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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
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McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

October 9, 2009

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis / Waveland School District as of and for the year ended June 30, 2008, which collectively comprise the Bay St. Louis / Waveland School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bay St. Louis / Waveland School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis / Waveland School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009, on our consideration of the Bay St. Louis / Waveland School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (3) through (9) and the Budgetary Comparison Schedule and corresponding notes on pages (33) through (37) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel: 601-296-1007 / 601-408-9378
Fax: 601-255-5070
Email: mcpafirm@gmail.com

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Fund, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McDaniel CPA Firm

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Bay St. Louis/Waveland School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for the school district at June 30, 2008 and 2007 were \$ 34,691,128 and \$ 19,970,446, respectively.
- Total net assets, including the effect of prior period adjustments, increased \$ 14,720,682, which represents a 74 % increase from fiscal year 2007.
- General revenues accounted for \$ 17,318,920 in revenue. Program specific revenues in the form of charges for services and grants and contributions accounted for \$ 23,575,682.
- The District had \$ 26,096,157 in expenses; only \$ 23,575,682 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$ 17,318,920 were adequate to provide for these programs.
- Among major funds, the General Fund had \$ 16,576,688 in revenues and \$ 9,891,992 in expenditures. The General Fund's fund balance decreased \$ 3,635,126 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$ 372,880.
- Long-term debt decreased by \$ 10,713,046. The decrease for 2008 was primarily to an adjustment in the amount of \$ 11,500,000 to properly reflect a revenue anticipation note that was recorded as long-term debt in the previous fiscal year but should have been reported as a current liability.

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.

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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 10 - 11 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 13 and 15, respectively.

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

The basic governmental fund financial statements can be found on pages 12 – 15 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

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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 a separate Statement of Fiduciary Assets and Liabilities on page 16.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 32 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 schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 33 - 37 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 38 of this report. A schedule of instructional, administrative and other expenditures for governmental funds is also included in this report on page 39.

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$ 34,691,128 as of June 30, 2008.

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, 2008 and 2007, respectively.

	Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Current Assets	43,901,299	28,971,212	51.53%
Capital Assets, Net	14,311,127	13,938,247	2.66%
Total Assets	58,212,426	42,909,459	35.66%
Current Liabilities	12,127,230	831,899	1357.78%
Long-term debt outstanding	11,394,088	22,107,114	-48.46%
Total Liabilities	23,521,298	22,939,013	2.54%
Net Assets:			
Invested in capital assets, net of related debt	8,026,127	6,828,247	15.85%
Restricted	8,376,375	1,184,689	601.01%
Unrestricted	18,288,628	11,847,300	54.37%
Total Net Assets	34,691,128	19,970,446	73.71%

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

- The refunding of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2008 were \$ 40,894,602. The total cost of all programs and services was \$ 26,096,157. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively.

	Change In Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Revenues:			
Program Revenues:			
Charges for Services	\$ 8,139,480	\$ 206,676	3838.28%
Operating grants and contributions	15,436,202	22,166,973	-30.36%
General revenues:			
Property taxes	5,621,598	4,936,726	13.87%
Grants and contributions not restricted	9,908,234	9,095,931	8.91%
Investment earnings	934,354	597,547	56.36%
Sixteenth section sources	5,764	8,323	-30.75%
Other	850,970	1,790,709	-52.48%
Total revenues	40,894,602	38,802,885	5.39%
Expenses:			
Instruction	11,082,403	10,188,675	8.77%
Support Services	12,603,318	23,814,457	-47.08%
Non-instructional	850,326	810,181	4.96%
Sixteenth Section	1,246	1,512	-17.59%
Interest and other expense on long-term liabilities	1,558,864	617,941	152.27%
Total expenses	26,096,157	35,432,766	-26.35%
Increase (Decrease) In net assets	14,798,445	3,370,119	339.11%
Net Assets, July 1	19,970,446	16,550,518	20.66%
Prior period adjustments	(77,763)	49,809	
Net Assets, Restated, July 1	19,892,683	16,600,327	19.83%
Net Assets, June 30	\$ 34,691,126	\$ 18,970,446	73.71%

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, 2008 and 2007, 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.

	2008		2007	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$ 11,082,403	\$ (3,729,875)	\$ 10,188,675	\$ (5,664,466)
Support Services	12,603,318	2,800,418	23,814,457	(6,826,087)
Non-instructional	850,326	(30,908)	810,181	50,889
Sixteenth Section	1,246	(1,246)	1,512	(1,512)
Interest and other expenses on long-term liabilities	1,558,864	(1,558,864)	617,941	(617,941)
Total expenses	\$ 26,096,157	\$ (2,520,475)	\$ 35,432,766	\$ (13,059,117)

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Net cost of governmental activities (\$ 2,520,475) was financed by general revenue, which is made up of primarily property taxes \$ 5,621,598 and state and federal revenues of \$ 9,906,234.

