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PASS CHRISTIAN SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2008**

**Charles L. Shivers, CPA
Ridgeland, MS**

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TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor’s Report	3
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	13
Statement of Net Assets	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	23
Statement of Net Assets – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Assets.....	25
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION.....	43
Budgetary Comparison Schedule for the General Fund.....	45
Budgetary Comparison Schedule for the Major Special Revenue Fund – Restart Grant Fund.....	46
Budgetary Comparison Schedule for the Major Special Revenue Fund – FEMA/MEMA Fund.....	47
Budgetary Comparison Schedule for the Major Special Revenue Fund – Hurricane Katrina Fund..	48
Notes to the Required Supplemental Information.....	49
SUPPLEMENTARY INFORMATION.....	51
Schedule of Expenditures of Federal Awards	53
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	55
OTHER SUPPLEMENTAL INFORMATION.....	57
Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund, Last Four Years.....	59
Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years.....	60
REPORTS ON INTERNAL CONTROL AND COMPLIANCE.....	61
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	65
REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	71
AUDITEES CORRECTIVE ACTION PLAN.....	75

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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Pass Christian School District

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of June 30, 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*, I have also issued my report dated June 15, 2009, on my consideration of the Pass Christian School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pass Christian School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis 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 my 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, I express no opinion on it.



Ridgeland, MS
June 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The discussion and analysis of Pass Christian School District's financial performance provides an overall narrative review of the school district's financial activities for the year ended June 30, 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.

The Pass Christian Public School District is comprised of four schools with an average daily attendance of 1466 students for the fiscal year ended June 30, 2008. This enrollment is down from approximately 1980 students prior to Hurricane Katrina. The district does anticipate consistent growth in enrollment as the community rebuilds. At this time, the four schools include two elementary schools for grades K-5, a middle school for grades 6-8, and a high school for grades 9-12. Our student population is 32% African-American, 1% Asian, 1% Hispanic, 1% American Indian, and 65% Caucasian. Sixty-four percent of our students qualify for the free or reduced lunch program. A significant number of our students qualify as homeless due to post-Katrina living conditions in FEMA trailers or other temporary living arrangements. Despite a high percentage of socioeconomically disadvantaged students and homeless living conditions, the Pass Christian Public School District has very high student achievement test scores that rank the District among the top districts in the State of Mississippi.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$36,081,541, which represents 99.5% increase from fiscal year 2007 (excluding the effects of the \$54,596 prior period adjustment).
- General revenues account for \$15,241,742 in revenue, or 37.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$25,007,512 or 62.1% of total revenues.
- The District had \$19,562,887 in expenses. All of these expenses were offset by program specific charges for services, grants and contributions.
- Among major funds, the General Fund had \$14,067,402 in revenues and \$6,408,576 in expenditures. The General Fund's fund balance increased \$1,555,266 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$18,658,912. This increase is due to the increase in construction in progress as the district rebuilds from damages caused by Hurricane Katrina.
- Long-term debt increased by \$736,842.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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.

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.

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 Net Assets - Fiduciary Funds and Statement of Changes in Fiduciary Net Assets.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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

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

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and a Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor, can be found in this report. Also, this report includes a Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund, Last Four Years and a Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$72,233,441 as of June 30, 2008.

A large portion of the District's net assets is 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 as of June 30, 2008 and 2007, respectively.

	<u>Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Current assets	\$ 50,821,045	\$ 29,607,113	71.9 %
Restricted assets	1,855,100	228,968	>100.0 %
Non-depreciable assets	20,325,860	2,465,966	724.3 %
Depreciable assets, net	<u>17,443,715</u>	<u>16,644,697</u>	4.8 %
Total assets	<u>90,445,720</u>	<u>48,946,744</u>	84.8 %
Current liabilities	5,819,163	1,083,974	436.8 %
Long-term debt outstanding	<u>12,393,116</u>	<u>11,656,274</u>	6.3 %
Total liabilities	<u>18,212,279</u>	<u>12,740,248</u>	43.0 %
Net assets:			
Invested in capital assets, net of related debt	27,206,950	8,062,972	237.4 %
Restricted	2,364,636	1,934,627	22.2 %
Unrestricted	<u>42,661,855</u>	<u>26,208,897</u>	62.8 %
Total net assets	<u>\$ 72,233,441</u>	<u>\$ 36,206,496</u>	99.5 %

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

- The principal retirement of \$1,115,066 of long-term debt.
- The addition of \$19,386,354 in capital assets from the construction of a new school and related facilities.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$40,249,254. The total cost of all programs and services was \$19,562,887. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 428,439	\$ 351,893	21.8 %
Operating grants and contributions	10,528,789	6,887,102	52.9 %
Capital grants and contributions	14,050,284	2,546,793	451.7 %
General revenues:			
Property taxes	6,794,797	5,956,514	14.1 %
Unrestricted general revenues	8,313,370	8,790,308	-5.4 %
Other	<u>133,575</u>	<u>10,065</u>	1,227.1 %
Total revenues	<u>40,249,254</u>	<u>24,542,675</u>	64.0 %
Expenses:			
Instruction	9,302,778	9,130,033	1.9 %

Support services	8,949,827	7,343,587	21.9 %
Non-instructional	831,446	816,637	1.9 %
Sixteenth section	1,581	2,042	-22.6 %
Interest and other expense on long-term liabilities	<u>477,255</u>	<u>486,276</u>	-1.9 %
Total expenses	<u>19,562,887</u>	<u>17,778,575</u>	10.0 %
Special item	<u>15,395,174</u>	<u>1,773,033</u>	768.3 %
Increase in net assets	<u>36,081,541</u>	<u>8,537,133</u>	322.6 %
Net Assets, July 1	<u>36,206,496</u>	<u>27,669,363</u>	30.9 %
Prior period adjustment	<u>(54,596)</u>	<u>0</u>	-100.0 %
Net Assets, June 30	<u>\$ 72,233,441</u>	<u>\$ 36,206,496</u>	99.5 %

