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Moss Point School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

Moss Point School District
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FINANCIAL AUDIT REPORT

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

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Moss Point School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District, as of June 30, 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 August 12, 2009 on our consideration of the Moss Point School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 8 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 47 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

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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 Moss Point School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for purposes of additional analysis 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, P.C. Certified Public Accountants
August 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MOSS POINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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

FINANCIAL HIGHLIGHTS

- Total net assets decreased $3,412,555, which represents an 11% decrease from fiscal year 2007. This decrease is attributable to a drop in federal program revenues related to Hurricane Katrina-related items.

- General revenues account for $27,300,362 in revenue, or 79% of all revenues. This amount was less than the general revenues reported for the year 2007, which consisted of $30,781,937 in revenue, or 71% of all revenues. This decrease is attributable to a drop in both ad valorem collections and a decrease in FEMA Disaster Recovery activity from the prior year. Program specific revenues in the form of charges for services and grants and contributions accounted for $7,107,016 or 21% of total revenues compared with $12,767,125 in 2007. The main reason for this decrease is the phase-out of the Hurricane Education Recovery Restart program.

- The District had $37,819,933 in expenses, an amount that increased when compared with the $37,196,185 in expenses for the prior year; $7,107,016 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $27,300,362 were adequate to provide for these programs.

- Among major funds, the General Fund had $26,470,364 in revenues and $26,935,020 in expenditures. The General Fund's fund balance decreased $588,829 over the prior year.

- Capital assets, net of accumulated depreciation, decreased by $21,451.

- Long-term debt increased by $508,762 mainly due to the accrual of proceeds the District borrowed from the Community Disaster Loan to alleviate an ad valorem shortfall.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 24.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 43-47 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133, a schedule of instructional, administrative, and other expenditures for governmental funds and statements of revenues, expenditures and changes in fund balances for the General Fund and All Governmental Funds - last four years can be found on pages 49, 50, 52 and 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $27,877,439 as of June 30, 2008.

By far the largest portion of the District's net assets (27%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

		2008	2007	Percentage Change
Current assets	$	23,138,602	24,790,738	-6.66%
Capital assets, net		11,588,538	11,609,989	-0.18%
Total assets		34,727,140	36,400,727	-4.60%
Current liabilities		2,564,861	1,334,141	92.25%
Long-term debt		4,284,840	3,776,592	13.46%
Total liabilities		6,849,701	5,110,733	34.03%
Net assets:				
Invested in capital assets, net of related debt		7,499,439	8,019,376	-6.48%
Restricted		14,269,726	14,078,350	1.36%
Unrestricted		6,108,274	9,192,268	-33.55%
Total net assets	$	27,877,439	31,289,994	-10.91%

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

- The addition of long-term debt principal totaling $498,486.
- The phase-out of the Hurricane Education Recovery Restart program.

- A decrease in FEMA-reimbursable activity District-wide.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were $34,407,378. The total cost of all programs and services was $37,819,933. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

		2008	2007	Percentage Change
Revenues:				
Program revenues:				
Charges for services	$	545,742	446,056	22.35%
Operating grants and contributions		6,561,274	12,321,069	-46.75%
Total program revenues		7,107,016	12,767,125	-44.33%
Property taxes		7,451,801	8,304,588	-10.27%
Grants and contributions not restricted		18,454,368	19,478,624	-5.26%
Unrestricted investment earnings		721,680	736,369	-1.99%
Sixteenth section sources		6,590	7,796	-15.47%
Other		665,923	2,254,560	-70.46%
Total general revenues		27,300,362	30,781,937	-11.31%
Total revenues		34,407,378	43,549,062	-20.99%
Expenses:				
Instruction		18,331,579	18,497,050	-0.89%
Support services		17,506,952	16,609,687	5.40%
Non-instructional		1,948,661	2,003,358	-2.73%
Interest on long-term debt		32,741	86,090	-61.97%
Total expenses		37,819,933	37,196,185	1.68%
Increase (decrease) in net assets		(3,412,555)	6,352,877	-153.72%
Net Assets, July 1		31,289,994	24,937,117	25.48%
Net Assets, June 30	$	27,877,439	31,289,994	-10.91%

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.

