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Biloxi Public School District

**INDEPENDENT AUDITOR'S REPORT
ON BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

Superintendent and School Board
Biloxi Public School District
Biloxi, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District, as of and for the year ended June 30, 2008, which collectively comprise the Biloxi Public School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Biloxi Public 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 Biloxi Public 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 November 30, 2009, on our consideration of the Biloxi Public School District's internal control over financial reporting and on 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.

Membership in:

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Independent Auditor's Report
Page 2

The Management's Discussion and Analysis in Section I and Budgetary Comparison information in Section V are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Biloxi Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for the purpose 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 Funds, 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.

Walter McDuffie, Jr. *Walter McDuffie, Jr.*

Pascagoula, Mississippi
November 30, 2009

SECTION I
MANAGEMENT'S DISCUSSION AND ANALYSIS

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The discussion and analysis of the Biloxi Public School District's (the 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 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 the district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the School District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,428,389 which represents a 2% increase primarily due to the District receiving insurance settlements related to damage caused by Hurricane Katrina.
- General revenues account for \$29,238,564 in revenue, or 47% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$32,861,307 or 53% of total revenues.
- The District had \$60,139,875 in expenses; only \$32,861,307 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$29,238,564 were adequate to provide for these programs.
- Among major funds, the General Fund had \$47,590,834 in revenues and \$45,376,707 in expenditures. After net other financing uses of \$3,228,732, the General Fund's fund balance decreased \$992,706 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$620,286 primarily due to the construction of a girls' softball facility on the high school campus and the construction of new locker room facilities on the Michel 7th Grade campus.
- Long-term debt decreased by \$5,557,101, excluding compensated absences, as the District continued to pay down outstanding issues. In addition, the liability for compensated absences increased by \$12,460 in 2008 bringing the total liability to \$530,313.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School 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.

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the School 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 of the School 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 School District is improving or deteriorating.

The statement of activities presents information showing how the School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found in Exhibit A and Exhibit B 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 fund financial statements can be found in Exhibit C and Exhibit D of this report.

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 into 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's Balance Sheet and the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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

The District adopts an annual operating budget for all governmental funds. A Budgetary Comparison Schedule has been provided for the General Fund and each additional major special revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133, Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance General Fund-Last Four Years and a Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds-Last Four Years can be found within this report.

Governmental-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 \$75,418,793 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 depreciation of capital assets.

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Assets			
Current assets	\$ 32,579,343	36,525,775	(11)%
Capital assets	106,001,453	105,381,167	1 %
Other assets	<u>2,379,931</u>	<u>913,252</u>	<u>161 %</u>
Total assets	<u>140,960,727</u>	<u>142,820,194</u>	<u>(1)%</u>
Liabilities			
Current liabilities	5,832,533	3,575,748	63 %
Long-term debt outstanding	<u>59,709,401</u>	<u>65,254,042</u>	<u>(8)%</u>
Total liabilities	<u>65,541,934</u>	<u>68,829,790</u>	<u>(5)%</u>
Net assets:			
Invested in capital assets, net of related debt	51,133,920	43,156,167	18 %
Restricted	16,588,016	18,733,889	(11)%
Unrestricted	<u>7,696,857</u>	<u>12,100,348</u>	<u>(36)%</u>
Total net assets	<u>\$ 75,418,793</u>	<u>73,990,404</u>	<u>2 %</u>

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

- The principal retirement of \$7,357,467 of long-term debt.
- The proceeds from a shortfall borrowing in the amount of \$1,800,366.
- The construction of a girls' softball facility on the high school campus and the construction of new locker room facilities on the Michel 7th Grade campus.

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Changes in net assets – The District's total revenues for the fiscal year ended June 30, 2008 were \$62,099,871. The total cost of all programs and services was \$60,139,875. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Revenues			
Program revenues	\$ 32,861,307	40,198,987	(18)%
General revenues	29,238,564	28,925,144	1 %
Total revenues	<u>62,099,871</u>	<u>69,124,131</u>	<u>(10)%</u>
Expenses			
Instruction	33,645,615	31,052,843	8 %
Support Services	21,267,536	21,875,279	(3)%
Non-Instructional	2,487,519	2,557,476	(3)%
Interest on long-term debt	<u>2,739,205</u>	<u>2,631,427</u>	<u>4 %</u>
Total expenses	<u>60,139,875</u>	<u>58,117,025</u>	<u>3 %</u>
 Increase in Net Assets	 <u>1,959,996</u>	 <u>11,007,106</u>	 <u>(82)%</u>
Beginning Net Assets	73,990,404	63,697,317	16 %
Prior period adjustments	<u>(531,607)</u>	<u>(714,019)</u>	<u>(26)%</u>
Ending Net Assets	<u>\$ 75,418,793</u>	<u>73,990,404</u>	<u>2 %</u>

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

	<u>2008</u>		<u>2007</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 33,645,615	(3,838,383)	\$ 31,052,843	6,761,000
Support services	21,267,536	(21,267,536)	21,875,279	(21,875,279)
Non-Instructional	2,487,519	566,556	2,557,476	(172,332)
Interest on long-term debt	<u>2,739,205</u>	<u>(2,739,205)</u>	<u>2,631,427</u>	<u>(2,631,427)</u>
Total expenses	<u>\$ 60,139,875</u>	<u>(27,278,568)</u>	<u>\$ 58,117,025</u>	<u>(17,918,038)</u>

Net cost of governmental activities (\$27,278,568), was financed by general revenue, which is made up of primarily ad valorem taxes (\$16,288,203), gaming revenue (\$6,886,192), state and federal grants (\$3,519,746), and investment earnings (\$1,222,490).

Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Financial Analysis of the District's Funds

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$28,837,404, a decrease of \$4,650,187, which includes the prior period adjustment of \$531,607, and the decrease in inventory of \$7,259. This decline is primarily due to the completion of the girls' softball facility and the locker rooms. \$14,150,367 or 49% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$14,687,037 or 51% is reserved or designated to indicate that it is not available for spending because it has already been committed. The majority of this balance is reserved for future capital projects and future debt service payments.