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 \$ 32,425,188, an increase of \$3,696,574, which is net of a prior period adjustment of \$11,408,634 and a decrease in the reserve for inventory of \$16,775. Prior period adjustments included an adjustment in the amount of \$11,405,958 that was needed to properly reflect a revenue anticipation note that was recorded as long-term debt in prior fiscal years but should have been recorded as a current liability in the General Fund. This incorrect reporting of the revenue anticipation note overstated the General Fund's fund balance by \$11,405,958. Therefore, a prior period adjustment was needed to properly restate the beginning fund balance of the General Fund. \$31,479,561, or 97%, of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$945,627, or 3%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, debt service and unemployment benefits.

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 \$3,635,126. This decrease in fund balance of the General Fund was due primarily to a combination of the following: 1) a prior period adjustment in the amount of \$11,405,958, which decreased the fund balance of the General Fund, that was needed to properly reflect a revenue anticipation note that was recorded as long-term debt in prior fiscal years but should have been recorded as a current liability in the General Fund, and 2) an excess of revenues over expenditures in the General Fund in the amount of \$7,770,832 which is due primarily to the reclassification of a portion of expenditures related to instruction, support services and noninstructional services normally incurred in the General Fund to the Restart School Grant Fund. Federal sources were received during the fiscal year to cover the expenditures in the Restart School Grant Fund. The fund balance of Other Governmental Funds showed a decrease in the amount of \$303,591, which includes a prior period adjustment of \$2,676 and a decrease in reserve for inventory of \$16,775. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Restart School Grant Fund	no increase or decrease
FEMA/MEMA Fund	\$ (8,656)
Insurance Trust Account Fund	\$ 7,643,947

BUDGETARY HIGHLIGHTS

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$ 18,620,562, including land, buildings, improvements other than buildings, mobile equipment, and furniture and equipment. This amount represents an increase of \$ 894,156 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$ 4,309,435 and total depreciation expense for the year was \$ 522,502, resulting in total net capital assets of \$ 14,311,127.

	Capital Assets, Net of Depreciation		Percentage Change
	2008	2007	
Land	280,351	217,851	29%
Buildings	12,891,897	12,824,331	1%
Improvements other than buildings	405,357	131,612	208%
Mobile equipment	376,013	369,238	2%
Furniture and equipment	357,509	395,215	-10%
Total	14,311,127	13,938,247	3%

Additional information of the District's capital assets can be found in Note 4 in the Notes to the Financial Statements.

Debt Administration. At June 30, 2008, the District had long-term debt outstanding, of \$ 11,394,068 of which \$ 865,063 is due within one year.

	Outstanding Debt		Percentage Change
	2008	2007	
General obligation bonds payable	6,175,000	6,745,000	-8%
Three mill notes payable	110,000	265,000	-58%
Shortfall notes payable	4,982,496	3,377,933	48%
Other loans payable	-	11,500,000	-100%
Compensated absences payable	126,572	219,181	-42%
Total	11,394,068	22,107,114	-48%

Additional information of the District's long-term debt can be found in Note 5 in the Notes to the Financial Statements.

CURRENT ISSUES

The Bay St. Louis / Waveland School District is financially stable. The District is proud of its community support of the public schools.

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The District has committed itself to financial excellence for many 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Bay St. Louis / Waveland School District, 201 Carroll Ave, Bay St. Louis, Mississippi 39520.

BASIC FINANCIAL STATEMENTS

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 32,065,593
Cash with fiscal agents	1,130,386
Due from other governments	10,675,923
Inventory	29,397
Capital assets, non-depreciable	
Land	280,351
Capital assets, net of accumulated depreciation:	
Buildings	12,891,897
Improvements other than buildings	405,357
Mobile equipment	376,013
Furniture and equipment	357,509
Total Assets	<u>58,212,426</u>
Liabilities:	
Accounts payable and accrued liabilities	172,256
Revenue anticipation note	11,303,855
Interest payable on long-term liabilities	651,119
Long-term liabilities, due within one year:	
Capital related liabilities	860,000
Non-capital related liabilities	5,063
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,425,000
Non-capital related liabilities	5,104,005
Total Liabilities	<u>23,521,298</u>
Net Assets:	
Invested in capital assets, net of related debt	8,026,127
Restricted net assets:	
Expendable:	
School-based activities	8,111,264
Debt service	206,051
Unemployment benefits	59,060
Unrestricted	18,288,626
Total Net Assets	<u>\$ 34,691,128</u>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Program Revenues			Charges For Services	Expenses	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			
Governmental Activities:						
Instruction	\$ 11,082,403			93,944	\$ 11,082,403	(3,729,875)
Support Services	12,603,318	7,258,584		7,960,000	2,800,418	2,800,418
Non-instructional	850,326	733,882		85,536	(30,908)	(30,908)
Sixteenth section	1,246				(1,246)	(1,246)
Interest on long-term liabilities	1,558,864				(1,558,864)	(1,558,864)
Total governmental activities	\$ 26,096,157	15,436,202	-	8,139,480	\$ 10,669,675	(2,520,475)

