenditures	$ 4,343,066	$ 147,440	$ 147,440	$ (4,195,626)	$ -
Other Financing Sources (Uses)					
Operating transfers in	$ -	$ 25,477	$ 25,477	$ (25,477)	$ -
Operating transfers out	$ -	$ (172,917)	$ (172,917)	$ 172,917	$ -
Total Other Financing Sources (Uses)	$ -	$ (147,440)	$ (147,440)	$ 147,440	$ -
			$ -		
Net Change in Fund Balances	$ 4,343,066	$ -	$ -	$ (4,343,066)	$ -
Fund Balances					
July 1, 2006	$ -	$ -	$ -	$ -	$ -
June 30, 2007	$ 4,343,066	$ -	$ -	$ (4,343,066)	$ -

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

Pass Christian Public Schools
Budgetary Comparison Schedule for the Major Special Revenue Fund - FEMA Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 11,762,883	$ 2,546,794	$ 2,546,794	$ (9,216,089)	$ -
Total Revenues	$ 11,762,883	$ 2,546,794	$ 2,546,794	$ (9,216,089)	$ -
Expenditures					
Instruction	$ 2,447,833	$ 748,769	$ 748,769	$ 1,699,064	$ -
Support services	$ 816,821	$ 672,979	$ 672,979	$ 143,842	$ -
Noninstructional services	$ 209,780	$ 134,819	$ 134,819	$ 74,961	$ -
Facilities acquisition and construction	$ 10,813,121	$ 1,043,472	$ 1,043,472	$ 9,769,649	$ -
Total Expenditures	$ 14,287,555	$ 2,600,039	$ 2,600,039	$ 11,687,516	$ -
Excess (Deficiency) of Revenues Over Expenditures	$ (2,524,672)	$ (53,245)	$ (53,245)	$ 2,471,427	$ -
Other Financing Sources (Uses)					
Operating transfers in	$ -	$ 78,722	$ 78,722	$ (78,722)	$ -
Operating transfers out	$ -	$ (25,477)	$ (25,477)	$ 25,477	$ -
Total Other Financing Sources (Uses)	$ -	$ 53,245	$ 53,245	$ (53,245)	$ -
Net Change in Fund Balances	$ (2,524,672)	$ -	$ -	$ 2,524,672	$ -
Fund Balances					
July 1, 2006	$ -	$ -	$ -	$ -	$ -
June 30, 2007	$ (2,524,672)	$ -	$ -	$ 2,524,672	$ -

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

Pass Christian Public Schools
Budgetary Comparison Schedule for the Major Special Revenue Fund - Hurricane Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 25,000	$ 490,826	$ 490,826	$ 465,826	$ -
Total Revenues	$ 25,000	$ 490,826	$ 490,826	$ 465,826	$ -
Expenditures					
Instruction	$ 249,027	$ 278,075	$ 278,075	$ (29,048)	$ -
Support services	$ 225,360	$ 361,147	$ 361,147	$ (135,787)	$ -
Noninstructional services	$ 675	$ 1,660	$ 1,660	$ (985)	$ -
Facilities acquisition and construction	$ 10,237,978	$ 1,579,566	$ 1,579,566	$ 8,658,412	$ -
Total Expenditures	$ 10,713,040	$ 2,220,448	$ 2,220,448	$ 8,492,592	$ -
Excess (Deficiency) of Revenues Over Expenditures	$(10,688,040)	$ (1,729,622)	$ (1,729,622)	$ 8,958,418	$ -
Other Financing Sources (Uses)					
Insurance loss recoveries	$ -	$ 1,773,033	$ 1,773,033	$ 1,773,033	$ -
Operating transfers in	$ -	$ 250,000	$ 250,000	$ 250,000	$ -
Operating transfers out	$ -	$ (3,314)	$ (3,314)	$ (3,314)	$ -
Total Other Financing Sources (Uses)	$ -	$ 2,019,719	$ 2,019,719	$ 2,019,719	$ -
Net Change in Fund Balances	$(10,688,040)	$ 290,097	$ 290,097	$ 10,978,137	$ -
Fund Balances					
July 1, 2006	$ 11,908,066	$ 11,908,066	$ 11,908,066	$ -	$ -
June 30, 2007	$ 1,220,026	$ 12,198,163	$ 12,198,163	$ 10,978,137	$ -