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 \$992,706. The fund balance of Other Governmental Funds showed a decrease of \$3,405,300, which includes a prior period adjustment of \$522,817 and a residual equity transfer of \$97,608. The other increase (decrease) in fund balances for the other major funds were as follows:

School Food Service Fund	\$ 214,515
Future Building Fund	(466,696)

Budgetary Highlights

Over the year, the District revised the annual operating budget as changes occurred. Budget revisions were made to address and correct the original budgets to more accurately reflect the sources and uses of funding for the District. Significant budget revisions during the fiscal year are as follows:

Budget amounts for operating transfers out to other governmental funds increased due to tax collections falling short of budgeted amounts. The District was forced to fund a portion of the long-term debt payments due to the decline in tax revenue.

Budget amounts for local revenue were decreased due to tax collection shortfalls.

Budget amounts for federal revenues were increased due primarily to larger than anticipated payments received under the Impact Aid program.

Budget amounts for insurance recoveries were increased as the District finally collected on its property insurance policy from Hurricane Katrina related damage.

Biloxi Public School District
Management's Discussion and Analysis
 For the Year Ended June 30, 2008

Budget amounts for loan proceeds were increased due to the District's shortfall borrowing due to tax collections being short of budgeted amounts.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2008, the School District's total capital assets were \$132,809,834, including school buildings, buses, other school vehicles, furniture and equipment and construction in progress. This amount represents an increase of \$2,770,541 from the previous year primarily due to the construction of the girls' softball facility and a new locker room facility. Total accumulated depreciation as of June 30, 2008 was \$26,808,381 and total depreciation expenses for the year was \$2,798,610, resulting in total net assets of \$106,001,453.

The following table shows capital assets for fiscal year 2008 compared to fiscal year 2007:

Capital Assets, Net of Depreciation	2008	2007	Total Percentage Change 2007-2008
Land	\$ 6,323,925	6,323,925	0.00 %
Construction in progress	931,391	1,344,903	(30.75)%
Buildings	97,128,537	95,948,370	1.23 %
Mobile equipment	1,088,085	1,096,650	(0.78)%
Furniture and equipment	529,515	667,319	(20.65)%
	<u>\$ 106,001,453</u>	<u>105,381,167</u>	<u>0.59 %</u>

**Biloxi Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Debt Administration - At June 30, 2008 the School District had \$59,179,088 in general obligation bonds and other long-term debt outstanding, of which \$4,939,000 is due within one year. In addition, the liability for compensated absences increased \$12,460 from the prior year. The District issued a shortfall note in the amount of \$1,800,366 due to tax collections received below their budgeted amounts.

The District maintains an A+ insured rating with Standard and Poor's and an Aa insured rating with Moody's Investor Services.

The following table shows outstanding debt for fiscal year 2008 compared to fiscal year 2007:

	2008	2007	Total percentage change 2007-2008
General obligation bonds	\$ 18,435,000	\$ 22,140,000	(16.73)%
Limited obligation bonds	7,985,000	8,520,000	(6.28)%
Certificates of participation	23,430,000	24,680,000	(5.06)%
Three mill note	5,017,533	6,885,000	(27.12)%
Shortfall notes	4,311,555	2,511,189	71.69 %
Compensated absences	530,313	517,853	2.41 %
Totals	\$ 59,709,401	\$ 65,254,042	(8.50)%

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

Current Issues

The Biloxi Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has remained the lowest of all Gulf Coast districts. 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.

The District actively pursues funding to supplement the local, state, and federal revenue.

Enrollment for the 2007-2008 school year increased 2.14% over the prior school year, or 100 students, to a total enrollment of 4,780 students.

Contacting the District's Financial Management

If you have questions about this report, contact the Business Office of the Biloxi Public School District, 160 St. Peters Avenue, Biloxi, MS 39533.

SECTION II
GOVERNMENT-WIDE FINANCIAL STATEMENTS

Biloxi Public School District
Government-Wide Statement of Net Assets
 June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 26,459,624
Due from other governments	5,984,853
Inventories	134,866
Bond issuance costs	890,856
Other receivables, net	1,480,825
Restricted assets	8,250
Capital assets, non-depreciable:	
Land	6,323,925
Construction in process	931,391
Capital assets, net of accumulated depreciation	
Buildings	97,128,537
Mobile equipment	1,088,085
Furniture and equipment	529,515
Total Assets	<u>140,960,727</u>
LIABILITIES	
Accounts payable and accrued expenses	5,213,509
Unearned revenues	17,505
Interest payable on long-term liabilities	601,519
Long-term liabilities, due within one year:	
Capital related liabilities	4,939,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	49,928,533
Non-capital related liabilities	4,841,868
Total Liabilities	<u>65,541,934</u>
NET ASSETS	
Investment in capital assets (net of related debt)	51,133,920
Restricted net assets:	
Expendable:	
School-based activities	2,637,365
Debt service	1,330,142
Capital improvements	12,476,555
Unemployment benefits	135,704
Nonexpendable:	
Sixteenth section	8,250
Unrestricted	<u>7,696,857</u>
Total Net Assets	<u>\$ 75,418,793</u>

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

Biloxi Public School District
Government-Wide Statement of Activities
 For the Year Ended June 30, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:					
Instruction	\$ 33,645,615	435,169	29,372,063	-	\$ (3,838,383)
Support services	21,267,536	-	-	-	(21,267,536)
Non-instructional	2,487,519	921,035	2,133,040	-	566,556
Interest on long-term liabilities	<u>2,739,205</u>	-	-	-	<u>(2,739,205)</u>
Total governmental activities	<u>\$ 60,139,875</u>	<u>1,356,204</u>	<u>31,505,103</u>	<u>-</u>	<u>\$ (27,278,568)</u>
General revenues:					
Taxes:					
General purpose levies					12,967,822
Debt purpose levies					3,320,381
Gaming					6,886,192
Unrestricted grants and contributions:					
State					2,099,175
Federal					1,420,571
Unrestricted investment earnings					1,222,490
Sixteenth section sources					7,321
Insurance loss recoveries					1,309,293
Gain on sale of surplus property					<u>5,319</u>
Total general revenues					<u>29,238,564</u>
CHANGE IN NET ASSETS					1,959,996
Beginning Net Assets					73,990,404
Prior period adjustments					<u>(531,607)</u>
Ending Net Assets					<u>\$ 75,418,793</u>

