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OCEAN SPRINGS SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

OCEAN SPRINGS SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

December 14, 2008

Superintendent and School Board
Ocean Springs School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District as of and for the year ended June 30, 2008, which collectively comprise the Ocean Springs School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ocean Springs 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 Ocean Springs 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 December 14, 2008, on our consideration of the Ocean Springs School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (3) through (8) and the Budgetary Comparison Schedules and corresponding notes on pages (29) through (32) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ocean Springs 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.

McDaniel CPA Firm

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINANCIAL HIGHLIGHTS

- Total net assets for the school district at June 30, 2008 and 2007 were \$ 54,060,333 and \$ 55,285,781, respectively.
- Total net assets decreased \$ 1,225,448.
- General revenues accounted for \$ 32,284,339 in revenue. Program specific revenues in the form of charges for services and grants and contributions accounted for \$ 12,344,925.
- The District had \$ 45,854,814 in expenses; only \$ 12,344,925 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$ 32,284,339 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$ 37,270,448 in revenues and \$ 34,997,044 in expenditures. The General Fund's fund balance decreased \$ 4,407,681 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$ 929,711.
- Long-term debt decreased by \$ 1,273,279. The debt decreased due to principal payments on debt.

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

**OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

The government-wide financial statements can be found on pages 9 - 10 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 12 and 14, 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 11 - 14 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 15.

**OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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 16 - 28 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund (if applicable). This required supplementary information can be found on pages 29 - 32 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds, statement of revenues, expenditures and changes in fund balance – general fund – last four years, and statement of revenues, expenditures and changes in funds balance – all governmental funds – last four years, can be found on pages 33 thru 36, respectively, 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 \$ 54,060,333 as of June 30, 2008.

By far the largest portion of the District's net assets (40%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets as of June 30, 2008 and 2007, respectively.

	Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Current Assets	32,779,624	36,219,443	-9.50%
Capital Assets, Net	24,402,011	23,472,300	3.96%
Total Assets	57,181,635	59,691,743	-4.21%
Current Liabilities	58,517	69,898	-16.28%
Long-term debt outstanding	3,062,785	4,336,064	-29.36%
Total Liabilities	3,121,302	4,405,962	-29.16%
Net Assets:			
Invested in capital assets, net of related debt	21,684,342	19,452,300	11.47%
Restricted	14,503,606	13,520,218	7.27%
Unrestricted	17,872,385	22,313,263	-19.90%
Total Net Assets	54,060,333	55,285,781	-2.22%

**OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

- The principal retirement of \$ 1,302,331 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2008 were \$ 44,629,264. The total cost of all programs and services was \$ 45,854,814. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and June 30, 2007, respectively.

	<u>Change in Net Assets</u>		Percentage Change
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,665,539	\$ 1,514,497	9.87%
Operating grants and contributions	10,679,386	10,199,075	4.71%
Capital grants and contributions			
General revenues:			
Property taxes	11,745,666	12,446,142	-5.83%
Grants and contributions not restricted	17,280,187	22,746,033	-24.03%
Other	3,258,486	2,118,309	53.97%
Total revenues	<u>44,629,264</u>	<u>49,022,056</u>	<u>-8.86%</u>
Expenses:			
Instruction	24,608,268	22,850,706	7.69%
Support Services	19,155,991	15,318,591	25.05%
Non-instructional	1,959,888	1,590,647	23.21%
Interest and other expense on long-term liabilities	130,666	135,327	-3.44%
Total expenses	<u>45,854,814</u>	<u>39,895,271</u>	<u>14.94%</u>
Increase (Decrease) in net assets	<u>(1,225,550)</u>	<u>9,126,785</u>	<u>-113.43%</u>
Net Assets, July 1	<u>55,285,781</u>	<u>46,138,020</u>	<u>19.83%</u>
Prior period adjustment	102	20,976	
Net Assets, July 1 - Restated	<u>55,285,883</u>	<u>46,156,996</u>	<u>19.77%</u>
Net Assets, June 30	<u>\$ 54,060,333</u>	<u>\$ 55,285,781</u>	<u>-2.22%</u>

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

- Support services expenses increased from the previous year fiscal year due primarily to expenditures incurred related to the repair of school facilities.