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

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

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SUPPLEMENTARY INFORMATION

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Pass Christian School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	$ 52,574
Child nutrition cluster:		
School breakfast program	10.553	$ 174,761
National school lunch program	10.555	$ 533,720
Summer food service program for children	10.559	$ 13,242
Total child nutrition cluster		$ 721,723
Total U.S. Department of Agriculture		$ 774,297
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	$ 75,077
Total Federal Communications Commission		$ 75,077
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	$ 470,725
Vocational education - basic grants to states	84.048	$ 26,275
Safe and drug-free schools and communities - state grants	84.186	$ 23,062
State grants for innovative programs	84.298	$ 11,006
Education technology - state grants	84.318	$ 14,572
Improving teacher quality – state grants	84.367	$ 123,305
Grants for state assessments and related activities	84.369	$ 7,320
Hurricane education recovery	84.938	$ 4,767,743
Total		$ 5,444,008
Special education cluster:		
Special education - grants to states	84.027	$ 346,318
Special education - preschool grants	84.173	$ 16,724
Total		$ 363,042
Total passed-through Mississippi Department of Education		$ 5,807,050
Total U.S. Department of Education		$ 5,807,050
Homeland Security		
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants – public assistance (presidentially declared disasters)	97.036	$ 2,546,793
Total Homeland Security		$ 2,546,793
Total for All Federal Awards		$ 9,203,217

Pass Christian School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

NOTES TO SCHEDULE

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

Pass Christian 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 Administrative	School Administration	Other
Salaries and fringe benefits	$ 10,949,687	$ 7,553,381	$ 682,853	$ 874,119	$ 1,839,334
Other	$ 12,639,730	$ 2,326,968	$ 355,980	$ 119,085	$ 9,837,697
Total	$ 23,589,417	$ 9,880,349	$ 1,038,833	$ 993,204	$ 11,677,031
Total number of students	1,489				
Cost per student	$ 15,842	$ 6,636	$ 698	$ 667	$ 7,842

Notes to the schedule.

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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

Superintendent and School Board
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2007, which collectively comprise the district's basic financial statements and have issued my report thereon dated January 28, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My 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 that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 control deficiency, or combination of control deficiencies, that adversely affects the school district'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. See finding 2007- 01.

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.

My 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 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, I believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

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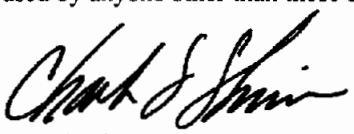
amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The school district's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the school district's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the district's school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ridgeland, MS
January 28, 2008

CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Pass Christian School District

Compliance

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

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

In my opinion, Pass Christian 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 Pass Christian School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 combination of control deficiencies, that adversely affects the entity's ability to administer a federal program 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.

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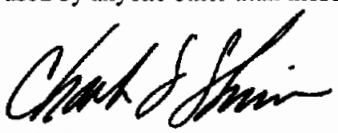
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the district's school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ridgeland, MS
January 28, 2008

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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CHARLES L. SHIVERS

Certified Public Accountant

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Ridgeland, Mississippi 39158

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2007, which collectively comprise Pass Christian School District's basic financial statements and have issued my report thereon dated January 28, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(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."

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $6,085 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 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 my 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, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion. For the items tested for compliance with other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the State Auditor and my audit of the basic financial statements, nothing came to my attention to indicate that the district did not comply with the items tested.

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

Ridgeland, MS
January 28, 2008

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Reportable conditions identified that are not considered to be material weaknesses?	None Reported
6.	Any audit finding(s) reported as required by section ___.510(a) of Circular A-133?	No
7.	Federal program identified as major program:	
	a. Special Education Cluster CFDA #: 84.027 CFDA#: 84.173	
	b. Hurricane Education Recovery CFDA #: 84.938	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	No
10	Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133?	No

Section 2: Financial Statement Findings

Finding 2007-01.

Finding.

Generally accepted accounting principles were improperly applied regarding certain year end closing entries and adjusting transactions. Appropriate application of generally accepted accounting principles insures properly stated financial statements. The cause of this condition appears to be an oversight of the business office and a misunderstanding of certain generally accepted accounting principles. Such uncorrected conditions could result in materially misstated financial statements.

Recommendation.

It is recommended that correct and appropriate generally accepted accounting principles be applied in the preparation of year end financial statements.

Pass Christian School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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January 28, 2008

As required by Section 315(c) of OMB Circular A-133, the Pass Christian 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.

Finding

2007-1

Corrective Action Plan

a. Contact person responsible for corrective action: Marsha Garziano, Business Manager
b. Description of corrective action: The Pass Christian Public Schools will use additional caution and due diligence in posting year-end closing entries and adjusting transactions.
c. Anticipated completion date of corrective action: February 1, 2008

Sincerely,

Marsha Garziano
Business Manager

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