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

	2008		2007	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$ 9,302,778	\$ 929,006	\$ 9,130,033	\$ (1,181,853)
Support services	8,949,827	4,511,081	7,343,587	(6,319,691)
Non-instructional	831,446	483,374	816,637	(2,925)
Sixteenth section	1,581	(1,581)	2,042	(2,042)
Interest and other expenses on long-term liabilities	<u>477,255</u>	<u>(477,255)</u>	<u>486,276</u>	<u>(486,276)</u>
Total expenses	<u>\$ 19,562,887</u>	<u>\$ 5,444,625</u>	<u>\$ 17,778,575</u>	<u>\$ (7,992,787)</u>

- Significant federal programs contributed to the positive net cost of governmental activities.
- Investment earnings accounted for \$186,809 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 \$47,110,027, an increase of \$18,173,350, exclusive of the decrease in inventory, (due primarily to certain Federal programs that off-set local spending and the proceeds of insurance loss recoveries). \$3,261,505 or 6.9% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$43,848,522 or 93.1% 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 increase in fund balance in the General Fund for the fiscal year was \$1,555,266. The fund balance of Other Governmental Funds showed an increase of \$622,990, exclusive of a decrease in inventory of \$12,281.

BUDGETARY HIGHLIGHTS

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

- Actual revenues from local sources were less than originally budgeted due to a shortfall for ad valorem taxes because of the lingering effects of Hurricane Katrina on the district's tax base.
- Budget amounts for state revenue was increased due to underestimating the original budget amounts based upon the suggestion of the Mississippi Department of Education
- Original budget amounts for instructional and related expenditures in the General Fund are less than the final budget amounts due to local costs being paid by Federal assistance for Hurricane Katrina.
- Actual operating transfers out were more than originally budgeted due to the transfer of funds to building projects funds to assist in covering the increasing costs of re-building facilities following Hurricane Katrina.
- Variances in the FEMA/MEMA fund were due to the timing of construction and reimbursements.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$42,765,925, including land, construction in progress, school buildings, improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$19,194,482 from the previous year. The increase is primarily the result of additional construction in progress incurred during the year. Total accumulated depreciation as of June 30, 2008 was \$4,996,350 and total depreciation expense for the year was \$655,416, resulting in total net assets of \$37,769,575.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 484,731	\$ 484,731	0.0 %
Construction in progress	19,841,129	1,981,235	901.5 %
Buildings	14,056,676	13,917,115	1.0 %
Building improvements	103,494	0	100.0 %
Improvements other than buildings	2,313,983	1,855,863	24.7 %
Mobile equipment	738,425	750,295	-1.6 %
Furniture and equipment	231,137	121,424	90.4 %
Total	<u>\$ 37,769,575</u>	<u>\$ 19,110,663</u>	97.6 %

Debt Administration. At June 30, 2008, the District had \$12,393,116 in general obligation bonds and other long-term debt outstanding, of which \$1,182,366 is due within one year.

	<u>Outstanding Debt</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
General obligation bonds payable	\$ 7,290,000	\$ 7,830,000	-6.9 %
Three mill notes payable	1,299,759	1,103,550	17.8 %
Shortfall notes payable	73,290	0	100.0 %
Community disaster loans payable	1,599,745	445,961	258.7 %
Limited obligation bonds payable	1,972,866	2,114,141	-6.7 %
Compensated absences payable	157,456	162,622	-3.2 %
Total	<u>\$ 12,393,116</u>	<u>\$ 11,656,274</u>	6.3 %

The District maintains an excellent bond rating.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage remained the same over the last four years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Pass Christian School District, 6457 Kiln-Delisle Road, Pass Christian, MS, 38571.

BASIC FINANCIAL STATEMENTS

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Pass Christian School District
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 19,113,653
Investments (Note 2)	\$ 27,858,011
Due from other governments	\$ 3,439,102
Other receivables, net	\$ 4,919
Inventories and prepaid items	\$ 405,360
Restricted assets (Note 4)	\$ 1,855,100
Non-depreciable capital assets (Note 5)	\$ 20,325,860
Depreciable capital assets, net (Note 5)	\$ 17,443,715
Total Assets	<u>\$ 90,445,720</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 5,563,651
Unearned revenue	\$ 2,467
Interest payable on long-term liabilities	\$ 253,045
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 1,143,598
Non-capital related liabilities	\$ 38,768
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 9,419,027
Non-capital related liabilities	\$ 1,791,723
Total Liabilities	<u>\$ 18,212,279</u>
Net assets	
Investment in capital assets (net of related debt)	\$ 27,206,950
Restricted net assets	
Expendable	
School-based activities	\$ 891,424
Debt service	\$ 1,315,118
Forestry improvements	\$ 4,310
Unemployment benefits	\$ 40,390
Non-expendable	
Sixteenth section	\$ 113,394
Unrestricted	<u>\$ 42,661,855</u>
Total Net Assets	<u>\$ 72,233,441</u>

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

Pass Christian School District
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 9,302,778	\$ 219,832	\$ 5,258,563	\$ 4,753,389	\$ 929,006
Support services	\$ 8,949,827		\$ 4,740,012	\$ 8,720,896	\$ 4,511,081
Non-instructional	\$ 831,446	\$ 208,607	\$ 530,214	\$ 575,999	\$ 483,374
Sixteenth section	\$ 1,581				\$ (1,581)
Interest and other expenses on long-term liabilities	\$ 477,255				\$ (477,255)
Total Governmental Activities	\$ 19,562,887	\$ 428,439	\$ 10,528,789	\$ 14,050,284	\$ 5,444,625
General Revenues					
Taxes					
General purpose levies					\$ 5,292,670
Debt purpose levies					\$ 1,302,860
Gaming					\$ 199,267
Unrestricted grants and contributions					
State					\$ 8,070,416
Federal					\$ 38,257
Unrestricted investment earnings					\$ 186,809
Sixteenth section sources					\$ 17,888
Other					\$ 133,575
Total General Revenues					\$ 15,241,742
Special items (Note 14)					\$ 15,395,174
Total General Revenues and Special Items					\$ 30,636,916
Changes in Net Assets					\$ 36,081,541
Net Assets - Beginning					\$ 36,206,496
Prior Period Adjustments (Note 10)					\$ (54,596)
Net Assets - Beginning - Restated					\$ 36,151,900
Net Assets - Ending					\$ 72,233,441