		2008 Expenses	2007 Expenses	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	$	18,331,579	18,497,050	(14,902,437)	(12,401,243)
Support services		17,506,952	16,609,687	(15,771,533)	(11,715,784)
Non-instructional		1,948,661	2,003,358	(6,206)	(225,943)
Interest on long-term liabilities		32,741	86,090	(32,741)	(86,090)
Total Expenses	$	37,819,933	37,196,185	(30,712,917)	(24,429,060)

- Net cost of governmental activities ($30,712,917) was financed by general revenue, which is made up primarily of state revenues ($18,071,580) and ad valorem taxes ($7,451,801).
- Investment earnings accounted for $721,680 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $20,644,124, a decrease of $2,849,600 due primarily to decreased federally-funded activities related to Hurricane Katrina. $7,482,558 of this fund balance (approximately 36.25%) constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $13,161,566 (approximately 63.75%) is reserved or designated to indicate that it is not available for spending because it has already been committed. The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $588,829. The fund balance of Other Governmental Funds showed an decrease of $2,080,013.

BUDGETARY HIGHLIGHTS

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

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

Budget amounts for expenditures were amended as funding sources/amounts changed.

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the District Maintenance fund and the Interim Capital Expenditure special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were $22,198,198, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of $500,717 from the previous year. One major component of this increase was construction in progress relating to the construction of a softball dressing room and installation of a fire alarm system at the high school. Total accumulated depreciation as of June 30, 2008 was $10,609,660 and total depreciation expense for the year was $888,368, resulting in total net capital assets of $11,588,538.

		2008	2007	Percentage Change
Land	$	479,587	479,587	0.00%
Construction in progress		274,616	0	100.00%
Buildings		8,549,878	8,831,309	-3.19%
Building improvements		44,104	46,021	-4.17%
Improvements other than buildings		170,734	147,690	15.60%
Mobile equipment		944,200	965,431	-2.20%
Furniture and equipment		1,125,419	1,139,951	-1.27%
Total	$	11,588,538	11,609,989	-0.18%

Additional information on the District's capital assets can be found on Note 5 on page 36 of this report.

Debt Administration. At June 30, 2008, the District had $4,295,142 in debt outstanding, of which $10,302 is due within one year.

		2008	2007	Percentage Change
Community Disaster Loan	$	1,589,099	1,090,613	45.71%
Qualified Zone Academy Bonds		2,500,000	2,500,000	0.00%
Compensated absences		206,043	195,767	5.25%
Total	$	4,295,142	3,786,380	13.44%

Additional information of the District's long-term debt can be found in Note 6 on page 37 of this report.

CURRENT ISSUES

The Moss Point 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 District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

MOSS POINT SCHOOL DISTRICT Exhibit A

Statement of Net Assets

June 30, 2008

		Governmental Activities
Assets		
Cash and cash equivalents	$	18,608,603
Due from other governments		3,699,622
Accrued interest receivable		363
Other receivables, net		523,716
Inventories		76,440
Restricted assets		229,858
Capital assets, non-depreciable:		
Land		479,587
Construction in progress		274,616
Capital assets, net of accumulated depreciation:		
Buildings		8,549,878
Building improvements		44,104
Improvements other than buildings		170,734
Mobile equipment		944,200
Furniture and equipment		1,125,419
Total Assets		34,727,140
Liabilities		
Accounts payable and accrued liabilities		2,432,748
Unearned revenue		61,730
Interest payable on long-term liabilities		60,081
Long-term liabilities, due within one year		
Non-capital related liabilities		10,302
Long-term liabilities, due beyond one year		
Capital related liabilities		4,089,099
Non-capital related liabilities		195,741
Total Liabilities		6,849,701
Net Assets		
Invested in capital assets, net of related debt		7,499,439
Restricted net assets:		
Expendable:		
School-based activities		1,244,681
Capital improvements		12,208,718
Debt service		549,994
Forestry improvements		482
Unemployment benefits		258,963
Non-expendable:		
Sixteenth section		6,888
Unrestricted		6,108,274
Total Net Assets	$	27,877,439