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

SECTION III
FUND FINANCIAL STATEMENTS

Biloxi Public School District
Balance Sheet -Governmental Funds
 June 30, 2008

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Future Building Fund		
ASSETS					
Cash & cash equivalents	\$ 9,935,284	760,825	12,095,652	3,667,863	26,459,624
Due from other governments	875,249	190,544	-	4,919,060	5,984,853
Other receivables	-	-	-	473,070	473,070
Restricted assets	-	-	-	8,250	8,250
Due from other funds	5,472,730	2,107	-	335,637	5,810,474
Inventories	57,864	77,002	-	-	134,866
Total Assets	<u>\$ 16,341,127</u>	<u>1,030,478</u>	<u>12,095,652</u>	<u>9,403,880</u>	<u>38,871,137</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,442,861	198,603	961,784	610,261	5,213,509
Unearned revenue	-	-	-	17,505	17,505
Due to other funds	1,192,534	258,836	10,160	3,341,189	4,802,719
Total Liabilities	<u>4,635,395</u>	<u>457,439</u>	<u>971,944</u>	<u>3,968,955</u>	<u>10,033,733</u>
Fund Balances:					
Reserved for:					
Unemployment benefits	-	-	-	135,704	135,704
Inventory	57,864	77,002	-	-	134,866
Capital improvements	-	-	11,123,708	1,352,848	12,476,556
Permanent fund purposes	-	-	-	8,250	8,250
Debt service	-	-	-	1,931,661	1,931,661
Unreserved:					
Undesignated, reported in:					
General fund	11,647,868	-	-	-	11,647,868
Special revenue funds	-	496,037	-	2,006,462	2,502,499
Total fund balances	<u>11,705,732</u>	<u>573,039</u>	<u>11,123,708</u>	<u>5,434,925</u>	<u>28,837,404</u>
Total Liabilities and Fund Balance	<u>\$ 16,341,127</u>	<u>1,030,478</u>	<u>12,095,652</u>	<u>9,403,880</u>	<u>38,871,137</u>

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

Biloxi Public School District
**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets**
June 30, 2008

Total governmental fund balance \$ 28,837,404

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However in the Government-Wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Governmental capital assets	\$ 132,809,834	
Less: accumulated depreciation	<u>(26,808,381)</u>	106,001,453

Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues (601,519)

Long-term liabilities are not due and payable in the current period; therefore they are not reported in the fund financial statements

Governmental bonds and notes payable	\$ (59,179,088)	
Compensated absences	<u>(530,313)</u>	(59,709,401)

Bond issuance costs are expensed on fund statements, but deferred on Government-wide statements (net of accumulated amortization) 890,856

Net assets of governmental activities \$ 75,418,793

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

Biloxi Public School District
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2008

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Future Building Fund		
REVENUES					
Local sources	\$ 20,827,313	1,021,633	505,247	3,894,266	26,248,459
State sources	24,654,279	11,942	-	1,898,423	26,564,644
Federal sources	2,109,242	1,558,706	-	4,161,773	7,829,721
Sixteenth section revenue	-	-	-	7,682	7,682
Total revenues	<u>47,590,834</u>	<u>2,592,281</u>	<u>505,247</u>	<u>9,962,144</u>	<u>60,650,506</u>
EXPENDITURES					
Instruction	26,245,889	-	10,753	4,512,576	30,769,218
Support services	18,851,779	122,748	-	2,017,362	20,991,889
Non-instructional services	72,248	2,314,678	-	170,166	2,557,092
Facilities acquisition and construction	205,014	-	961,190	2,310,491	3,476,695
Debt service					
Principal	-	-	-	7,357,467	7,357,467
Interest	-	-	-	2,725,122	2,725,122
Bond Issuance costs	1,777	-	-	23,641	25,418
Total Expenditures	<u>45,376,707</u>	<u>2,437,426</u>	<u>971,943</u>	<u>19,116,825</u>	<u>67,902,901</u>
Excess (deficiency) of revenues over expenditures	<u>2,214,127</u>	<u>154,855</u>	<u>(466,696)</u>	<u>(9,154,681)</u>	<u>(7,252,395)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of debt issuance	1,800,366	-	-	-	1,800,366
Insurance loss recoveries	11,691	-	-	1,297,602	1,309,293
Sale of surplus property	31,415	-	-	-	31,415
Transfers in	277,385	-	-	5,349,589	5,626,974
Transfers out	(5,349,589)	-	-	(277,385)	(5,626,974)
Total other financing sources and uses	<u>(3,228,732)</u>	<u>-</u>	<u>-</u>	<u>6,369,806</u>	<u>3,141,074</u>
Net Change in Fund Balance	<u>(1,014,605)</u>	<u>154,855</u>	<u>(466,696)</u>	<u>(2,784,875)</u>	<u>(4,111,321)</u>
Fund Balance:					
July 1, 2007	12,698,438	358,524	11,590,404	8,840,225	33,487,591
Prior period adjustments	(94,475)	85,685	-	(522,817)	(531,607)
July 1, 2007, as restated	<u>12,603,963</u>	<u>444,209</u>	<u>11,590,404</u>	<u>8,317,408</u>	<u>32,955,984</u>
Increase (decrease) in reserve for inventory	18,766	(26,025)	-	-	(7,259)
Residual equity transfer in (out)	97,608	-	-	(97,608)	-
June 30, 2008	<u>\$ 11,705,732</u>	<u>573,039</u>	<u>11,123,708</u>	<u>5,434,925</u>	<u>28,837,404</u>

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

Biloxi Public School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities**
 For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (4,111,321)

Amounts reported as governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	3,446,895	
Depreciation expense		<u>(2,798,610)</u>	
Excess of capital outlay over depreciation expense			648,285

Repayment of principal on debt is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets. 7,357,467