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenses on long-term debt for fiscal years ending June 30, 2008 and 2007, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

**OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

	2008		2007	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$ 24,608,269	\$ (17,139,797)	\$ 22,850,706	\$ (15,438,667)
Support Services	19,155,991	(16,296,337)	15,318,591	(12,807,057)
Non-instructional	1,959,888	56,911	1,590,647	199,352
Interest and other expenses on long-term liabilities	130,666	(130,666)	135,327	(135,327)
Total expenses	\$ 45,854,814	\$ (33,509,889)	\$ 39,895,271	\$ (28,181,699)

- Net cost of governmental activities (\$ 33,509,889) was financed by general revenue, which is made up of primarily property taxes \$ 11,745,666 and state revenue \$ 16,823,308.
- Investment earnings accounted for \$ 1,024,719 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 \$ 32,746,750, a decrease of \$ 3,447,832 due primarily to renovation costs and purchase of capital assets.

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 \$ 4,407,681 a result of renovation costs and purchase of capital assets.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for instruction and support services expenditures in the General Fund were decreased during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

**OCEAN SPRINGS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Capital Assets. As of June 30, 2008, the District's total capital assets, before depreciation, were \$ 47,622,669, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$ 1,745,682 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$ 23,220,658 and total depreciation expense for the year was \$ 964,307, resulting in total net assets of \$ 24,402,011.

	Capital Assets, Net of Depreciation		Percentage Change
	2008	2007	
Land	1,126,099	1,056,895	7%
Buildings	18,528,470	18,894,317	-2%
Building improvements	2,497,166	1,709,973	46%
Improvements other than buildings	433,711	453,203	-4%
Mobile equipment	1,191,255	1,070,031	11%
Furniture and equipment	625,310	287,881	117%
Total	24,402,011	23,472,300	4%

Additional information of the District's capital assets can be found in Note 4 on page 23 of this report.

Debt Administration. At June 30, 2008, the District had \$ 3,062,785 in general obligation bonds and other long-term debt outstanding, of which \$ 1,344,760 is due within one year.

	Outstanding Debt		Percentage Change
	2008	2007	
General obligation bonds payable	1,700,000	2,520,000	-33%
Three mill notes payable	1,017,669	1,500,000	-32%
Compensated absences payable	345,116	316,064	9%
Total	3,062,785	4,336,064	-29%

Additional information of the District's long-term debt can be found in Note 5 on page 25 of this report.

CURRENT ISSUES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Ocean Springs School District, 2300 Government Street, Ocean Springs, Mississippi 39564.

BASIC FINANCIAL STATEMENTS

OCEAN SPRINGS SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 31,746,180
Due from other governments	1,001,020
Other receivables, net	44
Inventories	32,380
Capital assets, not being depreciated:	
Land	1,126,099
Capital assets, net of accumulated depreciation:	
Buildings	18,528,470
Building improvements	2,497,166
Improvements other than buildings	433,711
Mobile equipment	1,191,255
Furniture and equipment	625,310
Total assets	<u>57,181,635</u>
Liabilities:	
Accounts payable and accrued liabilities	26,660
Unearned revenue	6,214
Interest payable on long-term liabilities	25,643
Long-term liabilities (due within one year):	
Capital related liabilities	1,344,760
Non-capital related liabilities	15,620
Long-term liabilities (due beyond one year):	
Capital related liabilities	1,372,909
Non-capital related liabilities	329,496
Total liabilities	<u>3,121,302</u>
Net Assets:	
Investments in capital assets (net of related debt)	21,684,342
Restricted net assets:	
Expendable:	
School-based activities	2,028,425
Debt service	1,626,319
Capital Improvements	10,675,312
Unemployment benefits	120,824
Non-expendable:	
Other	52,726
Unrestricted	17,872,385
Total net assets	<u>\$ 54,080,333</u>