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

MOSS POINT SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 18,331,579	167,106	3,262,036	(14,902,437)
Support services	17,506,952		1,735,419	(15,771,533)
Non-instructional	1,948,661	378,636	1,563,819	(6,206)
Interest on long-term liabilities	32,741			(32,741)
Total Governmental Activities	$ 37,819,933	545,742	6,561,274	(30,712,917)

General Revenues:	
Taxes:	
General purpose levies	7,153,720
Debt purpose levies	298,081
Unrestricted grants and contributions:	
State	18,071,580
Federal	382,788
Unrestricted investment earnings	721,680
Sixteenth section	6,590
Other	665,923
Total General Revenues	27,300,362
Change in Net Assets	(3,412,555)
Net Assets - Beginning	31,289,994
Net Assets - Ending	$ 27,877,439

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

MOSS POINT SCHOOL DISTRICT Exhibit C

Balance Sheet - Governmental Funds

June 30, 2008

		Major Funds				
		General Fund	Interim Capital Expenditures	Other Capital Projeets	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$	3,754,927	566,459	12,341,828	2,175,247	18,838,461
Due from other governments		3,062,576			637,046	3,699,622
Accrued interest receivable					363	363
Other receivables, net		498,487				498,487
Due from other funds		502,793			28,417	531,210
Inventories		61,298			15,142	76,440
Total Assets	$	7,880,081	566,459	12,341,828	2,856,215	23,644,583
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$	1,565,764	317,006	133,110	416,868	2,432,748
Due to other funds					505,981	505,981
Unearned revenue					61,730	61,730
Total Liabilities		1,565,764	317,006	133,110	984,579	3,000,459
Fund Balances:						
Reserved for:						
Inventory		61,298			15,142	76,440
Unemployment					258,963	258,963
Forestry					482	482
Capital projects				12,208,718		12,208,718
Debt service					610,075	610,075
Permanent Funds					6,888	6,888
Unreserved:						
Undesignated, reported in:						
General Fund		6,253,019				6,253,019
Special Revenue Funds			249,453		980,086	1,229,539
Total Fund Balances		6,314,317	249,453	12,208,718	1,871,636	20,644,124
Total Liabilities and Fund Balances	$	7,880,081	566,459	12,341,828	2,856,215	23,644,583

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

MOSS POINT SCHOOL DISTRICT Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

		Amount
Total Fund Balance - Governmental Funds	$	20,644,124
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $10,609,660.		11,588,538
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(4,295,142)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		(60,081)
Total Net Assets - Governmental Activities	$	27,877,439

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

MOSS POINT SCHOOL DISTRICT Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	Major Funds				
	General Fund	Interim Capital Expenditures	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 7,534,189	21,811	508,453	1,298,607	9,363,060
Intermediate sources	4,012				4,012
State sources	18,191,228			537,460	18,728,688
Federal sources	740,935			5,546,019	6,286,954
Sixteenth section sources				24,664	24,664
Total Revenues	26,470,364	21,811	508,453	7,406,750	34,407,378
Expenditures:					
Instruction	13,814,735			3,948,946	17,763,681
Support services	12,930,890	317,006	6,000	4,298,450	17,552,346
Noninstructional services	155,970			1,833,370	1,989,340
Facilities acquisition and construction	33,425		388,016		421,441
Total Expenditures	26,935,020	317,006	394,016	10,080,766	37,726,808
Excess (Deficiency) of Revenues over Expenditures	(464,656)	(295,195)	114,437	(2,674,016)	(3,319,430)
Other Financing Sources (Uses):					
Proceeds of loans	498,487				498,487
Sale of transportation equipment	4,291				4,291
Operating transfers in	167,428			3,244,870	3,412,298
Operating transfers out	(768,303)			(2,643,995)	(3,412,298)
Total Other Financing Sources (Uses)	(98,097)	0	0	600,875	502,778
Net Change in Fund Balances	(562,753)	(295,195)	114,437	(2,073,141)	(2,816,652)
Fund Balances:					
July 1, 2007	6,903,146	544,648	12,094,281	3,951,649	23,493,724
Prior period adjustments	(38,181)			38,181	0
July 1, 2007, as restated	6,864,965	544,648	12,094,281	3,989,830	23,493,724
Increase (Decrease) in reserve for inventory	12,105			(45,053)	(32,948)
June 30, 2008	$ 6,314,317	249,453	12,208,718	1,871,636	20,644,124