In the Statement of Activities, proceeds from new debt are shown as an increase in liabilities, however in the governmental funds, loan proceeds are reported as revenues (1,800,366)

In the Statement of Activities, interest expense is accrued on outstanding loans, however in the governmental funds, an interest expenditure is not reported until due (72,205)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore they are not reported as expenditures in governmental funds:

Compensated absences payable		(12,460)	
Amortization of bond issuance costs		<u>(14,146)</u>	(26,606)

Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities (7,259)

Gains and losses on the sale or disposals of assets are not reported in governmental funds, but are reported in the Statement of Activities, net of proceeds (27,999)

Change in net assets of governmental activities \$ 1,959,996

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

Biloxi Public School District
Statement of Fiduciary Assets and Liabilities
 For the Year Ended June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,897,464
Other receivable	2,198
Due from other funds	1,835,762
Total Assets	3,735,424
 LIABILITIES	
Accounts payable and accrued liabilities	631,327
Due to other funds	2,843,517
Due to student clubs	260,580
Total Liabilities	\$ 3,735,424

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

SECTION IV
NOTES TO BASIC FINANCIAL STATEMENTS

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 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 Standard 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

As defined by accounting principles generally accepted in the United States of America, the School District is considered an "other stand-alone government." The School District is a related organization of, but not a component unit of, the City of Biloxi 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, Biloxi Public 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.

The Biloxi Public School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards and is included in the district's reporting entity.

The Authority is governed by a board which consists of the superintendent and members of the school board. Although it is legally separate from the School District, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the School District (see Note 9).

B. Basis of Presentation

Government-wide Financial Statements:

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

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

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

The School District reports the following major governmental funds:

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

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Food Service Fund - This fund accounts for all the district's food service operations.

Future Building Fund - This fund accounts for financial resources to be used for the future acquisition or construction of schools and related facilities in the district.

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

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications 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 maintained to account for commitments resulting from approved purchase orders, work orders, and contracts during the fiscal year. However, the School District attempts to liquidate all encumbrances at year end. Encumbrances outstanding at year end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. Investments

The School District can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann.. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments are reported at fair market value.

H. Inventories and Prepaid Items

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

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

Prepaid items, such as prepaid insurance, are not reported for governmental nor government-wide types, since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets

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

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

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

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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	\$ -	-
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
Lease property under capital leases	*	*

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

J. Long-Term Liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances

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

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

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

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

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

Reserved for unemployment benefits - An account that represents the fund balance of the unemployment revolving fund, which is legally restricted for the payment of unemployment benefits.

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 capital improvements - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance which is legally restricted and not available for spending for any other purpose than for that for which it is restricted.

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.

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

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences

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

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

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents:

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

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

Biloxi Public School District
Notes To Financial Statements
 For the Year Ended June 30, 2008

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$26,459,624 and \$1,897,464, respectively. The carrying amounts reported in the government-wide statements were: cash and cash equivalents \$26,459,624 and restricted assets \$8,250. The restricted assets represent the cash balance of the Sixteenth Section Principal Funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was \$27,935,522 as of June 30, 2008.

Custodial credit risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's 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 \$ 27,935,522 was exposed to custodial credit risk.

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Various funds have made short-term advances to other funds. These advances, shown as "Due From Other Funds", are temporary in nature, bear no interest, and are considered "available expendable resources". The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	Due From	Due To
Governmental Funds:		
General Fund	\$ 5,472,730	\$ 1,192,534
School Food Service Fund	2,107	258,836
Future Building Fund	-	10,160
Other Governmental Funds	335,637	3,341,189
Fiduciary Funds	1,835,762	2,843,517
 Total	 \$ 7,646,236	 \$ 7,646,236

Interfund receivables and payables resulted primarily from the General fund loans to various funds to cover deficit cash balances in pooled bank accounts.

Biloxi Public School District
Notes To Financial Statements
 For the Year Ended June 30, 2008

NOTE 3. INTERFUND TRANSACTION AND BALANCES (Continued)

B. Transfers In/ Out

The primary purpose of the transfers out of the General fund was to finance other basic operations of the District that are not directly funded. The transfers out in other governmental funds were primarily to cover shortages in federally funded programs. The following transfers were made between funds during the year ended June 30, 2008.

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 277,385	\$ 5,349,589
School Food Service Fund	-	-
Future Building Fund	-	-
Other Governmental Funds	5,349,589	277,385
Total	\$ 5,626,974	\$ 5,626,974

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 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>Completed Construction</u>	<u>Balance 6/30/2008</u>
Non-depreciable capital assets:					
Land	\$ 6,323,925	-	-	-	\$ 6,323,925
Construction in progress	<u>1,344,903</u>	<u>3,067,062</u>	-	<u>(3,480,574)</u>	<u>931,391</u>
Total non-depreciable capital assets	<u>7,668,828</u>	<u>3,067,062</u>	-	<u>(3,480,574)</u>	<u>7,255,316</u>
Depreciable capital assets:					
Buildings	116,493,397	-	-	3,480,574	119,973,971
Mobile Equipment	3,176,830	201,300	(444,659)	-	2,933,471
Furniture and equipment	<u>2,730,038</u>	<u>178,533</u>	<u>(261,495)</u>	-	<u>2,647,076</u>
Total depreciable capital assets	<u>122,400,265</u>	<u>379,833</u>	<u>(706,154)</u>	<u>3,480,574</u>	<u>125,554,518</u>
Less accumulated depreciation					
Buildings	20,545,027	2,300,407	-	-	22,845,434
Mobile Equipment	2,080,180	204,455	(439,249)	-	1,845,386
Furniture and equipment	<u>2,062,719</u>	<u>293,748</u>	<u>(238,906)</u>	-	<u>2,117,561</u>
Total accumulated depreciation	<u>24,687,926</u>	<u>2,798,610</u>	<u>(678,155)</u>	-	<u>26,808,381</u>
Total depreciable capital assets, net	<u>97,712,339</u>	<u>(2,418,777)</u>	<u>(27,999)</u>	<u>3,480,574</u>	<u>98,746,137</u>
Governmental activities, capital assets net	<u>\$105,381,167</u>	<u>648,285</u>	<u>(27,999)</u>	<u>\$ -</u>	<u>\$ 106,001,453</u>