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

OCEAN SPRINGS SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Program Revenues			Charges For Services	Expenses	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			
Governmental Activities:						
Instruction	\$ 24,608,269	614,218	6,854,254		\$ (17,139,797)	
Support Services	19,155,991		2,859,654		(16,296,337)	
Non-instructional	1,959,888	1,051,321	965,478		56,911	
Interest on long-term liabilities	130,666				(130,666)	
Total governmental activities	\$ 45,854,814	1,665,539	10,679,386		(33,509,889)	
General Revenues:						
Taxes:						
					10,425,363	
					1,320,303	
Unrestricted grants and contributions:						
					16,823,308	
					456,879	
					1,024,719	
					2,233,767	
					<u>32,284,339</u>	
Change in Net Assets						(1,225,550)
Net Assets - Beginning						55,285,781
Prior Period Adjustments						102
Net Assets - Beginning - Restated						55,285,883
Net Assets - Ending						\$ 54,060,333

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

OCEAN SPRINGS SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Special Education Fund	Future Building Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 15,879,652				5,191,216	\$ 31,746,180
Due from other government	543,542	108,300	147,767	10,675,312	201,411	1,001,020
Other receivables, net	44					44
Due from other funds	367,402				15,613	383,015
Inventories					32,380	32,380
Total assets	16,790,640	108,300	147,767	10,675,312	5,440,620	33,162,639
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	22,078		497		4,085	26,660
Due to other funds		107,054	147,270		128,691	383,015
Unearned revenue		1,246			4,968	6,214
Total liabilities	22,078	108,300	147,767	-	137,744	415,889
Fund Balances:						
Reserved for:						
Inventory					32,380	32,380
Capital projects					1,442,202	1,442,202
Debt service					1,651,962	1,651,962
Unemployment benefits					120,824	120,824
Endowments					52,726	52,726
Unreserved:						
Undesignated, reported in:						
General Fund	16,768,562					16,768,562
Special Revenue Funds				10,675,312	2,002,782	2,002,782
Capital Projects Funds						10,675,312
Total fund balances	16,768,562	-	-	10,675,312	5,302,876	32,746,750
Total liabilities and fund balances	\$ 16,790,640	\$ 108,300	\$ 147,767	\$ 10,675,312	\$ 5,440,620	\$ 33,162,639

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

OCEAN SPRINGS SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 32,746,750
Amount reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 23,220,658.	24,402,011
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,062,785)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(25,643)
 <i>Total net assets - governmental activities</i>	 <u><u>\$ 54,060,333</u></u>

OCEAN SPRINGS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Special Education Fund	Future Building Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 12,067,593			309,015	2,627,547	\$ 15,004,155
State sources	24,893,090		13,674		916,892	25,823,656
Federal sources	309,765	319,043	973,761		2,198,217	3,800,786
Total revenues	37,270,448	319,043	987,435	309,015	5,742,656	44,628,597
Expenditures:						
Instruction	20,822,920	236,969	642,587		2,435,346	24,137,822
Support services	14,016,203	13,660	344,848	28,820	5,144,386	19,548,917
Noninstructional services	18,669				1,897,306	1,913,985
Facilities acquisition and construction	141,232				861,358	1,002,588
Debt service:						
Principal					1,302,331	1,302,331
Interest					149,310	149,310
Other					750	750
Total expenditures	34,997,044	250,629	987,435	28,820	11,790,765	48,056,713
Excess (deficiency) of revenues over expenditures	2,273,404	68,414	-	279,195	(6,048,128)	(3,427,116)
Other Financing Sources (Uses)						
Insurance loss recoveries	667					667
Operating transfers in	4,217,321			1,000,000	5,837,573	11,054,894
Operating transfers out	(10,899,073)	(68,414)			(87,407)	(11,054,894)
Total other financing sources (uses)	(6,681,085)	(68,414)	-	1,000,000	5,750,166	667
Net change in fund balances	(4,407,681)	-	-	1,279,195	(297,963)	(3,426,449)
Fund Balances:						
July 1, 2007	21,176,243	-	-	9,396,117	5,622,222	36,194,582
Prior period adjustments					102	102
July 1, 2007, as restated	21,176,243	-	-	9,396,117	5,622,324	36,194,684
Increase/(Decrease) Reserve for Inventory					(21,485)	(21,485)
June 30, 2008	\$ 16,768,562	-	-	10,675,312	5,302,876	\$ 32,746,750

OCEAN SPRINGS SCHOOL DISTRICT
 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