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

MOSS POINT SCHOOL DISTRICT

Exhibit D-1

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

		Amount
Net Change in Fund Balances - Governmental Funds	$	(2,816,652)
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to $905,145 and the depreciation expense amounted to $888,368.		16,777
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.		(498,486)
3. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated Absences		(10,276)
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		(32,742)
5. Proceeds from the sale of assets are reported in the governmental funds as revenues, but the gain or loss on the sale of assets is reported on the Statement of Activities.		(4,291)
6. Gains and losses on sales or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.		(33,937)
7. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.		(32,948)
Change in Net Assets of Governmental Activities	$	(3,412,555)

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

MOSS POINT SCHOOL DISTRICT Exhibit E

Statement of Fiduciary Assets and Liabilities

June 30, 2008

		Agency Funds
Assets		
Cash and cash equivalents	$	966,878
Liabilities		
Accounts payable and accrued liabilities	$	870,890
Due to other funds		25,229
Due to student clubs		70,759
Total Liabilities	$	966,878

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

Notes to the Financial Statements

For the year ended
June 30, 2008

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Moss Point since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

1. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

Interim Capital Expenditures Fund - This fund accounts for liabilities associated with renovations performed at the High School.

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

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the Agency Funds, which do not measure result of operations but rather report resources held by the district in a custodial capacity.

GOVERNMENTAL FUND TYPES

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

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

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

Permanent Funds - Permanent Funds are used to account for assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

Revenues from the Mississippi Adequate Education Program Revenues are

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

D. Account Classifications.

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

E. Encumbrances.

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The cost of governmental fund type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

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

(*) The threshold amounts will correspond with the amounts for the asset classifications, as listed. See **Note (5)** for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity.

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

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

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

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

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

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

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

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

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

(2) Cash and cash equivalents.

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $18,608,603 and $966,878 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents $18,831,573 and restricted assets $229,858. The bank balance was $20,428,607.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of $20,428,607 was exposed to custodial credit risk.

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

Receivable Fund	Payable Fund		Amount
General Fund	Other Governmental Funds	$	477,564
General Fund	Fiduciary Funds		25,229
Other Governmental Funds	Other Governmental Funds		28,417
Total		$	531,210

Interfund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Interfund Transfers.

Transfer Out	Transfer In		Amount
General Fund	Other Governmental Funds	$	768,303
Other Governmental Funds	General Fund		167,428
Other Governmental Funds	Other Governmental Funds		2,476,567
Total		$	3,412,298

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

(4) Restricted Assets.

The restricted assets consist of the cash balance in Fund 4022 for $222,970 that has been set aside for the QZAB payments. In addition, the restricted assets totaling $6,888 represents the cash balance in the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs.