General Revenues:

Taxes:	
General purpose levies	4,957,329
Debt purpose levies	664,269
Unrestricted grants and contributions:	
State	9,792,980
Federal	113,254
Unrestricted investment earnings	934,354
Sixteenth section sources	5,764
Other	850,970
Total general revenues	17,318,920

Change in Net Assets

Change in Net Assets	14,798,445
Net Assets - Beginning	19,970,446
Prior Period Adjustments	(77,763)
Net Assets - Beginning - Restated	19,892,683
Net Assets - Ending	\$ 34,691,128

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Restart School Grant Fund	FEMA / MEMA Fund	Insurance Trust Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 23,116,778		6,405	7,643,947	1,298,463	\$ 32,065,593
Cash with fiscal agents	1,130,386					1,130,386
Due from other governments	302,387	1,251,576	8,480,044		633,326	10,667,333
Due from other funds	10,351,996				78,994	10,430,990
Inventory					29,397	29,397
Total assets	34,901,547	1,251,576	8,486,449	7,643,947	2,040,180	54,323,699
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	88,393				83,863	172,256
Due to other funds	111,605	1,251,576	8,486,449		572,770	10,422,400
Revenue anticipation note	11,303,855					11,303,855
Total liabilities	11,503,853	1,251,576	8,486,449	-	656,633	21,898,511
Fund Balances:						
Reserved for:						
Inventory					29,397	29,397
Debt service					857,170	857,170
Unemployment benefits					59,060	59,060
Unreserved:						
Undesignated, reported in:						
General fund	23,397,694					23,397,694
Special revenue funds				7,643,947	437,920	8,081,867
Total fund balances	23,397,694	-	-	7,643,947	1,383,547	32,425,188
Total liabilities and fund balances	\$ 34,901,547	1,251,576	8,486,449	7,643,947	2,040,180	\$ 54,323,699

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 32,425,188
 Amount reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ (4,309,435).	14,311,127
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,394,068)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(651,119)
Total net assets - governmental activities	<u>\$ 34,691,128</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Restart School Grant Fund	FEMA/ MEMA Fund	Insurance Trust Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 6,607,140		27,914	110,350	840,998	\$ 7,586,402
State sources	9,776,755				785,538	10,562,293
Federal sources	192,793	8,941,704	2,990,176		2,655,470	14,780,143
Sixteenth section sources					5,764	5,764
Total revenues	16,576,688	8,941,704	3,018,090	110,350	4,287,770	32,934,602
Expenditures:						
Instruction	3,575,318	5,312,293	136,493		2,058,934	11,083,036
Support services	4,809,939	3,628,969	2,471,980	426,403	954,668	12,291,959
Noninstructional services	1,676	442	5,984		775,272	783,354
Sixteenth section					1,246	1,246
Facilities acquisition and construction	345,001		412,309			757,310
Debt service:						
Principal					880,000	880,000
Interest	966,590				229,055	1,195,645
Other	193,470				85,063	278,533
Total expenditures	9,891,992	8,941,704	3,026,746	426,403	4,984,238	27,271,083
Excess (deficiency) of revenues over expenditures	6,684,696	-	(6,656)	(316,053)	(696,468)	5,663,519
Other Financing Sources (Uses)						
Proceeds of refunding bonds					5,845,000	5,845,000
Proceeds of loans	1,417,089			7,960,000		1,417,089
Insurance loss recoveries						7,960,000
Sale of transportation equipment	200					200
Operating transfers in	598,729				362,891	961,620
Operating transfers out	(929,882)				(51,738)	(981,620)
Payment to refunded bond escrow agent					(5,763,825)	(5,763,825)
Total other financing sources (uses)	1,086,136	-	-	7,960,000	412,328	9,458,464
Net change in fund balances	7,770,832	-	(6,656)	7,643,947	(284,140)	15,121,983
Fund Balances:						
July 1, 2007	27,032,820	-	8,656	-	1,687,138	28,728,614
Prior period adjustments	(11,405,958)				(2,676)	(11,408,634)
July 1, 2007, as restated	15,626,862	-	8,656	-	1,664,462	17,319,980
Increase/(Decrease) Reserve for Inventory	-	-	-	-	(16,775)	(16,775)
June 30, 2008	23,397,694	-	-	7,643,947	1,383,547	32,425,188