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ (3,426,449)
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 \$ 1,915,377 and the depreciation expense amounted to (\$ 964,307).	951,070
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities.	-
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity.	1,302,331
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.	19,394
5. Gains and losses on the sale or disposals of assets not reported in the governmental funds, but are reported in the statement of activities, net of proceeds.	(21,359)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the statement of activities.	(21,485)
7. 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	(29,052)
Change in net assets of governmental activities	<u>\$ (1,225,550)</u>

OCEAN SPRINGS SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,117,462
<i>Total assets</i>	<u>2,117,462</u>
Liabilities	
Accounts payable and accrued liabilities	1,988,313
Due to student clubs	129,149
<i>Total liabilities</i>	<u>\$ 2,117,462</u>

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

NOTES TO FINANCIAL STATEMENTS

OCEAN SPRINGS SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government - Wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into two major categories:

OCEAN SPRINGS SCHOOL DISTRICT

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

governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Title I fund – This fund is used to account for federal funds related to the Title I program.

Special education fund – This fund is used to account for federal funds related to the special education program.

Future Building fund – This fund accounts for financial resources to be used for the acquisition and construction of major capital 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.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

OCEAN SPRINGS SCHOOL DISTRICT

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as designation of fund balances since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

OCEAN SPRINGS SCHOOL DISTRICT

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

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

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

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not

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

limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

OCEAN SPRINGS SCHOOL DISTRICT

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

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 capital projects – An account that represents that portion of fund balance in the Capital Projects Fund which is 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 unemployment benefits – An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for endowments – An account that represents the portion of the fund balance of scholarship and similar Nonexpendable Trust Funds which is legally restricted for endowment purposes.

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

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

OCEAN SPRINGS SCHOOL DISTRICT

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

compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(2) **Cash and Cash Equivalents.**

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

Deposits. The school board must advertise and accept bids for depositories no less that once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds \$ 31,746,180, and \$ 2,117,462, respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$ 31,746,180. The bank balance was \$ 35,825,412.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$ 35,825,412 was exposed to custodial credit risk.

(3) **Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

A. **Due from / To Other Funds.**

OCEAN SPRINGS SCHOOL DISTRICT

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

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 367,402	-
Title I fund		107,054
Special education fund		147,270
Other governmental funds	<u>15,613</u>	<u>128,691</u>
Total Funds	<u>\$ 383,015</u>	<u>383,015</u>

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

B. Transfers In / Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 4,217,321	10,899,073
Title I fund	-	68,414
Future Building fund	1,000,000	-
Other governmental funds	5,837,573	87,407
Total Funds	<u>\$ 11,054,894</u>	<u>11,054,894</u>

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

(4) Capital Assets.

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

OCEAN SPRINGS SCHOOL DISTRICT

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

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6/30/2008</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,056,895	69,204				\$ 1,126,099
Construction in progress	-					-
Total non-depreciable capital assets	1,056,895	69,204	-	-	-	1,126,099
<u>Depreciable capital assets:</u>						
Buildings	39,093,937	72,028				39,165,965
Building improvements	1,790,762	861,356				2,652,118
Improvements other than buildings	487,313	-				487,313
Mobile equipment	2,299,344	336,473	(105,462)			2,530,355
Furniture and equipment	1,148,736	576,316	(64,233)			1,660,819
Total depreciable capital assets	44,820,092	1,846,173	(169,695)	-	-	46,496,570
<u>Less accumulated depreciation for:</u>						
Buildings	20,199,620	437,875				20,637,495
Building improvements	80,789	74,163				154,952
Improvements other than buildings	34,110	19,492				53,602
Mobile equipment	1,229,313	194,533	(84,746)			1,339,100
Furniture and equipment	860,855	238,244	(63,590)			1,035,509
Total accumulated depreciation	22,404,687	964,307	(148,336)	-	-	23,220,658
Total depreciable capital assets, net	22,415,405	881,866	(21,359)	-	-	23,275,912
Governmental activities capital assets, net	\$ 23,472,300	951,070	(21,359)	-	-	\$ 24,402,011

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 112,588
Support Services	342,199
Non-Instructional	509,522
Total depreciation expense	\$ 964,307

OCEAN SPRINGS SCHOOL DISTRICT

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

(5) Long-term Liabilities.