(5) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Balance 6-30-2008
Non-depreciable capital assets:				
Land	$ 479,587			479,587
Construction in progress		274,616		274,616
Total non-depreciable capital assets	479,587	274,616	0	754,203
Depreciable capital assets:				
Buildings	15,433,754			15,433,754
Building Improvements	47,939			47,939
Improvements other than buildings	226,069	33,424		259,493
Mobile equipment	2,466,176	151,108	379,821	2,237,463
Furniture and equipment	3,043,956	445,997	24,607	3,465,346
Total depreciable capital assets	21,217,894	630,529	404,428	21,443,995
Less accumulated depreciation for:				
Buildings	6,602,445	281,431		6,883,876
Building improvements	1,918	1,917		3,835
Improvements other than buildings	78,379	10,380		88,759
Mobile equipment	1,500,745	134,357	341,839	1,293,263
Furniture and equipment	1,904,005	460,283	24,361	2,339,927
Total accumulated depreciation	10,087,492	888,368	366,200	10,609,660
Total depreciable capital assets, net	11,130,402	(257,839)	38,228	10,834,335
Governmental activities capital assets, net	$ 11,609,989	16,777	38,228	11,588,538

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$596,698
Support services	238,900
Non-instructional	52,770
Total depreciation expense	$888,368

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

		Spent to June 30, 2008	Remaining Commitment
Softball Dressing Room - Bellfield Street Ballfields	$	178,226	274,008
Fire Alarm System - Moss Point High School		96,390	14,000
Total	$	274,616	288,008

Construction projects included in governmental activities are funded from Other Capital Projects fund (3901).

(6) 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 6-30-2008	Amounts due within one year
A.	Community Disaster Loan	$	1,090,613	498,486		1,589,099	
B.	Qualified Zone Academy Bonds		2,500,000			2,500,000	
C.	Compensated absences payable		195,767	10,276		206,043	10,302
	Total	$	3,786,380	508,762	0	4,295,142	10,302

A. Community Disaster Loan Payable.

Community Disaster Loan currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Community Disaster Loan payable	3%	05/2006	05/2011	$	1,589,099	1,589,099

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

Year Ending June 30		Principal	Interest	Total
2009	$	0	43,266	43,266
2010		0	47,673	47,673
2011		1,589,099	103,442	1,692,541
Total	$	1,589,099	194,381	1,783,480

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

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

B. Qualified Zone Academy Bonds Payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds payable	0%	12-2006	12-2016	$ 2,500,000	$ 2,500,000

This debt will be retired from the QZAB sinking fund.

C. Compensated Absences.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides 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 rate for fiscal year ended June 30, 2008 was 11.85% of the 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 $2,183,729, $1,890,960, and $1,801,066, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

(9) Sixteenth Section Lands.

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

Year Ending June 30		Amount
2009	$	4,770
2010		4,770
2011		4,770
2012		4,770
2013		4,770
Thereafter		124,020
Total	$	147,870

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balance

Major Funds	Explanation		Amount
General Fund	Expenditures made initially from local grant found to be made erroneously. District Maintenance fund covered expenditure upon District awareness of error.	$	(38,181)
Other Governmental Funds	See explanation above.		38,181
Total		$	0

(11) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and

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

Participation in Public Entity Risk Pool.
The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to $500,000. For a claim exceeding $500,000, MMWCG has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(12) Qualified Zone Academy Bonds.

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. Because of recent market conditions, an investment provider has not been appointed. There fore, the agreements previously mentioned have not yet been entered into, and the amounts of the annual deposits have not yet been determined.

The total amount of $2,500,000 is due on December 2016 as required by the trust indenture. The amount of funds set aside for this purpose by the district in the debt service fund plus the accrued interest will be used to retire this debt in December 2016.

The district currently has $222,970 in Fund 4022 set aside for the QZAB payments and presented as restricted assets in Exhibit A.

(13) Subsequent events.

On June 25, 2007, Engle Martin & Associates, Inc. detailed a proposed insurance adjustment for Moss Point School District regarding a claim for wind damage sustained to both school

buildings and personal property damage sustained District-wide. The net adjusted wind damage claim totals approximately $3,270,465, the full amount of which is anticipated to be received by the District in a subsequent period.