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

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Pass Christian School District
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Restart Grant Fund	FEMA MEMA Fund	Hurricane Katrina Fund	Local Building Projects Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents (Note 2)	\$ 1,402,035		\$ 930,604	\$ 869,924	\$ 14,975,562	\$ 2,037,847	\$ 20,215,972
Investments (Note 2)	\$ 1,159,045			\$ 21,289,636	\$ 5,372,607	\$ 789,504	\$ 28,610,792
Due from other governments	\$ 197,270	\$ 310,492	\$ 2,782,112			\$ 149,228	\$ 3,439,102
Other receivables, net	\$ 4,919						\$ 4,919
Due from other funds (Note 3)	\$ 227,772		\$ 12,056		\$ 96,081	\$ 35,633	\$ 371,542
Inventories and prepaid items	\$ 395,811					\$ 9,549	\$ 405,360
Total Assets	\$ 3,386,852	\$ 310,492	\$ 3,724,772	\$ 22,159,560	\$ 20,444,250	\$ 3,021,761	\$ 53,047,687
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	\$ 630,545	\$ 83,294	\$ 3,724,772	\$ 886,332		\$ 238,708	\$ 5,563,651
Due to other funds (Note 3)	\$ 105,372	\$ 227,198			\$ 573	\$ 38,399	\$ 371,542
Unearned revenue						\$ 2,467	\$ 2,467
Total Liabilities	\$ 735,917	\$ 310,492	\$ 3,724,772	\$ 886,332	\$ 573	\$ 279,574	\$ 5,937,660
Fund Balances							
Reserved for				\$ 14,915,098			\$ 14,915,098
Contractual commitments						\$ 1,568,163	\$ 1,568,163
Debt service purposes						\$ 113,394	\$ 113,394
Permanent fund purposes						\$ 40,390	\$ 40,390
Unemployment benefits						\$ 4,310	\$ 4,310
Forestry improvements						\$ 9,549	\$ 9,549
Inventory							
Prepaid items	\$ 395,811						\$ 395,811
Unreserved							
Designated, reported in				\$ 6,358,130			\$ 6,358,130
Special revenue funds							
Designated, reported in					\$ 20,443,677		\$ 20,443,677
Capital projects funds							
Undesignated, reported in							
General fund	\$ 2,255,124					\$ 881,875	\$ 2,255,124
Special revenue funds						\$ 124,506	\$ 881,875
Permanent funds							\$ 124,506

Total Fund Balances	\$ 2,650,935	\$ -	\$ -	\$ 21,273,228	\$ 20,443,677	\$ 2,742,187	\$ 47,110,027
Total Liabilities and Fund Balances	\$ 3,386,852	\$ 310,492	\$ 3,724,772	\$ 22,159,560	\$ 20,444,250	\$ 3,021,761	\$ 53,047,687

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

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Pass Christian 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	\$ 47,110,027
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$4,996,350.	\$ 37,769,575
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (12,393,116)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (253,045)</u>
Total net assets - governmental activities	<u>\$ 72,233,441</u>

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

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

	Major Funds						Total Governmental Funds
	General Fund	Restart Grant Fund	FEMA MEMA Fund	Hurricane Katrina Fund	Local Building Projects Fund	Other Governmental Funds	
Revenues							
Local sources (Note 16)	\$ 5,812,034			\$ (309,301)	\$ 373,419	\$ 1,668,469	\$ 7,544,621
State sources	\$ 8,184,227					\$ 162,510	\$ 8,346,737
Federal sources	\$ 71,141	\$ 8,512,149	\$ 13,994,396			\$ 1,763,317	\$ 24,341,003
Sixteenth section sources						\$ 16,893	\$ 16,893
Total Revenues	\$ 14,067,402	\$ 8,512,149	\$ 13,994,396	\$ (309,301)	\$ 373,419	\$ 3,611,189	\$ 40,249,254
Expenditures							
Instruction	\$ 2,845,388	\$ 4,582,190	\$ 224,265	\$ 190,132		\$ 1,096,528	\$ 8,938,503
Support services	\$ 3,563,188	\$ 3,929,247	\$ 408,815	\$ 263,992		\$ 782,606	\$ 8,947,848
Noninstructional services		\$ 712	\$ 27,175			\$ 791,032	\$ 818,919
Sixteenth section						\$ 1,581	\$ 1,581
Facilities acquisition and construction			\$ 13,553,423	\$ 5,157,138		\$ 196,464	\$ 18,907,025
Debt service							
Principal (Note 6)							
Interest							
Other							
Total Expenditures	\$ 6,408,576	\$ 8,512,149	\$ 14,213,678	\$ 5,611,262	\$ -	\$ 4,404,338	\$ 39,150,003
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,658,826	\$ -	\$ (219,282)	\$ (5,920,563)	\$ 373,419	\$ (793,149)	\$ 1,099,251
Other Financing Sources (Uses)							
Proceeds of loans (Note 6)	\$ 1,153,784					\$ 703,290	\$ 1,857,074
Insurances loss recoveries	\$ 264			\$ 15,214,910			\$ 15,215,174
Sale of transportation equipment	\$ 1,851						\$ 1,851
Operating transfers in (Note 3)	\$ 5,457		\$ 220,955	\$ 1,673	\$ 6,546,610	\$ 739,916	\$ 7,514,611
Operating transfers out (Note 3)	\$ (7,264,916)		\$ (1,673)	\$ (220,955)		\$ (27,067)	\$ (7,514,611)
Total Other Financing Sources (Uses)	\$ (6,103,560)	\$ -	\$ 219,282	\$ 14,995,628	\$ 6,546,610	\$ 1,416,139	\$ 17,074,099
Net Change in Fund Balances	\$ 1,555,266	\$ -	\$ -	\$ 9,075,065	\$ 6,920,029	\$ 622,990	\$ 18,173,350
Fund Balances							
July 1, 2007	\$ 1,095,669	\$ -	\$ -	\$ 12,198,163	\$ 13,523,648	\$ 2,131,478	\$ 28,948,958
Decrease in reserve for inventory						\$ (12,281)	\$ (12,281)
June 30, 2008	\$ 2,650,935	\$ -	\$ -	\$ 21,273,228	\$ 20,443,677	\$ 2,742,187	\$ 47,110,027