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

The following is a summary of changes in general long-term debt:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within one year
A. General obligation bonds payable	\$ 2,520,000		(820,000)	1,700,000	845,000
B. Three mill notes payable	1,500,000		(482,331)	1,017,669	499,760
C. Compensated absences payable	316,064	29,052		345,116	15,620
Total	\$ 4,336,064	29,052	(1,302,331)	3,062,785	1,360,380

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, series 1994A	5.3%-7.5%	12/1/1994	9/1/2009	9,600,000	1,700,000
Total				\$ 9,600,000	\$ 1,700,000

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

OCEAN SPRINGS SCHOOL DISTRICT

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	845,000	57,915	902,915
2010	855,000	19,451	874,451
Total	\$ 1,700,000	\$ 77,366	\$ 1,777,366

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2007. This debt will be retired from the Debt service fund # 4031.

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Fiscal year 2007 three mill note payable	3.55%	4/11/2007	5/15/2010	1,500,000	1,017,669
Total				\$ 1,500,000	\$ 1,017,669

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	499,760	36,720	536,480
2010	517,909	18,688	536,597
Total	\$ 1,017,669	\$ 55,408	\$ 1,073,077

This debt will be retired from the Debt Service Fund # 4021.

C. Compensated absences payable.

OCEAN SPRINGS SCHOOL DISTRICT

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

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25 % of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$ 2,597,761, \$ 2,474,263 and \$ 2,098,936, respectively, which equaled the required contributions for each year.

(7) Prior Period Adjustments / Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation:</u>	<u>Amount</u>
1. Adjustments related to the recording of prior period transactions.	<u>102</u>

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

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
Other governmental funds	Adjustment related to prior year transaction.	\$ 102
	Total	<u>\$ 102</u>

(8) Risk Management.

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

OCEAN SPRINGS SCHOOL DISTRICT

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

Participation in Public Entity Risk Pool.

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

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN SPRINGS SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	12,067,593	12,067,593	12,067,593	-	-
State sources	24,893,090	24,893,090	24,893,090	-	-
Federal sources	309,765	309,765	309,765	-	-
Total Revenues	37,270,448	37,270,448	37,270,448	-	-
Expenditures:					
Instruction	20,822,920	20,822,920	20,822,920	-	-
Support services	14,016,203	14,016,203	14,016,203	-	-
Noninstructional services	16,689	16,689	16,689	-	-
Facilities acquisition and construction	141,232	141,232	141,232	-	-
Total Expenditures	34,997,044	34,997,044	34,997,044	-	-
Excess (deficiency) of revenues over expenditures	2,273,404	2,273,404	2,273,404	-	-
Other Financing Sources (Uses)					
Insurance loss recoveries	667	667	667	-	-
Operating transfers in	4,217,321	4,217,321	4,217,321	-	-
Operating transfers out	(10,899,073)	(10,899,073)	(10,899,073)	-	-
Total Other Financing Sources (Uses)	(6,681,085)	(6,681,085)	(6,681,085)	-	-
Net change in fund balances	(4,407,681)	(4,407,681)	(4,407,681)	-	-
Fund Balances:					
July 1, 2007	21,176,243	21,176,243	21,176,243	-	-
June 30, 2008	16,768,562	16,768,562	16,768,562	-	-

OCEAN SPRINGS SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2008

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	319,043	319,043	319,043	-	-
Total Revenues	319,043	319,043	319,043	-	-
Expenditures:					
Instruction	236,969	236,969	236,969	-	-
Support services	13,660	13,660	13,660	-	-
Total Expenditures	250,629	250,629	250,629	-	-
Excess (deficiency) of revenues over expenditures	68,414	68,414	68,414	-	-
Other Financing Sources (Uses)					
Operating transfers out	(68,414)	(68,414)	(68,414)	-	-
Total Other Financing Sources (Uses)	(68,414)	(68,414)	(68,414)	-	-
Net change in fund balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	-	-	-	-	-

OCEAN SPRINGS SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Education Fund
 For the Year Ended June 30, 2008