On March 25, 2009, Landmark American Insurance Company issued a check to the school district totaling $480,539 as final payment for claims arising from Hurricane Katrina storm damage to district property.

On August 4, 2009, the school district issued a Shortfall Loan in the amount of $391,318 that will bear interest of 4% and will mature in 2012.

(14) Impairment of capital assets.

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

On November 27, 2005, one wing of East Park Elementary School was damaged by fire. It was estimated that 30% of the building had to be replaced. At the time of the fire, the building in its entirety had a net capital asset value (historical cost less accumulated depreciation) of $592,199. The wing damaged by fire had an estimated net capital asset value of $177,660. During fiscal year 2006, insurance recoveries totaling $1,230,690 were received by the District resulting in a net gain from impairment loss due to insurance recoveries of $1,053,030. In fiscal year 2007, an additional claim was made and received for $892,459. This insurance recovery mainly covered remainder building and personal property losses incurred in the prior fiscal year. No insurance recoveries were made in the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

MOSS POINT SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 7,792,638	7,806,638	7,534,189	14,000	(272,449)
Intermediate sources			4,012	0	4,012
State sources	18,676,634	18,678,234	18,191,228	1,600	(487,006)
Federal sources	828,935	828,935	740,935	0	(88,000)
Total Revenues	27,298,207	27,313,807	26,470,364	15,600	(843,443)
Expenditures:					
Instruction	15,267,893	14,595,197	13,814,735	672,696	780,462
Support services	13,132,823	13,540,951	12,930,890	(408,128)	610,061
Noninstructional services	185,159	185,609	155,970	(450)	29,639
Facilities acquisition and construction		532,801	33,425	(532,801)	499,376
Total Expenditures	28,585,875	28,854,558	26,935,020	(268,683)	1,919,538
Excess (Deficiency) of Revenues over Expenditures	(1,287,668)	(1,540,751)	(464,656)	(253,083)	1,076,095
Other Financing Sources (Uses):					
Proceeds of loans		498,487	498,487	498,487	0
Insurance loss recoveries	270,000	270,000		0	(270,000)
Sale of transportation equipment	500	500	4,291	0	3,791
Operating transfers in	3,735,313	3,249,169	167,428	(486,144)	(3,081,741)
Operating transfers out	(4,582,154)	(4,023,795)	(768,303)	558,359	3,255,492
Total Other Financing Sources (Uses)	(576,341)	(5,639)	(98,097)	570,702	(92,458)
Net Change in Fund Balances	(1,864,009)	(1,546,390)	(562,753)	317,619	983,637
Fund Balances:					
July 1, 2007	4,669,644	6,903,146	6,903,146	2,233,502	0
Prior period adjustments		(38,181)	(38,181)	(38,181)	0
July 1, 2007, as restated	4,669,644	6,864,965	6,864,965	2,195,321	0
Increase (Decrease) in reserve for inventory			12,105	0	12,105
June 30, 2008	$ 2,805,635	5,318,575	6,314,317	2,512,940	995,742

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

MOSS POINT SCHOOL DISTRICT

Budgetary Comparison Schedule

Interim Capital Expenditures Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 18,200	18,200	21,811	0	3,611
Expenditures:					
Support services	564,015	564,015	317,006	0	247,009
Excess (Deficiency) of Revenues over Expenditures	(545,815)	(545,815)	(295,195)	0	250,620
Net Change in Fund Balances	(545,815)	(545,815)	(295,195)	0	250,620
Fund Balances:					
July 1, 2007	545,815	544,648	544,648	(1,167)	0
June 30, 2008	$ 0	(1,167)	249,453	(1,167)	250,620