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

Pass Christian 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 balance - governmental funds	\$ 18,173,350
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$19,386,354 and the depreciation expense amounted to \$655,416.	\$ 18,730,938
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	\$ 1,115,066
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ 5,166
Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities.	\$ (1,857,074)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (17,430)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ (56,194)
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ (12,281)</u>
Changes in net assets of governmental activities	<u>\$ 36,081,541</u>

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

Pass Christian School District
Statement of Net Assets - Fiduciary Funds
June 30, 2008

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 26,729	\$ 12,384
Investments (Note 2)	\$ 72,285	\$ 22,600
Total Assets	<u>\$ 99,014</u>	<u>\$ 34,984</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 5,164
Due to student clubs		\$ 29,820
Total Liabilities	<u>\$ -</u>	<u>\$ 34,984</u>
Net Assets		
Reserved for scholarships	\$ 89,727	
Held in trust	\$ 9,287	
Total Net Assets	<u>\$ 99,014</u>	

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

Pass Christian School District
 Statement of Changes in Fiduciary Net Assets
 For the Year Ended June 30, 2008

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 164
Contributions and donations from private sources	<u>\$ 36,978</u>
Total Additions	<u>\$ 37,142</u>
Deductions	
Scholarships awarded	<u>\$ 24,920</u>
Total Deductions	<u>\$ 24,920</u>
Changes in Net Assets	<u>\$ 12,222</u>
Net Assets	
July 1, 2007	<u>\$ 86,792</u>
June 30, 2008	<u><u>\$ 99,014</u></u>

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

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Pass Christian 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.

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

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

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

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

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

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

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

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of 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 following:

Payroll Clearing Fund – This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing – This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts – These funds are used to account for the transaction of student clubs.

Pass Christian Faculty Scholarship – This fund is used to finance scholarships for students.

Bruce Irving Memorial Fund – This fund is used to finance scholarships for students.

Hurricane Katrina Scholarship – This fund is used to finance scholarships for students.

Humanitarian Award Fund – This fund is used to finance scholarships for students.

Additionally, the school district reports the following fund types:

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

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

FIDUCIARY FUNDS

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

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

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

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

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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 types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and Payables.

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

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

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

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type 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 schedule details those thresholds.

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

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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 classified as designated and undesignated.

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

Reserved for contractual commitments – An account that represents that portion of the fund balance which is legally restricted by approved construction / renovation contracts and is 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.

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

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

Unreserved - designated for, reported in special revenue funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

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

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

(2) Cash and Cash Equivalents and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$20,215,972 and \$39,113, respectively. The bank balance was \$20,678,996.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

Investments.

As of June 30, 2008, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
External Investment Pool – MS EdPool	Less than one year	\$ 28,705,677	Not Rated

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses 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.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major fund – Local Building Projects	\$ 573
	Major fund – Restart Grant Fund	\$ 227,198
	Other governmental funds	\$ 1
Major fund – FEMA/MEMA Fund	General Fund	\$ 12,056
Major fund – Local Building Projects	General Fund	\$ 57,683
	Other governmental funds	\$ 38,398
Other governmental funds	General Fund	\$ 35,633
Total		<u>\$ 371,542</u>

The purpose of the interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Major fund – Local Building Projects	\$ 6,525,000
	Other governmental funds	\$ 739,916
Major fund – FEMA/MEMA Fund	Major fund – Hurricane Katrina Fund	\$ 1,673
Major fund – Hurricane Katrina Fund	Major fund – FEMA/MEMA Fund	\$ 220,955
Other governmental funds	General Fund	\$ 5,457
	Major fund – Local Building Projects	\$ 21,610
Total		<u>\$ 7,514,611</u>

The transfer out of the General Fund was for the purpose of funding local building projects, the vocational program and debt service.

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$1,102,319, and \$752,781, respectively, of various funds of the district which is legally restricted and may not be used for purposes that support

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

the district's programs (16th section principal fund, debt service funds and miscellaneous other funds).

(5) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
Non-depreciable capital assets:						
Land	\$ 484,731					\$ 484,731
Construction in progress	\$ 1,981,235	\$ 18,907,025		\$ (962,535)	\$ (84,596)	\$ 19,841,129
Total non-depreciable capital assets	\$ 2,465,966	\$ 18,907,025	\$ 0	\$ (962,535)	\$ (84,596)	\$ 20,325,860
Depreciable capital assets:						
Buildings	\$ 16,665,768	\$ 180,000	\$	\$ 271,005	\$ 30,000	\$ 17,146,773
Building improvements	\$ 0			\$ 107,806		\$ 107,806
Improvements other than buildings	\$ 2,637,011			\$ 583,724		\$ 3,220,735
Mobile equipment	\$ 1,543,979	\$ 105,881	\$ (137,276)			\$ 1,512,584
Furniture and equipment	\$ 258,719	\$ 193,448				\$ 452,167
Total depreciable capital assets	\$ 21,105,477	\$ 479,329	\$ (137,276)	\$ 962,535	\$ 30,000	\$ 22,440,065
Less accumulated depreciation for:						
Buildings	\$ 2,748,653	\$ 341,444				\$ 3,090,097
Building improvements	\$ 0	\$ 4,312				\$ 4,312
Improvements other than buildings	\$ 781,148	\$ 125,604				\$ 906,752
Mobile equipment	\$ 793,684	\$ 100,321	\$ (119,846)			\$ 774,159
Furniture and equipment	\$ 137,295	\$ 83,735				\$ 221,030
Total depreciation	\$ 4,460,780	\$ 655,416	\$ (119,846)	\$ 0	\$ 0	\$ 4,996,350
Total depreciable capital assets, net	\$ 16,644,697	\$ (176,087)	\$ (17,430)	\$ 962,535	\$ 30,000	\$ 17,443,715
Governmental activities capital assets, net	\$ 19,110,663	\$ 18,730,938	\$ (17,430)	\$ 0	\$ (54,596)	\$ 37,769,575

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 387,624
Support services	251,046
Non-instructional	16,746
Total Depreciation Expense	\$ 655,416

Adjustments to capital assets are for an error creating an overstatement of construction in progress and the donation of a portable classroom which was omitted from additions in a prior year.