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 15,121,983
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$ 880,232 and the depreciation expense amounted to \$ (522,502).	357,730
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(7,262,089)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	880,000
4. The refunding of debt is reported as a reduction of current financial resources in the governmental funds, but the refunding decreases long-term liabilities in the statement of net assets.	5,690,000
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(61,818)
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(3,195)
7. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (increased) decreased in the Statements of Activities.	(16,775)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds.	
Compensated absences	92,609
Change in net assets of governmental activities	<u>\$ 14,798,445</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 977,546
Other receivables	904
<i>Total assets</i>	<u>978,450</u>
Liabilities	
Accounts payable and accrued liabilities	903,832
Due to other funds	8,590
Due to student clubs	66,028
<i>Total liabilities</i>	<u>\$ 978,450</u>

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

NOTES TO FINANCIAL STATEMENTS

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

For financial reporting purposes, Bay St. Louis / Waveland School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Restart School Grant Fund – This fund is used to account for federal funds related to Hurricane Katrina.

FEMA / MEMA Fund – This fund is used to account for federal funds received from FEMA.

Insurance Trust Fund – This fund is used to account for insurance loss recoveries.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs. Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

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

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

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

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

FIDUCIARY FUNDS

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

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

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 school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity.

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

Investments.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments.

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

4. 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.

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

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the statement of net assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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.

7. **Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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.

8. **Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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

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

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

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

(2) Cash and Cash Equivalents.

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds \$ 33,195,979, and \$ 977,546, respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$ 33,195,979. The bank balance was \$ 34,648,002.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$ 34,648,002 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances:

The following is a summary of interfund transactions and balances:

A. Due from / To Other Funds.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 10,351,996	111,605
Restart school grant fund		1,251,576
FEMA/MEMA fund		8,486,449
Other governmental funds	78,994	572,770
Fiduciary funds		<u>8,590</u>
Total Funds	<u><u>10,430,990</u></u>	<u><u>10,430,990</u></u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ending 6/30/2008.

B. Transfers In / Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 598,729	929,882
Other governmental funds	382,891	51,738
Total Funds	<u><u>981,620</u></u>	<u><u>981,620</u></u>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

(4) **Capital Assets.**

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

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6/30/2008</u>
<u>Non-depreciable capital</u>					
Land	\$ 217,851	62,500			\$ 280,351
Total non-depreciable	<u>217,851</u>	<u>62,500</u>	-	-	<u>280,351</u>
<u>Depreciable capital assets</u>					
Buildings	16,244,139	399,113			16,643,252
Improvements other than buildings	253,100	295,697			548,797
Mobile equipment	429,078	56,397			485,475
Furniture and equipment	582,238	66,525	5,550	19,474	662,687
Total depreciable capital assets	<u>17,508,555</u>	<u>817,732</u>	<u>5,550</u>	<u>19,474</u>	<u>18,340,211</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,419,808	331,547			3,751,355
Improvements other than buildings	121,488	21,952			143,440
Mobile equipment	59,840	49,622			109,462
Furniture and equipment	187,023	119,381	2,355	1,129	305,178
Total accumulated depreciation	<u>3,788,159</u>	<u>522,502</u>	<u>2,355</u>	<u>1,129</u>	<u>4,309,435</u>
Total depreciable capital assets, net	<u>13,720,396</u>	<u>295,230</u>	<u>3,195</u>	<u>18,345</u>	<u>14,030,776</u>
Governmental activities capital assets, net	<u>\$ 13,938,247</u>	<u>357,730</u>	<u>3,195</u>	<u>18,345</u>	<u>\$ 14,311,127</u>

Depreciation expense was charged to the following governmental functions:

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

	<u>Amount</u>
Instruction	\$ 62,700
Support Services	402,327
Non-instructional	57,475
Total depreciation expense	<u>\$ 522,502</u>

(5) Long-term Liabilities.

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

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>** Adjustments</u>	<u>Balance 6/30/2008</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 6,745,000	5,845,000	(725,000)	(5,690,000)	6,175,000	805,000
B. Three mill notes payable	265,000		(155,000)		110,000	55,000
C. Shortfall notes payable	3,377,933	1,417,089		187,474	4,982,496	-
D. Other loans payable	11,500,000			(11,500,000)	-	-
E. Compensated absences payable	219,181		(92,609)		126,572	5,063
Total	<u>\$ 22,107,114</u>	<u>7,262,089</u>	<u>(972,609)</u>	<u>(17,002,526)</u>	<u>11,394,068</u>	<u>865,063</u>

** In reference to the above adjustments column, please note the following: The adjustment for (\$5,690,000) is a refunding of debt by the issuance of new debt at a lower interest rate. The \$187,474 is an adjustment related to a drawdown of funds in a prior year for the community disaster loan program that was not recorded as debt in the prior year. The (\$11,500,000) adjustment is related to the issuance of new short-term financing which paid off the \$11,500,000 debt related to Hurricane Katrina (see note 6 page 30).