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Moss Point School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Moss Point School District **Schedule 1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	358,475
National School Lunch Program	10.555	1,123,396
Summer Food Service Program for Children	10.559	43,398
Total child nutrition cluster		1,525,269
TOTAL U. S. DEPARTMENT OF AGRICULTURE		1,525,269
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	49,452
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	340,207
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	957,734
Career and Technical Education - Basic Grants to States	84.048	49,182
Safe and Drug Free Schools and Communities - State Grants	84.186	20,500
Twenty-first Century Community Learning Centers	84.287	340,716
Foreign Language Assistance	84.293	20,817
State Grants for Innovative Programs	84.298	5,597
Transition to Teaching	84.350	160
Improving Teacher Quality State Grants	84.367	340,109
Grants for State Assessments and Related Activities	84.369	260
Hurricane Education Recovery	84.938	1,090,950
Total		2,826,025
Special Education Cluster:		
Special Education - Grants to States	84.027	1,109,244
Special Education - Preschool Grants	84.173	26,738
Total special education cluster		1,135,982
Total passed-through the MDE		3,962,007
TOTAL U. S. DEPARTMENT OF EDUCATION		3,962,007
CORP FOR NATIONAL AND COMMUNITY SERVICE		
Passed-through the Mississippi Department of Education:		
Learn and Serve America	94.004	9,452
Total Corp. For National And Community Service		9,452
U.S. DEPARTMENT OF HOMELAND SECURITY		
Direct Program:		
Community Disaster Loans	97.030	498,487
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	357,987
TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY		856,474
TOTAL FOR ALL FEDERAL AWARDS		$6,742,861

Notes to Schedule

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

MOSS POINT SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2008

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	25,032,435	18,726,128	1,233,215	1,640,181	3,432,911
Other		12,694,373	3,744,852	464,880	37,225	8,447,416
Total	$	37,726,808	22,470,980	1,698,095	1,677,406	11,880,327
Total number of students*		3,175				
Cost per student	$	11,882	7,077	535	528	3,742

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

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

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

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION

MOSS POINT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

General Fund

Last Four Years

		2008	2007*	2006*	2005*
Revenues:					
Local sources	$	7,534,189	8,461,481	7,524,178	7,377,017
Intermediate sources		4,012			
State sources		18,191,228	17,616,147	17,145,693	16,216,273
Federal sources		740,935	3,307,741	940,973	584,305
Total Revenues		26,470,364	29,385,369	25,610,844	24,177,595
Expenditures:					
Instruction		13,814,735	11,431,166	10,470,413	12,670,255
Support services		12,930,890	12,623,775	11,724,021	9,502,543
Noninstructional services		155,970	78,032	73,660	
Facilities acquisition and construction		33,425	61,529		13,980
Debt service:					
Principal					62,078
Interest					1,387
Total Expenditures		26,935,020	24,194,502	22,268,094	22,250,243
Excess (Deficiency) of Revenues over Expenditures		(464,656)	5,190,867	3,342,750	1,927,352
Other Financing Sources (Uses):					
Proceeds of loans		498,487		1,090,613	
Insurance loss recoveries			904,395	5,143,677	79,436
Sale of transportation equipment		4,291	500		
Operating transfers in		167,428	39,130	4,307,665	70,051
Operating transfers out		(768,303)	(1,871,446)	(14,428,203)	(3,113,914)
Total Other Financing Sources (Uses)		(98,097)	(927,421)	(3,886,248)	(2,964,427)
Net Change in Fund Balances		(562,753)	4,263,446	(543,498)	(1,037,075)
Fund Balances:					
July 1,		6,903,146	2,646,024	3,184,453	4,221,528
Prior period adjustments		(38,181)			
July 1, as restated		6,864,965	2,646,024	3,184,453	4,221,528
Increase (Decrease) in reserve for inventory		12,105	(6,324)	5,069	
June 30,	$	6,314,317	6,903,146	2,646,024	3,184,453