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

	Spent to June 30, 2008	Remaining Commitment
Field house	\$ 96,640	\$ 115,292
Transportation building	\$ 466,840	\$ 38,205
Administration / maintenance building	\$ 2,632,066	\$ 0
Pass K-8 school	\$ 16,332,520	\$ 14,685,318
Football stadium restrooms	\$ 238,550	\$ 76,283
DES water distribution	\$ 74,513	\$ 0
Total	\$ 19,841,129	\$ 14,915,098

Construction projects included in governmental activities are funded with local funds.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

(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. General obligation bonds payable	\$ 7,830,000		\$ 540,000	\$ 7,290,000	\$ 540,000
B. Limited obligation bonds payable	\$ 2,114,141		\$ 141,275	\$ 1,972,866	\$ 147,759
C. Three mill notes payable	\$ 1,103,550	\$ 630,000	\$ 433,791	\$ 1,299,759	\$ 455,839
D. Shortfall notes payable	\$ 0	\$ 73,290		\$ 73,290	\$ 23,023
E. Community disaster loan	\$ 445,961	\$ 1,153,784		\$ 1,599,745	\$ 0
F. Compensated absences payable	\$ 162,622		\$ 5,166	\$ 157,456	\$ 15,745
Total	\$ 11,656,274	\$ 1,857,074	\$ 1,120,232	\$ 12,393,116	\$ 1,182,366

The school district has pledged future revenue to repay debt of the district.

The district has pledged state appropriations for EEF School Buildings and Buses in the amount of \$55,888. The purpose of the pledge is to repay three mill notes of the district. The pledge will remain in effect through 2013. The amount of the pledge is the total amounts of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

A. General obligation bonds payable.

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

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, 2005	3.0 – 4.0	5-19-05	6-30-18	<u>10,000,000</u>	<u>7,290,000</u>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 540,000	\$ 297,763	\$ 837,763
2010	\$ 560,000	\$ 246,828	\$ 806,828
2011	\$ 605,000	\$ 227,200	\$ 832,200
2012	\$ 630,000	\$ 205,587	\$ 835,587
2013	\$ 655,000	\$ 182,281	\$ 837,281
2014 – 2018	\$ 4,300,000	\$ 441,600	\$ 4,741,600
Total	\$ 7,290,000	\$ 1,601,259	\$ 8,891,259

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 5.5% of property assessments as of October 1, 2007.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	4.59%	3-12-98	8-15-18	\$ 2,579,000	\$ 1,972,866

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 147,759	\$ 90,555	\$ 238,314
2010	\$ 154,542	\$ 83,772	\$ 238,314
2011	\$ 161,635	\$ 76,679	\$ 238,314
2012	\$ 169,054	\$ 69,260	\$ 238,314
2013	\$ 176,814	\$ 61,500	\$ 238,314
2014 – 2018	\$ 1,013,517	\$ 178,054	\$ 1,191,571
2019	\$ 149,545	\$ 6,864	\$ 156,409
Total	\$ 1,972,866	\$ 566,684	\$ 2,539,550

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

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill notes, 2003	2.7%	12-17-03	12-17-08	\$ 1,870,000	\$ 394,352
2. Three mill notes, 2005	3.375%	6-27-05	6-27-13	\$ 420,000	\$ 275,407
3. Three mill notes, 2007	3.41%	12-14-07	12-01-10	\$ 630,000	\$ 630,000
Total				\$ 2,920,000	\$ 1,299,759

Details of the district's June 30, three mill notes payable are as follows:

1. Three mill notes payable issued 12-17-03.

Year Ending June 30	Principal	Interest	Total
2009	\$ 394,352	\$ 10,648	\$ 405,000
Total	\$ 394,352	\$ 10,648	\$ 405,000

This debt will be retired from the Note Retirement Fund (Debt Service Fund).

2. Three mill notes payable issued 6-27-05.

Year Ending June 30	Principal	Interest	Total
2009	\$ 51,487	\$ 9,295	\$ 60,782
2010	\$ 53,225	\$ 7,557	\$ 60,782
2011	\$ 55,021	\$ 5,761	\$ 60,782

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

Year Ending June 30	Principal	Interest	Total
2012	\$ 56,878	\$ 3,904	\$ 60,782
2013	\$ 58,796	\$ 1,984	\$ 60,780
Total	<u>\$ 275,407</u>	<u>\$ 28,501</u>	<u>\$ 303,908</u>

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

3. Three mill notes payable issued 12-14-07.

Year Ending June 30	Principal	Interest	Total
2009	\$ 10,000	\$ 20,707	\$ 30,707
2010	\$ 305,000	\$ 21,142	\$ 326,142
2011	\$ 315,000	\$ 10,742	\$ 325,742
Total	<u>\$ 630,000</u>	<u>\$ 52,591</u>	<u>\$ 682,591</u>

This debt will be retired from the Note Retirement Fund (Debt Service Fund).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	\$ 455,839	\$ 40,650	\$ 496,489
2010	\$ 358,225	\$ 28,699	\$ 386,924
2011	\$ 370,021	\$ 16,503	\$ 386,524
2012	\$ 56,878	\$ 3,904	\$ 60,782
2013	\$ 58,796	\$ 1,984	\$ 60,780
Total	<u>\$ 1,299,759</u>	<u>\$ 91,740</u>	<u>\$ 1,391,499</u>

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Notes, 2007	5.99%	7-24-07	7-24-10	<u>73,290</u>	<u>73,290</u>

Details of the district's June 30, shortfall notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 23,023	\$ 4,390	\$ 27,413
2010	\$ 24,403	\$ 3,011	\$ 27,414
2011	\$ 25,864	\$ 1,549	\$ 27,413
Total	<u>\$ 73,290</u>	<u>\$ 8,950</u>	<u>\$ 82,240</u>

This debt will be retired from the Shortfall Note Retirement Fund (Debt Service Fund).