A. General obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 2002	variable	8/1/2002	11/1/2009	1,805,000	330,000
General obligation refunding bonds, Series 2007	4%	11/20/2007	9/1/2017	5,845,000	5,845,000
Total				<u>\$ 7,650,000</u>	<u>\$ 6,175,000</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	805,000	266,260	1,071,260
2010	450,000	238,331	688,331
2011	520,000	215,650	735,650
2012	540,000	191,781	731,781
2013	570,000	166,606	736,606
2014-2018	3,290,000	342,000	3,632,000
Total	\$ 6,175,000	\$ 1,420,628	\$ 7,595,628

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 4.85 % of property assessments as of October 1, 2007. This debt will be retired from the Bond Sinking Fund # 4031.

Current Refunding.

On November 20, 2007, the district issued \$5,845,000 general obligation refunding bonds, series 2007, with an average interest rate of 4.0 % to advance refund \$5,690,000 of outstanding general obligation bonds, series 1997, with an average interest rate of 5.6 %. The net proceeds of \$5,763,825 after payments of \$78,783 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds, series 1997.

As a result, the general obligation bonds, series 1997, are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities.

The district advanced refunded the general obligation bonds, series 1997, to reduce its total debt service payments over the remaining ten years of the debt by approximately \$279,534 and to obtain an economic gain of \$279,534.

B. Three mill note payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax note	2.99%	1/5/2005	1/5/2010	\$ 2,750,000	110,000
Total				\$ 2,750,000	110,000

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	55,000	3,289	58,289
2010	55,000	1,644	56,644
Total	\$ 110,000	\$ 4,933	\$ 114,933

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

C. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community Disaster Loan	3.02%	8/2006	6/2011	\$ 1,750,000	\$ 1,750,000
Community Disaster Loan	3.02%	9/2006	6/2011	187,474	187,474
Community Disaster Loan	3.02%	6/2007	6/2011	1,627,933	1,627,933
Community Disaster Loan	3.02%	4/2008	6/2011	1,417,089	1,417,089
Total				\$ 4,982,496	\$ 4,982,496

This debt is considered one loan for repayment purposes. However, there were different drawdown dates for this debt.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	-	54,600	54,600
2010	-	54,600	54,600
2011	4,982,496	54,600	5,037,096
Total	\$ 4,982,496	\$ 163,800	\$ 5,146,296

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

In the event the Community Disaster Loan is not forgiven, the loan will be retired from the District Maintenance Fund or the Debt Service Fund.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

D. Other loans payable.

This debt has been reclassified as a revenue anticipation note, which is now recorded as a current liability.

E. Compensated absences payable.

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

(6) Short-term Financing.

During the fiscal year ended June 30, 2008, the school district participated in the following short-term financing for the purpose of rebuilding the school district due to Hurricane Katrina.

Promissory Note – Hurricane Katrina Relief Program.

The Bay St. Louis – Waveland School District issued a revenue anticipation note payable to Hancock Bank, and the proceeds from such issuance are accounted for as a current liability in the General fund of the school district. The amount of the note payable was \$11,303,855 dated 8/16/2007. The proceeds of \$11,303,855 were used to payoff the original note payable of \$11,500,000 dated 10/25/2005 that was incurred in the wake of Hurricane Katrina.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2008 are as follows:

Description	Balance 7/1/2007	Additions	Reductions	** Adjustments	Balance 6/30/2008
1. Revenue anticipation note - Hancock Bank	-	11,303,855	(11,500,000)	11,500,000	11,303,855
Total	-	11,303,855	(11,500,000)	11,500,000	11,303,855

** The adjustment amount of \$ 11,500,000 relates to the reclassification of this debt from long-term to a current liability. However, this debt of \$ 11,500,000 was retired during the year from proceeds of the new revenue anticipation note of \$ 11,303,855 which is recorded as a current liability.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25 % of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% 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, 2008, 2007, and 2006 were \$1,251,677, \$1,111,017 and \$1,057,145, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2009	2,400
2010	2,400
2011	2,400
2012	2,400
2013	2,400
2014-2018	12,000
2019-2023	12,000
2024-2028	12,000
2029-2031	4,800
Total	\$ 52,800

(9) Prior Period Adjustments/Exhibits.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Exhibit B – Statement of Activities

<u>Explanation:</u>	<u>Amount</u>
1. Receivable not realized.	<u>(77,763)</u>

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

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
General fund	Adjustment related to reclassification of long-term debt to a current liability.	\$ (11,405,958)
Other governmental funds	Receivable not realized.	(2,676)
	Total	<u>(11,408,634)</u>