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 2,297,214
Support services	263,363
Non-instructional	238,033
Total depreciation expense	\$ 2,798,610

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	Spent to June 30, 2008	Remaining Commitment
Biloxi High Addition - 9th Grade	\$ 931,391	\$ 9,664,372
Total	\$ 931,391	\$ 9,664,372

NOTE 5. LONG-TERM LIABILITIES

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/08	Amount due within one year
General Obligation Bonds Payable	\$ 22,140,000	-	(3,705,000)	18,435,000	\$ 2,200,000
Limited Obligations Bonds Payable	8,520,000	-	(535,000)	7,985,000	635,000
Certificates of Participation Payable	24,680,000	-	(1,250,000)	23,430,000	1,315,000
Three Mill Note Payable	6,885,000	-	(1,867,467)	5,017,533	789,000
Shortfall Notes Payable	2,511,189	1,800,366	-	4,311,555	-
Compensated Absences Payable	517,853	12,460	-	530,313	-
Total	\$ 65,254,042	1,812,826	(7,357,467)	59,709,401	\$ 4,939,000

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 5. LONG-TERM LIABILITIES (Continued)

A. General obligation bonds payable:

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds, Series 2005	3.00-5.00%	8/25/2005	6/15/2018	\$ <u>20,635,000</u>	\$ <u>18,435,000</u>
Total				\$ <u>20,635,000</u>	\$ <u>18,435,000</u>

The interest rate varies based on the maturity date or Committee on Uniform Security identification Procedures (CUSIP).

Year Ending June 30,	Principal	Interest	Total
2009	\$ 2,200,000	845,763	\$ 3,045,763
2010	2,020,000	746,763	2,766,763
2011	2,170,000	655,863	2,825,863
2012	2,340,000	547,363	2,887,363
2013	2,500,000	430,363	2,930,363
2014-2018	<u>7,205,000</u>	<u>644,088</u>	<u>7,849,088</u>
Total	\$ <u>18,435,000</u>	<u>3,870,203</u>	\$ <u>22,305,203</u>

The amount of bonded indebtedness that can be incurred by the School District is limited by state statute. Total outstanding bonding indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such a district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes has been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 4% of property assessments as of October 1, 2007. This debt will be retired from the Debt Service fund (#4031).

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 5. LONG-TERM LIABILITIES (Continued)

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds, Series 2006	4.00%	2/1/2007	2/1/2018	\$ 8,520,000	\$ 7,985,000

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 635,000	290,803	\$ 925,803
2010	660,000	264,903	924,903
2011	690,000	237,903	927,903
2012	715,000	209,803	924,803
2013	745,000	180,603	925,603
2014-2018	<u>4,540,000</u>	<u>453,681</u>	<u>4,993,681</u>
Total	<u>\$ 7,985,000</u>	<u>1,637,696</u>	<u>\$ 9,622,696</u>

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 5. LONG-TERM LIABILITIES (Continued)

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Service fund (#4041).

In prior years, the Biloxi Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$28,735,000 outstanding are defeased.

C. Certificates of participation payable

As more fully explained in Note 9, certificates of participation have been issued by the School District. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Biloxi Public School District Trust Certificates, 2001	4.125 - 5.625%	4/1/01	4/1/21	<u>\$31,000,000</u>	<u>\$ 23,430,000</u>
Total				<u>\$31,000,000</u>	<u>\$ 23,430,000</u>

Biloxi Public School District
Notes To Financial Statements
 For the Year Ended June 30, 2008

NOTE 5. LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,315,000	1,166,363	\$ 2,481,363
2010	1,380,000	1,092,994	2,472,994
2011	1,450,000	1,014,769	2,464,769
2012	1,525,000	933,206	2,458,206
2013	1,605,000	864,581	2,469,581
2014-2018	9,335,000	3,123,131	12,458,131
2019-2021	<u>6,820,000</u>	<u>693,250</u>	<u>7,513,250</u>
Total	<u>\$ 23,430,000</u>	<u>8,888,294</u>	<u>\$ 32,318,294</u>

This debt will be retired from the High School Lease Service fund (#4091).

D. Three mill notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note Payable	3.04%	4/27/04	5/1/14	\$ <u>9,995,000</u>	\$ <u>5,017,533</u>
				<u>\$ 9,995,000</u>	<u>\$ 5,017,533</u>

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 789,000	76,267	\$ 865,267
2010	813,000	128,547	941,547
2011	838,000	103,832	941,832
2012	864,000	78,357	942,357
2013	891,000	52,091	943,091
2014	<u>822,533</u>	<u>25,005</u>	<u>847,538</u>
Total	<u>\$ 5,017,533</u>	<u>464,099</u>	<u>\$ 5,481,632</u>

This debt will be retired from the 3 mill Debt Service fund (#4021).

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Community Disaster Loan	3.02%	5/16/06	5/16/11	\$ <u>4,311,555</u>	\$ <u>4,311,555</u>
Total				\$ <u>4,311,555</u>	\$ <u>4,311,555</u>

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ -	75,838	\$ 75,838
2010	-	75,838	75,838
2011	<u>4,311,555</u>	<u>75,838</u>	<u>4,387,393</u>
Total	<u>\$ 4,311,555</u>	<u>227,514</u>	<u>\$ 4,539,069</u>

The community disaster loan will be retired from the District Maintenance Fund 1120. FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis.

F. Compensated absences payable

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The 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 \$3,635,479, \$3,242,016, and \$3,179,831 respectively, which equaled the required contributions for each year.