E. Community Disaster Loan.

Debt currently outstanding is as follows:

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Community disaster loan	3.02%	6-2-06	6-11-11	1,599,745	1,599,745

Details of the district's June 30, community disaster loan payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 0	\$ 0	\$ 0
2010	\$ 0	\$ 0	\$ 0
2011	\$ 1,599,745	\$ 61,780	\$ 1,661,525
Total	\$ 1,599,745	\$ 61,780	\$ 1,661,525

This debt will be retired from the District Maintenance Fund (General Fund).

F. Compensated absences payable.

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

(7) Other Commitments.

Commitments under construction contracts are described in Note 5.

(8) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$1,063,294, \$936,691 and \$904,300, respectively, which equaled the required contributions for each year.

(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.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 7,038
2010	7,038
2011	701
2012	701
2013	701
2014 – 2018	3,505
2019 – 2023	3,505
2024 – 2028	3,505
2029 – 2033	2,605
Thereafter	1,506
Total	<u>\$ 30,805</u>

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
Adjustment to capital assets -- error correction	<u>\$ (54,596)</u>

(11) Subsequent Events.

In July 2008, the school district took an additional draw under the Community Disaster Loan program for \$1,500,200. These funds are used to satisfy a shortfall in local revenues.

(12) Risk Management.

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

(13) Vocational School Consortium.

On June 14, 1983, the Pass Christian School District, the Long Beach School District and the Mississippi Gulf Coast Community College entered into a joint agreement to create the West Harrison Occupational Training Center. The Mississippi Gulf Coast Community College is the fiscal agent for the Cooperative, thus they are responsible for hiring employees, payroll, paying bills, upkeep of facilities, etc. Pass Christian School District provides transportation of its students to the Center. The school district's share of the annual operating cost is based on its prorated anticipated student participation applied to the proposed budget established by Mississippi Gulf Coast Community College. A funding agreement is required each year.

(14) Special Items.

Special items totaling \$15,395,174 consist of insurance proceeds of \$15,215,174 received from an insurance carrier as a settlement for the loss incurred from damages by Hurricane Katrina in August 2005 and \$180,000 which represents the fair value of donated buildings.

(15) Economic Dependency.

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2008

(16) Local Revenues.

The debit balance of local revenue (\$309,301) in the Hurricane Katrina Fund is the result of a reduction in the fair market value of investments at year end being charged to interest income in accordance with generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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Pass Christian School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 7,179,506	\$ 5,814,988	\$ 5,812,034	\$ (1,364,518)	\$ (2,954)
State sources	\$ 7,925,119	\$ 8,184,227	\$ 8,184,227	\$ 259,108	\$ -
Federal sources	\$ 80,448	\$ 71,141	\$ 71,141	\$ (9,307)	\$ -
Total Revenues	\$ 15,185,073	\$ 14,070,356	\$ 14,067,402	\$ (1,114,717)	\$ (2,954)
Expenditures					
Instruction	\$ 7,339,946	\$ 2,845,388	\$ 2,845,388	\$ 4,494,558	\$ -
Support services	\$ 5,862,925	\$ 3,563,188	\$ 3,563,188	\$ 2,299,737	\$ -
Facilities acquisition and construction	\$ 198,800	\$ -	\$ -	\$ 198,800	\$ -
Debt service					
Interest	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -
Total Expenditures	\$ 13,403,671	\$ 6,408,576	\$ 6,408,576	\$ 6,995,095	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,781,402	\$ 7,661,780	\$ 7,658,826	\$ 5,880,378	\$ (2,954)
Other Financing Sources (Uses)					
Proceeds of loans	\$ -	\$ 1,153,784	\$ 1,153,784	\$ 1,153,784	\$ -
Insurance loss recoveries	\$ -	\$ 264	\$ 264	\$ 264	\$ -
Sale of transportation equipment	\$ 1,000	\$ 1,851	\$ 1,851	\$ 851	\$ -
Sale of other property	\$ 1,000	\$ -	\$ -	\$ (1,000)	\$ -
Operating transfers in	\$ 1,342,849	\$ 1,246,527	\$ 5,457	\$ (96,322)	\$ (1,241,070)
Operating transfers out	\$ (1,898,563)	\$ (8,505,986)	\$ (7,264,916)	\$ (6,607,423)	\$ 1,241,070
Total Other Financing Sources (Uses)	\$ (553,714)	\$ (6,103,560)	\$ (6,103,560)	\$ (5,549,846)	\$ -
Net Change in Fund Balances	\$ 1,227,688	\$ 1,558,220	\$ 1,555,266	\$ 330,532	\$ (2,954)
Fund Balances					
July 1, 2007	\$ 1,095,669	\$ 1,095,669	\$ 1,095,669	\$ -	\$ -
June 30, 2008	\$ 2,323,357	\$ 2,653,889	\$ 2,650,935	\$ 330,532	\$ (2,954)