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$ 750,000. For a claim exceeding \$ 750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original to Final	Final to Actual
Revenues:					
Local sources	6,713,606	6,798,802	6,607,140	85,196	(191,662)
State sources	9,820,909	9,820,909	9,776,755	-	(44,154)
Federal sources	79,000	79,000	192,793	-	113,793
Total Revenues	16,613,515	16,698,711	16,576,688	85,196	(122,023)
Expenditures:					
Instruction	9,357,644	9,357,844	3,575,316	-	5,782,328
Support services	8,153,856	8,153,856	4,809,939	-	3,343,917
Noninstructional services	350	350	1,676	-	(1,328)
Facilities acquisition and construction	-	-	345,001	-	(345,001)
Debt service:					
Interest	-	-	966,590	-	(966,590)
Other	-	-	193,470	-	(193,470)
Total Expenditures	17,511,850	17,511,850	9,891,992	-	7,619,858
Excess (deficiency) of revenues over expenditures	(898,335)	(813,139)	6,684,698	85,196	7,497,835
Other Financing Sources (Uses)					
Proceeds of loans	-	-	1,417,089	-	1,417,089
Sale of transportation equipment	-	-	200	-	200
Operating transfers in	732,057	732,057	598,729	-	(133,328)
Operating transfers out	(1,488,758)	(1,488,758)	(929,882)	-	558,876
Total Other Financing Sources (Uses)	(756,701)	(756,701)	1,086,136	-	1,842,837
Net change in fund balances	(1,655,036)	(1,569,840)	7,770,832	85,196	9,340,672
Fund Balances:					
July 1, 2007	27,032,820	27,032,820	27,032,820	-	-
Prior Period Adjustments	-	-	(11,405,958)	-	(11,405,958)
July 1, 2007, as restated	27,032,820	27,032,820	15,626,862	-	(11,405,958)
June 30, 2008	25,377,784	25,462,980	23,397,894	85,196	(2,065,286)

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Restart School Grant Fund
 For the Year Ended June 30, 2008

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	8,941,704	8,941,704	8,941,704	-	-
Total Revenues	8,941,704	8,941,704	8,941,704	-	-
Expenditures:					
Instruction	5,312,293	5,312,293	5,312,293	-	-
Support services	3,628,969	3,628,969	3,628,969	-	-
Noninstructional services	442	442	442	-	-
Total Expenditures	8,941,704	8,941,704	8,941,704	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	-	-	-	-	-

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 FEMA / MEMA Fund
 For the Year Ended June 30, 2008

Schedule 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	3,306,384	3,117,518	27,914	(188,868)	(3,089,602)
Federal sources	24,596,000	24,596,000	2,990,178	-	(21,605,824)
Total Revenues	27,902,384	27,713,518	3,018,090	(188,868)	(24,695,426)
Expenditures:					
Instruction	629,000	629,000	136,493	-	492,507
Support services	3,461,000	3,461,000	2,471,980	-	989,020
Noninstructional services	351,000	351,000	5,964	-	345,036
Facilities acquisition and construction	21,155,000	21,155,000	412,309	-	20,742,691
Total Expenditures	25,596,000	25,596,000	3,026,746	-	22,569,254
Excess (deficiency) of revenues over expenditures	2,306,384	2,117,518	(8,656)	(188,868)	(2,126,172)
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balances	2,306,384	2,117,518	(8,656)	(188,868)	(2,126,172)
Fund Balances:					
July 1, 2007	8,656	8,656	8,656	-	-
June 30, 2008	2,315,040	2,126,172	-	(188,868)	(2,126,172)

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Insurance Trust Fund
 For the Year Ended June 30, 2008

Schedule 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	110,350	110,350	110,350		
Total Revenues	<u>110,350</u>	<u>110,350</u>	<u>110,350</u>	<u>-</u>	<u>-</u>
Expenditures:					
Support services	428,000	426,403	426,403	1,597	-
Total Expenditures	<u>428,000</u>	<u>426,403</u>	<u>426,403</u>	<u>1,597</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(317,650)</u>	<u>(316,053)</u>	<u>(316,053)</u>	<u>1,597</u>	<u>-</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	7,960,000	7,960,000	7,960,000	-	-
Total Other Financing Sources (Uses)	<u>7,960,000</u>	<u>7,960,000</u>	<u>7,960,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>7,642,350</u>	<u>7,643,947</u>	<u>7,643,947</u>	<u>1,597</u>	<u>-</u>
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	<u>7,642,350</u>	<u>7,643,947</u>	<u>7,643,947</u>	<u>1,597</u>	<u>-</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