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	13,674	13,674	13,674	-	-
Federal sources	973,761	973,761	973,761	-	-
Total Revenues	987,435	987,435	987,435	-	-
Expenditures:					
Instruction	642,587	642,587	642,587	-	-
Support services	344,848	344,848	344,848	-	-
Total Expenditures	987,435	987,435	987,435	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	-	-	-	-	-

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

OCEAN SPRINGS SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

OCEAN SPRINGS SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed - through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	140,458
National school lunch program	10.555	718,512
Total child nutrition cluster		<u>858,970</u>
Fresh fruit and vegetable program	10.582	45,789
Total U.S. Department of Agriculture		<u>904,759</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	58,148
Total U.S. Department of Defense		<u>58,148</u>
<u>Federal Communication Commission</u>		
Administered -through Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	146,549
Total Federal Communication Commission		<u>146,549</u>
<u>U.S. Department of Education</u>		
Direct program:		
Impact aid	84.041	104,569
Total		<u>104,569</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	424,831
Career and technical education - basic grants to states	84.046	33,202
Safe and drug-free schools and communities - state grants	84.186	16,328
State grants for innovative programs	84.298	8,284
Education technology state grants	84.318	3,433
Teacher quality enhancement grants	84.336	740
Improving teacher quality - state grants	84.367	193,495
Grants for state assessments and related activities	84.369	1,205
Hurricane education recovery	84.938	762,627
Total		<u>1,444,145</u>
Special education cluster:		
Special education - grants to states	84.027	985,297
Special education - preschool grants	84.173	37,788
Total special education cluster		<u>1,023,065</u>
Total Passed-through Mississippi Department of Education		<u>2,467,210</u>
Total U.S. Department of Education		<u>2,571,779</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medicaid school-based claiming	93.778	111,993
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	2,974
Total U.S. Department of Health and Human Services		<u>114,967</u>
<u>Corporation for National and Community Service</u>		
Passed-through Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	10,000
Total Corporation for National and Community Service		<u>10,000</u>
Total for All Federal Awards		<u>\$ 3,608,202</u>

NOTES TO SCHEDULE

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

Ocean Springs 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	\$ 30,595,902	24,291,474	1,177,134	2,329,163	2,798,131	
Other	17,459,811	4,873,689	209,914	42,386	12,333,822	
Total	48,055,713	29,165,163	1,387,048	2,371,549	15,131,953	
Total number of students *		4,985				
Cost per student		\$ 9,640	5,851	278	476	3,035

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

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

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION

OCEAN SPRINGS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 12,067,593	11,920,911	9,957,415	10,406,340
State sources	24,893,090	22,898,689	22,490,624	20,252,262
Federal sources	309,765	183,613	1,152,533	308,911
Total Revenues	<u>37,270,448</u>	<u>35,003,213</u>	<u>33,600,572</u>	<u>30,967,513</u>
Expenditures:				
Instruction	20,822,920	14,792,418	16,243,412	17,140,440
Support services	14,016,203	10,273,741	9,397,443	9,673,393
Noninstructional services	16,689			
Facilities acquisition and construction	141,232	2,361	914,098	520,451
Total Expenditures	<u>34,997,044</u>	<u>25,068,520</u>	<u>26,554,953</u>	<u>27,334,284</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,273,404</u>	<u>9,934,693</u>	<u>7,045,619</u>	<u>3,633,229</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	667			27,513
Sale of other property				796
Operating transfers in	4,217,321	3,144,830	3,937,028	121
Other financing sources		5,000		
Operating transfers out	(10,899,073)	(4,781,482)	(5,799,372)	(2,668,876)
Total Other Financing Sources (Uses)	<u>(6,681,085)</u>	<u>(1,631,652)</u>	<u>(1,862,348)</u>	<u>(2,640,446)</u>
Net Change in Fund Balances	<u>(4,407,681)</u>	<u>8,303,041</u>	<u>5,183,273</u>	<u>992,783</u>
Fund Balances:				
Fund balance, July 1	21,176,243	12,881,609	7,704,863	6,712,408
Prior period adjustments		(6,407)		(4)
Fund balance, July 1, as restated	<u>21,176,243</u>	<u>12,875,202</u>	<u>7,704,863</u>	<u>6,712,404</u>
Increase (Decrease) in reserve for inventory			(6,527)	(324)
Fund balance, June 30	\$ <u>16,768,562</u>	<u>21,176,243</u>	<u>12,881,609</u>	<u>7,704,883</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