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

Pass Christian School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Restart Grant Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,835,954	\$ 8,512,149	\$ 8,512,149	\$ 6,676,195	\$ -
Total Revenues	<u>\$ 1,835,954</u>	<u>\$ 8,512,149</u>	<u>\$ 8,512,149</u>	<u>\$ 6,676,195</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ 254,543	\$ 4,582,190	\$ 4,582,190	\$ (4,327,647)	\$ -
Support services	\$ 1,452,716	\$ 3,890,787	\$ 3,929,247	\$ (2,438,071)	\$ (38,460)
Noninstructional services	\$ 2,720	\$ 712	\$ 712	\$ 2,008	\$ -
Facilities acquisition and construction	\$ -	\$ 38,460	\$ -	\$ (38,460)	\$ 38,460
Total Expenditures	<u>\$ 1,709,979</u>	<u>\$ 8,512,149</u>	<u>\$ 8,512,149</u>	<u>\$ (6,802,170)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 125,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125,975)</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Operating transfers out	\$ (132,000)	\$ -	\$ -	\$ 132,000	\$ -
Total Other Financing Sources (Uses)	<u>\$ (132,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,000</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (6,025)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ -</u>
Fund Balances					
July 1, 2007	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2008	<u>\$ (6,025)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ -</u>

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

Pass Christian School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - FEMA/MEMA Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 15,098,840	\$ 13,994,396	\$ 13,994,396	\$ (1,104,444)	\$ -
Total Revenues	<u>\$ 15,098,840</u>	<u>\$ 13,994,396</u>	<u>\$ 13,994,396</u>	<u>\$ (1,104,444)</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ 813,987	\$ 224,265	\$ 224,265	\$ 589,722	\$ -
Support services	\$ 537,158	\$ 408,815	\$ 408,815	\$ 128,343	\$ -
Noninstructional services	\$ 27,500	\$ 27,175	\$ 27,175	\$ 325	\$ -
Facilities acquisition and construction	\$ 13,729,844	\$ 13,553,423	\$ 13,553,423	\$ 176,421	\$ -
Total Expenditures	<u>\$ 15,108,489</u>	<u>\$ 14,213,678</u>	<u>\$ 14,213,678</u>	<u>\$ 894,811</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,649)</u>	<u>\$ (219,282)</u>	<u>\$ (219,282)</u>	<u>\$ (209,633)</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Operating transfers in	\$ -	\$ 220,955	\$ 220,955	\$ 220,955	\$ -
Operating transfers out	\$ -	\$ (1,673)	\$ (1,673)	\$ (1,673)	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 219,282</u>	<u>\$ 219,282</u>	<u>\$ 219,282</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (9,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,649</u>	<u>\$ -</u>
Fund Balances					
July 1, 2007	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2008	<u>\$ (9,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,649</u>	<u>\$ -</u>

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

Pass Christian School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Hurricane Katrina Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 110,000	\$ 218,063	\$ (309,301)	\$ 108,063	\$ (527,364)
Total Revenues	<u>\$ 110,000</u>	<u>\$ 218,063</u>	<u>\$ (309,301)</u>	<u>\$ 108,063</u>	<u>\$ (527,364)</u>
Expenditures					
Instruction	\$ 69,709	\$ 190,132	\$ 190,132	\$ (120,423)	\$ -
Support services	\$ 120,070	\$ 263,992	\$ 263,992	\$ (143,922)	\$ -
Facilities acquisition and construction	\$ 7,223,257	\$ 5,157,138	\$ 5,157,138	\$ 2,066,119	\$ -
Total Expenditures	<u>\$ 7,413,036</u>	<u>\$ 5,611,262</u>	<u>\$ 5,611,262</u>	<u>\$ 1,801,774</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,303,036)</u>	<u>\$ (5,393,199)</u>	<u>\$ (5,920,563)</u>	<u>\$ 1,909,837</u>	<u>\$ (527,364)</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	\$ 15,214,910	\$ 15,214,910	\$ 15,214,910	\$ -	\$ -
Operating transfers in	\$ -	\$ 1,673	\$ 1,673	\$ 1,673	\$ -
Operating transfers out	\$ -	\$ (220,955)	\$ (220,955)	\$ (220,955)	\$ -
Total Other Financing Sources (Uses)	<u>\$ 15,214,910</u>	<u>\$ 14,995,628</u>	<u>\$ 14,995,628</u>	<u>\$ (219,282)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 7,911,874</u>	<u>\$ 9,602,429</u>	<u>\$ 9,075,065</u>	<u>\$ 1,690,555</u>	<u>\$ (527,364)</u>
Fund Balances					
July 1, 2007	<u>\$ 12,198,163</u>	<u>\$ 12,198,163</u>	<u>\$ 12,198,163</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2008	<u>\$ 20,110,037</u>	<u>\$ 21,800,592</u>	<u>\$ 21,273,228</u>	<u>\$ 1,690,555</u>	<u>\$ (527,364)</u>

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

Pass Christian School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2008

(1) **Basis of Presentation.**

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

(2) **Budget Amendments and Revisions.**

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

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SUPPLEMENTARY INFORMATION

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Pass Christian School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Direct program:		
Community facilities loans and grants	10.766	\$ 111,819
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 216,635
National school lunch program	10.555	\$ 642,647
Summer food service program for children	10.559	\$ 16,597
Total child nutrition cluster		\$ 875,879
Total U.S. Department of Agriculture		\$ 987,698
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ 38,257
Total Federal Communications Commission		\$ 38,257
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title 1 – grants to local educational agencies	84.010	\$ 448,615
Career and technical education – basic grants to states	84.048	\$ 26,173
Safe and drug-free schools and communities – state grants	84.186	\$ 12,769
State grants for innovative programs	84.298	\$ 3,601
Education technology – state grants	84.318	\$ 8,615
Rural education	84.358	\$ 25,247
Improving teacher quality – state grants	84.367	\$ 107,424
Grants for state assessments and related activities	84.369	\$ 8,348
Hurricane education recovery	84.938	\$ 8,512,149
Total		\$ 9,152,941
Special education cluster:		
Special education – grants to states	84.027	\$ 436,150
Special education – preschool grants	84.173	\$ 16,342
Total		\$ 452,492
Total passed-through Mississippi Department of Education		\$ 9,605,433
Total U.S. Department of Education		\$ 9,605,433
<u>Homeland Security</u>		
Passed-through the Mississippi Development Bank:		
Community disaster loan	97.030	\$ 1,153,784
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants – public assistance (presidentially declared disasters)	97.036	\$ 14,213,679
Total Homeland Security		\$ 15,367,463
Total for All Federal Awards		\$ 25,998,851