**Notes to the Required Supplemental Information
For the Year Ended June 30, 2008**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed - through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 189,651
National school lunch program	10.555	585,058
Summer food service program for children	10.559	71,291
Total child nutrition cluster		846,000
<i>Total U.S. Department of Agriculture</i>		646,000
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	47,380
<i>Total U.S. Department of Defense</i>		47,380
<u>Federal Communication Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	110,413
<i>Total Federal Communications Commission</i>		110,413
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	751,114
Career and technical education - basic grants to states	84.048	18,460
Safe and drug-free schools and communities - state grants	84.186	16,794
Eisenhower professional development state grants	84.281	81,000
State grants for innovative programs	84.298	7,547
Education technology state grants	84.318	238
Improving teacher quality - state grants	84.367	295,337
Grants for state assessments and related activities	84.389	600
Hurricane education recovery	84.938	8,941,704
Total		10,112,794
Special education cluster:		
Special education - grants to states	84.027	578,656
Special education - preschool grants	84.173	37,359
Total		817,015
Total Passed-through Mississippi Department of Education		10,729,809
<i>Total U.S. Department of Education</i>		10,729,809
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	44,284
Total Passed-through Mississippi Department of Education		44,284
<i>Total U.S. Department of Health and Human Services</i>		44,284
<u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Development Authority		
Community disaster loans	97.030	1,417,089
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants - public assistance (Presidentially Declared Disasters)	97.036	2,990,176
Total		4,407,265
<i>Total U.S. Department of Homeland Security</i>		4,407,265
Total for All Federal Awards		\$ 16,185,151

NOTES TO SCHEDULE

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

**Bay St. Louis / Waveland School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008**

Expenditures	Total	Instruction and Other Student Instructional Expenditures		
		General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,722,589	781,273	1,225,899	1,036,808
Other	12,548,494	789,307	56,609	8,571,776
Total	27,271,083	1,570,580	1,282,508	9,608,584
Total number of students *		1,642		
Cost per student		\$ 16,609	957	781
				5,852

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

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

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues.				
Local sources	\$ 6,607,140	6,366,941	5,485,896	6,354,181
State sources	9,776,755	8,864,641	8,768,350	7,911,418
Federal sources	192,793	1,719,842	1,977,001	109,415
Total Revenues	<u>16,576,688</u>	<u>16,951,424</u>	<u>16,231,247</u>	<u>14,375,014</u>
Expenditures:				
Instruction	3,575,316	5,276,332	4,458,164	8,655,636
Support services	4,809,939	6,061,399	3,775,316	5,830,127
Noninstructional services	1,676	4,207	4,302	13,367
Facilities acquisition and construction	345,001			
Debt service:				
Interest	966,590			
Other	193,470		80,439	
Total Expenditures	<u>9,891,992</u>	<u>11,341,938</u>	<u>8,318,221</u>	<u>14,499,130</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,684,696</u>	<u>5,609,486</u>	<u>7,913,026</u>	<u>(124,116)</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds	1,417,069			
Proceeds of loans			11,500,000	
Inception of capital leases				275,000
Insurance loss recoveries			27,341	27
Sale of transportation equipment	200			
Sale of other property				762,444
Operating transfers in	598,729	7,359,607	353,713	
Operating transfers out	(929,882)	(7,639,536)	(509,752)	(998,043)
Total Other Financing Sources (Uses)	<u>1,086,136</u>	<u>(279,929)</u>	<u>11,371,302</u>	<u>39,428</u>
Net Change in Fund Balances	<u>7,770,832</u>	<u>5,329,557</u>	<u>19,284,328</u>	<u>(84,688)</u>
Fund Balances:				
Fund balance, July 1	27,032,820	21,638,298	2,353,970	2,441,474
Prior period adjustments	(11,405,956)	64,965		(2,816)
Fund balance, July 1, as restated	<u>15,626,862</u>	<u>21,703,263</u>	<u>2,353,970</u>	<u>2,438,658</u>
Fund balance, June 30	<u>\$ 23,397,694</u>	<u>27,032,820</u>	<u>21,638,298</u>	<u>2,353,970</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 7,586,402	7,217,188	6,244,322	7,455,685
State sources	10,562,293	9,613,985	9,380,844	8,458,602
Federal sources	14,780,143	23,276,852	28,738,098	2,647,163
Sixteenth section sources	5,764	8,323	4,117	6,517
Total Revenues	32,934,602	40,116,348	44,367,381	18,567,967
Expenditures:				
Instruction	11,083,036	10,095,604	11,803,103	10,171,192
Support services	12,291,959	23,763,412	23,972,426	6,826,261
Noninstructional services	783,354	757,221	2,478,596	1,117,184
Sixteenth section	1,246			888
Facilities acquisition and construction	757,310	1,512	2,760,000	
Debt service:				
Principal	880,000	845,000	765,000	795,000
Interest	1,195,645	357,666	379,785	414,832
Advance refunding escrow			80,439	
Other	278,533			
Total Expenditures	27,271,083	35,820,415	42,239,349	19,325,357
Excess (Deficiency) of Revenues over Expenditures	5,663,519	4,295,933	2,128,032	(757,390)
Other Financing Sources (Uses):				
Proceeds of refunding bonds	5,845,000			
Proceeds of loans	1,417,089		11,500,000	
Inception of capital leases				275,000
Insurance loss recoveries	7,960,000	314,250	5,234,698	27
Sale of transportation equipment	200			
Operating transfers in	981,620	7,700,794	578,054	1,025,403
Other financing sources		220		
Operating transfers out	(981,620)	(7,700,794)	(578,054)	(1,025,403)
Payment to refunded bond escrow agent	(5,763,825)			
Total Other Financing Sources (Uses)	9,458,464	314,470	16,734,698	275,027
Net Change in Fund Balances	15,121,983	4,610,403	18,862,730	(482,363)
Fund Balances:				
Fund balance, July 1	28,728,614	24,041,919	5,162,358	5,647,537
Prior period adjustments	(11,408,634)	69,377		(2,816)
Fund balance, July 1, as restated	17,319,980	24,111,296	5,162,358	5,644,721
Increase (Decrease) in reserve for inventory	(16,775)	6,915	16,831	-
Fund balance, June 30	\$ 32,425,188	28,728,614	24,041,919	5,162,356