Biloxi Public School District
Notes To Financial Statements
 For the Year Ended June 30, 2008

NOTE 7 - SIXTEENTH SECTION LANDS

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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	\$ 7,510
2010	7,510
2011	7,510
2012	7,510
2013	7,510
2014-2018	37,550
2019-2023	37,550
2024-2028	37,550
2029-2033	37,550
Thereafter	<u>32,600</u>
 Total	 <u>\$ 220,350</u>

NOTE 8 - RISK MANAGEMENT & CONTINGENCIES

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

Biloxi Public School District
Notes To Financial Statements
 For the Year Ended June 30, 2008

NOTE 9 - TRUST CERTIFICATES

A trust agreement dated April 1, 2001, was executed by and between the School District and Bancorp South Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$31,000,000. Approximately \$30,920,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$80,000 was used to pay the cost of issuance. The project is leased to the School District in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the School District upon complete retirement of the trust certificates. The School District is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the School District are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the School District defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the School District. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the School District. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the School District's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

NOTE 10- PRIOR PERIOD ADJUSTMENTS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Reduce accounts receivable balance to reflect reduction in FEMA receivable for projects that were reduced or completely removed for payment by FEMA.	\$ (462,143)
Equity adjustments	<u>(69,464)</u>
Total Exhibit B	<u><u>\$ (531,607)</u></u>

Biloxi Public School District
Notes To Financial Statements
For the Year Ended June 30, 2008

Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds

<u>Explanation</u>	<u>Amount</u>
Reduce accounts receivable balance to reflect reduction in FEMA receivable for projects that were reduced or completely removed for payment by FEMA.	\$ (462,143)
Equity adjustments	<u>(69,464)</u>
Total Exhibit D	<u>\$ (531,607)</u>

SECTION V
REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

**Biloxi Public School District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008**

	<u>Budgeted amounts</u>		Actual (GAAP Basis)	<u>Variances - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Local sources	\$ 21,637,750	20,827,313	20,827,313	(810,437)	\$ -
State sources	24,702,000	24,654,279	24,654,279	(47,721)	-
Federal sources	1,105,000	2,109,242	2,109,242	1,004,242	-
Total Revenues	<u>47,444,750</u>	<u>47,590,834</u>	<u>47,590,834</u>	<u>146,084</u>	<u>-</u>
Expenditures:					
Instruction	26,450,521	26,365,009	26,245,889	85,512	119,120
Support services	19,221,039	19,056,778	18,851,779	164,261	204,999
Non-instructional	50,000	72,245	72,248	(22,245)	(3)
Facilities Acq./Construction	8,500	-	205,014	8,500	(205,014)
Debt Service	-	1,777	1,777	(1,777)	-
Total	<u>45,730,060</u>	<u>45,495,809</u>	<u>45,376,707</u>	<u>234,251</u>	<u>119,102</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,714,690</u>	<u>2,095,025</u>	<u>2,214,127</u>	<u>380,335</u>	<u>119,102</u>
Other Financing Sources (Uses):					
Proceeds of Loans	-	1,800,366	1,800,366	1,800,366	-
Insurance Loss Recoveries	-	11,691	11,691	11,691	-
Sale of transportation equipment	-	2,633	-	2,633	(2,633)
Sale of other property	-	28,782	31,415	28,782	2,633
Operating transfers in	4,338,098	277,385	277,385	(4,060,713)	-
Operating transfers out	(7,950,613)	(5,349,589)	(5,349,589)	2,601,024	-
Total Other Financing Sources (Uses)	<u>(3,612,515)</u>	<u>(3,228,732)</u>	<u>(3,228,732)</u>	<u>383,783</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,897,825)</u>	<u>(1,133,707)</u>	<u>(1,014,605)</u>	<u>764,118</u>	<u>119,102</u>
Fund Balances:					
July 1, 2007	11,246,056	12,698,438	12,698,438	1,452,382	-
Prior period adjustment	-	(94,478)	(94,475)	(94,478)	3
July 1, 2007, as restated	<u>11,246,056</u>	<u>12,603,960</u>	<u>12,603,963</u>	<u>1,357,904</u>	<u>3</u>
Increase/decrease in inventory reserve	-	18,766	18,766	18,766	-
Residual equity transfer in (out)	-	97,608	97,608	97,608	-
June 30, 2008	<u>\$ 9,348,231</u>	<u>11,586,627</u>	<u>11,705,732</u>	<u>2,238,396</u>	<u>\$ 119,105</u>

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

Schedule 2

Biloxi Public School District
Budgetary Comparison Schedule
School Food Service Fund
 For the Year Ended June 30, 2008

	Budgeted amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 720,000	1,021,633	1,021,633	301,633	\$ -
State sources	10,000	11,942	11,942	1,942	-
Federal sources	1,400,000	1,558,706	1,558,706	158,706	-
Total Revenues	<u>2,130,000</u>	<u>2,592,281</u>	<u>2,592,281</u>	<u>462,281</u>	<u>-</u>
Expenditures:					
Support services	130,686	122,748	122,748	7,938	-
Non-instructional	<u>2,005,125</u>	<u>2,314,677</u>	<u>2,314,678</u>	<u>(309,552)</u>	<u>(1)</u>
Total	<u>2,135,811</u>	<u>2,437,425</u>	<u>2,437,426</u>	<u>(301,614)</u>	<u>(1)</u>
Net Change in Fund Balances	<u>(5,811)</u>	<u>154,856</u>	<u>154,855</u>	<u>160,667</u>	<u>(1)</u>
Fund Balances:					
July 1, 2007	-	358,524	358,524	358,524	-
Prior period adjustment	-	<u>85,684</u>	<u>85,685</u>	<u>85,684</u>	<u>1</u>
July 1, 2007, as restated	-	<u>444,208</u>	<u>444,209</u>	<u>444,208</u>	<u>1</u>
Increase/decrease in inventory reserve	-	<u>(26,025)</u>	<u>(26,025)</u>	<u>(26,025)</u>	<u>-</u>
June 30, 2008	<u>\$ (5,811)</u>	<u>573,039</u>	<u>573,039</u>	<u>578,850</u>	<u>\$ -</u>

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

Biloxi Public School District
 Budgetary Comparison Schedule
 Future Buildings Fund
 For the Year Ended June 30, 2008