*SOURCE - PRIOR YEAR AUDIT REPORTS

MOSS POINT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

All Governmental Funds

Last Four Years

		2008	2007*	2006*	2005*
Revenues:					
Local sources	$	9,363,060	10,816,896	8,105,444	8,078,542
Intermediate sources		4,012			
State sources		18,728,688	18,167,098	17,826,136	16,943,446
Federal sources		6,286,954	13,632,555	12,450,416	5,866,560
Sixteenth section sources		24,664	27,771	22,984	12,341
Total Revenues		34,407,378	42,644,320	38,404,980	30,900,889
Expenditures:					
Instruction		17,763,681	19,118,061	17,686,892	15,779,284
Support services		17,552,346	16,790,181	16,191,007	12,345,367
Noninstructional services		1,989,340	1,965,629	1,822,060	1,923,606
Facilities acquisition and construction		421,441	61,939	64,602	74,644
Debt service:					
Principal				259,868	313,766
Interest				7,604	18,013
Other			58,750		
Total Expenditures		37,726,808	37,994,560	36,032,033	30,454,680
Excess (Deficiency) of Revenues over Expenditures		(3,319,430)	4,649,760	2,372,947	446,209
Other Financing Sources (Uses):					
Proceeds of loans		498,487	2,500,000	1,090,613	
Insurance loss recoveries			904,395	5,143,677	79,436
Sale of transportation equipment		4,291	500		
Operating transfers in		3,412,298	2,413,911	14,884,624	3,498,429
Other financing sources			408		
Operating transfers out		(3,412,298)	(2,413,911)	(14,884,624)	(3,498,429)
Total Other Financing Sources (Uses)		502,778	3,405,303	6,234,290	79,436
Net Change in Fund Balances		(2,816,652)	8,055,063	8,607,237	525,645
Fund Balances:					
July 1,		23,493,724	15,473,648	6,805,425	6,310,536
Prior period adjustments				2,726	
July 1, as restated		23,493,724	15,473,648	6,808,151	6,310,536
Increase (Decrease) in reserve for inventory		(32,948)	(34,987)	58,260	(30,756)
June 30,	$	20,644,124	23,493,724	15,473,648	6,805,425

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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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
Moss Point School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2008, which collectively comprise the Moss Point School District's basic financial statements and have issued our report thereon dated August 12, 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 entity's ability to initiate, authorize, process, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

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

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

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Compliance and Other Matters

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 12, 2009

Certified Public Accountants

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FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Moss Point School District

Compliance

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

We conducted our audit of compliance 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, 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 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, the Moss Point School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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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 a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 12, 2009

Certified Public Accountants

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

Superintendent and School Board
Moss Point School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Moss Point School District as of and for the year ended June 30, 2008, and have issued our report thereon dated August 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $21,967 of classroom supply funds carried over from previous years.

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

The results of 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.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 12, 2009

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Moss Point School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: **Unqualified.**

2. Material noncompliance relating to the financial statements? **No.**

3. Internal control over financial reporting:
   a. Material weakness(es) identified? **No.**
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? **No.**

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: **Unqualified.**

5. Internal control over major programs:
   a. Material weakness(es) identified? **No.**
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? **No.**

6. Any audit findings reported as required by Section ___.510(a) of OMB Circular A-133? **No.**

7. Federal programs identified as major programs:

   a. Child Nutrition Cluster:
      CFDA # 10.553
      CFDA # 10.555
      CFDA # 10.559

   b. Title I Grants to Local Educational Agencies:
      CFDA # 84.010

   c. Improving Teacher Quality - State Grants:
      CFDA # 84.367

   d. Hurricane Education Recovery
      CFDA # 84.938

e. Disaster Grant - Public Assistance
CFDA #97.036

f. 21st Century Community Learning Centers
CFDA # 84.287

g. School and Libraries Program of the Universal Service Fund
CFDA # 32.xxx

h. Community Disaster Loan
CFDA # 97.030

8. The dollar threshold used to distinguish between Type A and Type B programs: **$300,000**.

9. Auditee qualified as a low-risk auditee? **Yes**.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133? **No**.

Section 2: Findings Relating to the Financial Statements
The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards.*

Section 3: Findings and Questioned Costs for Federal Awards
The results of our tests did not disclose any findings and questioned costs related to the federal awards.