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

October 9, 2009

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bay St. Louis / Waveland School District as of and for the year ended June 30, 2008, which collectively comprise Bay St. Louis / Waveland School District's basic financial statements and have issued our report thereon dated October 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be a 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 a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel : 601-296-1007 / 601-408-9378
Fax: 601-255-5070
Email: mccpafirm@gmail.com

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bay St. Louis / Waveland School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Bay St. Louis / Waveland School District's responses and, accordingly, we express no opinion on them.

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

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

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

October 9, 2009

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

Compliance

We have audited the compliance of the Bay St. Louis / Waveland School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Bay St. Louis / Waveland School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel : 601-296-1007 / 601-408-9378
Fax: 601-255-5070
Email: mccpafirm@gmail.com

Internal Control Over Compliance

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

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

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

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

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

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society
of Certified Public
Accountants

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

October 9, 2009

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bay St. Louis / Waveland School District as of and for the year ended June 30, 2008, which collectively comprise Bay St. Louis / Waveland School District's basic financial statements and have issued our report thereon dated October 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instance of noncompliance. The district reported \$ 3,249 of classroom supply funds carried over from previous years.

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

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

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

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

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

McDaniel CPA Firm

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

1 .	Type of auditor's report issued on the financial statements:	unqualified
2 .	Material noncompliance relating to the financial statements:	no
3 .	Internal control over financial reporting:	
	a. Material weakness(es) identified?	no
	b. Significant deficiency (ies) identified that are not considered to be material weaknesses?	yes

Federal Awards:

4 .	Type of auditor's report issued on compliance for major federal programs:	unqualified
5 .	Internal Control over major programs:	
	a. Material weakness(es) identified?	no
	b. Significant deficiency (ies) identified that are not considered to be material weaknesses?	no
6 .	Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133?	no
7 .	Federal programs identified as major programs:	
	a. Hurricane education recovery	
	CFDA #: 84.938	
8 .	The dollar threshold used to distinguish between type A and type B programs:	\$ 485,555
9 .	Auditee qualified as a low-risk auditee?	no
10 .	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in section ____ .315(b) of OMB Circular A-133?	no

Section 2: Financial Statement Findings

Significant Deficiency Not Considered to be a Material Weakness

2008-1 Finding

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

- a.) Per inquiry and review it was found that there was a lack of segregation of duties in the accounting and depositing of activity and club funds for the first 3 months of the year.
- b.) Deposits were not made on a timely basis.
- c.) Some deposits were incomplete.

Recommendation

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

Also, we recommend making deposits on a daily basis.

2008-2 Finding

Per inquiry and review of capital assets, it was determined that two capital assets tested were not tagged with an inventory tag.

Recommendation

We recommend that all capital assets of the district be tagged with a inventory tag.

Section 3: Federal Award Findings and Questioned Costs

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

Auditee's Corrective Action Plan

Financial Compliance & Audit Division

As required by Section ____315(c) of OMB Circular A-133, the Bay St. Louis / Waveland School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2008-1	<p>a. Name of Contact Person Responsible for Corrective Action: Kevin Boyce, Business Administrator (228) 467-6621</p> <p>b. Corrective Action Planned: The district has implemented procedures to properly segregate duties in the accounting and depositing of activity and club funds. Also, deposits will be made on a daily basis.</p> <p>c. Anticipated Completion Date: Procedures are presently in place.</p>
2008-2	<p>a. Name of Contact Person Responsible for Corrective Action: Kevin Boyce, Business Administrator (228) 467-6621</p> <p>b. Corrective Action Planned: The district has implemented procedures to ensure that all capital assets are tagged with an inventory tag.</p> <p>c. Anticipated Completion Date: Procedures are presently in place.</p>

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____ .315(b) of OMB Circular A-133, the Bay St. Louis / Waveland School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<u>Finding</u>	<u>Status</u>
2007-1	Corrective action taken.
2007-2	Corrective action taken.