	Budgeted amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 570,000	505,247	505,247	(64,753)	\$ -
Total Revenues	<u>570,000</u>	<u>505,247</u>	<u>505,247</u>	<u>(64,753)</u>	<u>-</u>
Expenditures:					
Instruction	-	10,753	10,753	(10,753)	-
Facilities Acq./Construction	300,000	961,191	961,190	(661,191)	1
Total	<u>300,000</u>	<u>971,944</u>	<u>971,943</u>	<u>(671,944)</u>	<u>1</u>
Net Change in Fund Balances	<u>270,000</u>	<u>(466,697)</u>	<u>(466,696)</u>	<u>(736,697)</u>	<u>1</u>
Fund Balances:					
July 1, 2007	3,122,586	11,590,404	11,590,404	8,467,818	-
June 30, 2008	<u>\$ 3,392,586</u>	<u>11,123,707</u>	<u>11,123,708</u>	<u>7,731,121</u>	<u>\$ 1</u>

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

Biloxi Public School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2008

NOTE A. BASIS OF PRESENTATION

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

NOTE B. 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.

SECTION VI
SUPPLEMENTAL INFORMATION

Biloxi Public School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 375,648
National school lunch program	10.555	1,183,058
Summer food service program for children	10.559	133,876
Total child nutrition cluster		<u>1,692,582</u>
Total U.S. Department of Agriculture		<u>1,692,582</u>
U.S. Department of Education		
Direct Programs:		
Impact aid	84.041	1,811,360
Total		<u>1,811,360</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	770
Total		<u>770</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local education agencies	84.010	1,953,084
Career and Technical education - basic grants to states	84.048	77,747
Safe and drug-free schools and communities - state grants	84.186	30,707
State grants for innovative programs	84.298	17,074
Education technology - state grants	84.318	46,601
Grants for state assessment and related activities	84.369	2,698
Hurricane education recovery	84.938	51,385
Improving Teacher Quality State Grants	84.367	634,553
Teacher Quality Enhancement Grants	84.336	80
Total		<u>2,813,929</u>
Special education cluster:		
Special education - grants to states	84.027	1,138,941
Special education - preschool grants	84.173	59,320
Total		<u>1,198,261</u>
Total passed-through Mississippi Department of Education		<u>4,012,190</u>
Total U.S. Department of Education		<u>5,824,320</u>
U.S. Department of Defense		
Direct Programs:		
Reserve Officer Training Corps.	12.xxx	71,885
Air Force Reserve Officer Training Corps. Operating	12.xxx	15,787
Total U.S. Department of Defense		<u>87,672</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
Communications Information and Assistance and Investigation of Complaints	32.001	225,146
Total Federal Communications Commission		<u>225,146</u>
U.S. Department of Homeland Security		
Direct programs:		
Community disaster loans	97.030	1,800,366
Passed-through the Mississippi Emergency Management Agency		
Disaster grants - Public Assistance (Presidentially Declared Disasters)	97.036	6,557
Total Department of Homeland Security		<u>1,806,923</u>
Total Expenditures of Federal Awards		<u>\$ 9,636,643</u>

Biloxi Public School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

NOTE A. PURPOSE OF SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is a supplementary schedule to Biloxi Public School District's financial statements and is presented for purposes of additional analysis. Because the SEFA presents only a selected portion of the activities of the School District, it is not intended to and does not present either the financial position or the results of operations of the School District.

NOTE B. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the SEFA is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act of 1984 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan agreements, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act of 1984 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the School District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in notes to the financial statements. Additionally, the SEFA includes all federal programs administered by the School District for the year ended June 30, 2008.

Revenue and Expenditures Recognition

The receipt and expenditure of federal awards are accounted for under the accrual basis of accounting.

Biloxi Public School District
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 40,014,885	32,602,311	1,536,447	2,755,479	3,120,648
Other	<u>27,888,016</u>	<u>3,856,519</u>	<u>424,997</u>	<u>12,935</u>	<u>23,593,565</u>
Total	<u>\$ 67,902,901</u>	<u>36,458,830</u>	<u>1,961,444</u>	<u>2,768,414</u>	<u>26,714,213</u>
Total number of students*	<u>4,607</u>				
Cost per student	<u>\$ 14,739</u>	<u>7,914</u>	<u>426</u>	<u>601</u>	<u>5,799</u>