OCEAN SPRINGS 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	\$ 15,004,155	15,225,250	12,446,766	13,156,623
State sources	25,823,658	23,770,750	23,455,085	21,113,457
Federal sources	3,800,786	9,174,358	6,658,377	2,699,575
Sixteenth section sources	-	-	3,200	4,900
Total Revenues	<u>44,628,597</u>	<u>48,170,358</u>	<u>42,563,408</u>	<u>36,974,555</u>
Expenditures:				
Instruction	24,137,822	22,422,761	21,216,361	19,895,790
Support services	19,548,917	15,260,733	13,841,352	10,732,168
Noninstructional services	1,913,995	1,622,739	1,407,390	1,643,392
Facilities acquisition and construction	1,002,588	105,726	2,493,381	1,965,885
Debt service:				
Principal	1,302,331	1,063,500	1,293,500	1,210,000
Interest	149,310	139,196	184,166	208,824
Other	750	750	751	750
Total Expenditures	<u>48,055,713</u>	<u>40,615,405</u>	<u>40,436,901</u>	<u>35,656,809</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,427,116)</u>	<u>7,554,953</u>	<u>2,126,507</u>	<u>1,317,746</u>
Other Financing Sources (Uses):				
Proceeds of loans		1,500,000		567,000
Insurance loss recoveries	667	836,381	4,576,080	27,513
Sale of other property				796
Operating transfers in	11,054,894	5,100,841	5,884,334	2,801,616
Other financing sources		15,317		
Operating transfers out	(11,054,894)	(5,100,841)	(5,884,334)	(2,801,816)
Total Other Financing Sources (Uses)	<u>667</u>	<u>2,351,698</u>	<u>4,576,080</u>	<u>595,309</u>
Net Change in Fund Balances	<u>(3,426,449)</u>	<u>9,906,651</u>	<u>6,702,587</u>	<u>1,913,055</u>
Fund Balances:				
Fund balance, July 1	36,194,582	26,221,331	19,542,573	17,652,640
Prior period adjustments	102	26,085		(11,375)
Fund balance, July 1, as restated	<u>36,194,684</u>	<u>26,247,416</u>	<u>19,542,573</u>	<u>17,641,265</u>
Increase (Decrease) in reserve for inventory	<u>(21,485)</u>	<u>40,515</u>	<u>(23,829)</u>	<u>(11,747)</u>
Fund balance, June 30	\$ <u>32,746,750</u>	\$ <u>36,194,582</u>	\$ <u>26,221,331</u>	\$ <u>19,542,573</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

December 14, 2008

Superintendent and School Board
Ocean Springs School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ocean Springs School District as of and for the year ended June 30, 2008, which collectively comprise the Ocean Springs School District's basic financial statements and have issued our report thereon dated December 14, 2008. 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, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
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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

December 14, 2008

Superintendent and School Board
Ocean Springs School District

Compliance

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

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

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

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

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

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

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

McDaniel CPA Firm

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Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

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Accountants

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

December 14, 2008

Superintendent and School Board
Ocean Springs School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ocean Springs School District as of and for the year ended June 30, 2008, which collectively comprise Ocean Springs School District's basic financial statements and have issued our report thereon dated December 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instance of noncompliance. The district reported \$ 2,201 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

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

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

McDaniel CPA Firm

**OCEAN SPRINGS 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? | none reported |

Federal Awards:

- | | | |
|------|---|---------------|
| 4 . | Type of auditor's report issued on compliance for major federal programs: | unqualified |
| 5 . | Internal control over major programs: | |
| | a. Material weakness(es) identified? | no |
| | b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | none reported |
| 6 . | Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133? | no |
| 7 . | Federal programs identified as major programs: | |
| | a. Child Nutrition Cluster | |
| | CFDA# 10.553 | |
| | CFDA# 10.555 | |
| | b. Title I grants to local educational agencies | |
| | CFDA # 84.010 | |
| 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 finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in section ____ .315(b) of OMB Circular A-133? | no |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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