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

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

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

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

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

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

SECTION VII
OTHER SUPPLEMENTAL INFORMATION

Biloxi Public School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Last Four Years
"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 20,827,313	17,785,634	19,236,513	20,747,985
State sources	24,654,279	22,825,348	23,009,903	21,221,387
Federal sources	<u>2,109,242</u>	<u>2,050,119</u>	<u>2,259,122</u>	<u>2,925,594</u>
Total Revenues	<u>47,590,834</u>	<u>42,661,101</u>	<u>44,505,538</u>	<u>44,894,966</u>
Expenditures:				
Instruction	26,245,889	21,790,960	15,835,916	24,413,396
Support services	18,851,779	17,282,898	12,987,275	16,280,266
Noninstructional services	72,248	-	28,174	105,615
Facilities and acquisition and construction	205,014	-	-	-
Bond issuance costs	1,777	-	-	-
Total Expenditures	<u>45,376,707</u>	<u>39,073,858</u>	<u>28,851,365</u>	<u>40,799,277</u>
Excess(Deficiency) of Revenues over Expenditures	<u>2,214,127</u>	<u>3,587,243</u>	<u>15,654,173</u>	<u>4,095,689</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	1,800,366	2,511,189	-	-
Insurance loss recoveries	11,691	3,001,864	-	2,603
Sale of surplus property	31,415	2,784	2,440	2,808
Operating transfers in	277,385	4,082,697	4,467,238	-
Other financing sources	-	-	-	30,341
Operating transfers out	<u>(5,349,589)</u>	<u>(11,657,793)</u>	<u>(15,425,432)</u>	<u>(7,929,619)</u>
Total Other Financing Sources(Uses)	<u>(3,228,732)</u>	<u>(2,059,259)</u>	<u>(10,955,754)</u>	<u>(7,893,867)</u>
Net Change in Fund Balance	(1,014,605)	1,527,984	4,698,419	(3,798,178)
Fund Balances:				
Beginning	12,698,438	11,131,356	6,480,957	9,939,399
Prior period adjustments	<u>(94,475)</u>	<u>-</u>	<u>-</u>	<u>339,736</u>
Beginning, as restated	<u>12,603,963</u>	<u>11,131,356</u>	<u>6,480,957</u>	<u>10,279,135</u>
Increase(Decrease) in reserve inventory	18,766	39,098	-	-
Residual equity transfer in(Out)	<u>97,608</u>	<u>-</u>	<u>(48,020)</u>	<u>-</u>
Ending	<u>\$ 11,705,732</u>	<u>12,698,438</u>	<u>11,131,356</u>	<u>6,480,957</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Biloxi Public School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds - Last Four Years
"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 26,248,459	22,879,747	24,047,588	\$ 25,923,682
State sources	26,564,644	24,591,869	24,831,944	23,158,505
Federal sources	7,829,721	18,335,572	27,349,990	9,513,204
Sixteenth section sources	<u>7,682</u>	<u>7,558</u>	<u>7,235</u>	<u>6,218</u>
Total Revenues	<u>60,650,506</u>	<u>65,814,746</u>	<u>76,236,757</u>	<u>58,601,609</u>
Expenditures:				
Instruction	30,769,218	29,086,848	30,751,223	29,138,367
Support services	20,991,889	21,440,867	22,214,216	18,427,256
Noninstructional services	2,557,092	2,538,691	2,539,503	2,307,206
Facilities acquisition and construction	3,476,695	9,206,899	6,175,880	2,470,084
Debt service:				
Principal	7,357,467	4,550,000	4,130,000	3,675,000
Interest	2,725,122	2,829,738	3,008,990	3,408,939
Bond Issuance Costs	25,418	154,381	-	-
Other	<u>-</u>	<u>18,788</u>	<u>130,185</u>	<u>15,903</u>
Total Expenditures	<u>67,902,901</u>	<u>69,826,212</u>	<u>68,949,997</u>	<u>59,442,755</u>
Excess(Deficiency) of Revenues over Expenditures	<u>(7,252,395)</u>	<u>(4,011,466)</u>	<u>7,286,760</u>	<u>(841,146)</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	1,800,366	11,031,189	-	-
Insurance loss recoveries	1,309,293	3,237,826	2,690,213	2,603
Premium on debt issuance	-	32,668	-	-
Sale of surplus property	31,415	2,784	2,440	1,152,808
Operating transfers in	5,626,974	11,914,170	15,681,219	8,155,352
Other financing sources	-	-	21,512,460	30,341
Operating transfers out	(5,626,974)	(11,914,170)	(15,681,219)	(8,155,352)
Payment to refunded bond escrow agent	-	(8,398,287)	-	-
Other financing uses	<u>-</u>	<u>-</u>	<u>(21,390,825)</u>	<u>(30,341)</u>
Total Other Financing Sources(Uses)	<u>3,141,074</u>	<u>5,906,180</u>	<u>2,814,288</u>	<u>1,155,411</u>
Net Change in Fund Balance	(4,111,321)	1,894,714	10,101,048	314,265
Fund Balances:				
Beginning	33,487,591	31,386,707	21,225,849	20,638,890
Prior period adjustments	<u>(531,607)</u>	<u>137,402</u>	<u>-</u>	<u>339,736</u>
Beginning, as restated	<u>32,955,984</u>	<u>31,524,109</u>	<u>21,225,849</u>	<u>20,978,626</u>
Increase(Decrease) in reserve inventory	(7,259)	68,768	59,810	(67,042)
Residual equity transfer in(Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending	<u>\$ 28,837,404</u>	<u>33,487,591</u>	<u>31,386,707</u>	<u>\$ 21,225,849</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SECTION VIII
REPORTS ON INTERNAL CONTROL
AND COMPLIANCE



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Jack A. Oppie, CPA
C. Scott Rankin, CPA

Lindsay M. Henley, CPA
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Grover B. McDuff, CPA (Retired)

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

Superintendent and School Board
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District, as of and for the year ended June 30, 2008, which collectively comprise the Biloxi Public School District's basic financial statements and have issued our report thereon dated November 30, 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Biloxi Public School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*
Page 2**

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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.

Walter McDuff Jr. Oppie

Pascagoula, Mississippi
November 30, 2009



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
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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**

Superintendent and School Board
Biloxi Public School District

Compliance

We have audited the compliance of the Biloxi Public School District, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 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, Biloxi Public 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.

Member in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center

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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
Page 2

Internal Control Over Compliance

The management of Biloxi Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing 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 combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 management, City Council, 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.

W. L. McDuff, Jr. / Appie

Pascagoula, Mississippi
November 30, 2009



Wolfe • McDuff & Oppie
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Superintendent and School Board
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2008 which collectively compromise the Biloxi Public School District's basic financial statements and have issued our report thereon dated November 30, 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 ensure 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 instances of noncompliance. The district reported \$2,754 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.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center

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Independent Auditor's Report on Compliance with State Laws and Regulations
Page 2

The results of those 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 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.

Walton, Michael J. Apper

Pascagoula, Mississippi
November 30, 2009

SECTION IX

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Biloxi Public School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

- (1) Type of auditor's report issued on the financial statements: Unqualified
- (2) No significant deficiencies in internal control were disclosed by the audit of the financial statements
- (3) No instances of noncompliance which are material to the financial statements were disclosed
- (4) No significant deficiencies in internal control over major programs were disclosed
- (5) Type of auditor's report on compliance for major programs: Unqualified
- (6) There were no findings required to be reported in Part C, below
- (7) Major programs identified:

A. Special Education Cluster:

Special Education Grants to States CFDA 84.027
Special education - preschool grants CFDA 84.173

B. Child Nutrition Cluster:

School breakfast program 10.553
School Lunch CFDA 10.555
Summer food service program for children CFDA 10.559

C. Impact Aid CFDA 84.041

- (8) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (9) The School District qualified as a low-risk auditee

B. FINDINGS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

NONE

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARD PROGRAMS

NONE