Pass Christian School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,801,316	\$ 7,671,688	\$ 725,325	\$ 1,092,640	\$ 4,311,663
Other	\$ 25,348,687	\$ 1,266,816	\$ 1,395,619	\$ 85,999	\$ 22,600,253
Total	\$ 39,150,003	\$ 8,938,504	\$ 2,120,944	\$ 1,178,639	\$ 26,911,916
 Total number of students	 <u>1,444</u>				
 Cost per student	 <u>\$ 27,112</u>	 <u>\$ 6,190</u>	 <u>\$ 1,469</u>	 <u>\$ 816</u>	 <u>\$ 18,637</u>

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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Pass Christian School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 5,812,034	\$ 5,304,279	\$ 6,296,600	\$ 6,298,623
State sources	\$ 8,184,227	\$ 7,679,913	\$ 7,589,857	\$ 7,057,753
Federal sources	\$ 71,141	\$ 113,769	\$ 62,258	\$ 39,515
Total Revenues	<u>\$ 14,067,402</u>	<u>\$ 13,097,961</u>	<u>\$ 13,948,715</u>	<u>\$ 13,395,891</u>
Expenditures				
Instruction	\$ 2,845,388	\$ 2,651,832	\$ 2,632,214	\$ 7,926,281
Support services	\$ 3,563,188	\$ 4,918,143	\$ 2,549,795	\$ 4,703,326
Noninstructional services	\$ -	\$ -	\$ -	\$ 42,712
Facilities acquisition and construction	\$ -	\$ 50,868	\$ 19,471	\$ 192,014
Total Expenditures	<u>\$ 6,408,576</u>	<u>\$ 7,620,843</u>	<u>\$ 5,201,480</u>	<u>\$ 12,864,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,658,826</u>	<u>\$ 5,477,118</u>	<u>\$ 8,747,235</u>	<u>\$ 531,558</u>
Other Financing Sources (Uses)				
Proceeds of loans	\$ 1,153,784	\$ -	\$ 445,961	\$ -
Insurances loss recoveries	\$ 264	\$ -	\$ -	\$ -
Sale of transportation equipment	\$ 1,851	\$ -	\$ -	\$ -
Operating transfers in	\$ 5,457	\$ 124,278	\$ 92,564	\$ 1,477,711
Operating transfers out	\$ (7,264,916)	\$ (6,136,480)	\$ (9,122,047)	\$ (2,011,380)
Total Other Financing Sources (Uses)	<u>\$ (6,103,560)</u>	<u>\$ (6,012,202)</u>	<u>\$ (8,583,522)</u>	<u>\$ (533,669)</u>
Net Change in Fund Balances	<u>\$ 1,555,266</u>	<u>\$ (535,084)</u>	<u>\$ 163,713</u>	<u>\$ (2,111)</u>
Fund Balances				
July 1	\$ 1,095,669	\$ 1,630,753	\$ 1,467,040	\$ 1,471,143
Prior period adjustments	\$ -	\$ -	\$ -	\$ (1,992)
July 1, as restated	<u>\$ 1,095,669</u>	<u>\$ 1,630,753</u>	<u>\$ 1,467,040</u>	<u>\$ 1,469,151</u>
June 30	<u>\$ 2,650,935</u>	<u>\$ 1,095,669</u>	<u>\$ 1,630,753</u>	<u>\$ 1,467,040</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 7,544,621	\$ 7,613,055	\$ 8,559,180	\$ 8,131,168
State sources	\$ 8,346,737	\$ 7,822,708	\$ 7,737,449	\$ 7,204,181
Federal sources	\$ 24,341,003	\$ 9,073,278	\$ 17,522,080	\$ 1,672,206
Sixteenth section sources	\$ 16,893	\$ 23,569	\$ 20,055	\$ 13,384
Total Revenues	\$ 40,249,254	\$ 24,532,610	\$ 33,838,764	\$ 17,020,939
Expenditures				
Instruction	\$ 8,938,503	\$ 8,844,293	\$ 8,685,043	\$ 8,972,571
Support services	\$ 8,947,848	\$ 7,259,499	\$ 12,249,972	\$ 5,218,676
Noninstructional services	\$ 818,919	\$ 810,422	\$ 682,177	\$ 862,715
Sixteenth section	\$ 1,581	\$ 2,042	\$ 1,349	\$ 2,144
Facilities acquisition and construction	\$ 18,907,025	\$ 2,926,684	\$ 3,709,984	\$ 332,483
Debt service				
Principal	\$ 1,115,066	\$ 3,174,083	\$ 1,049,239	\$ 1,204,665
Interest	\$ 417,718	\$ 568,683	\$ 449,476	\$ 625,449
Other	\$ 3,343	\$ 3,711	\$ 3,199	\$ 66,621
Total Expenditures	\$ 39,150,003	\$ 23,589,417	\$ 26,830,439	\$ 17,285,324
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,099,251	\$ 943,193	\$ 7,008,325	\$ (264,385)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	\$ -	\$ -	\$ -	\$ 7,705,000
Proceeds of loans	\$ 1,857,074	\$ -	\$ 2,445,961	\$ 420,000
Insurances loss recoveries	\$ 15,215,174	\$ 1,773,033	\$ 11,469,008	\$ -
Operating transfers in	\$ 7,514,611	\$ 6,395,589	\$ 9,224,549	\$ 2,225,719
Other financing sources	\$ 1,851	\$ 10,065	\$ -	\$ -
Operating transfers out	\$ (7,514,611)	\$ (6,395,589)	\$ (9,224,549)	\$ (2,225,719)
Payment to refunded bond escrow agent	\$ -	\$ -	\$ -	\$ (7,639,653)
Total Other Financing Sources (Uses)	\$ 17,074,099	\$ 1,783,098	\$ 13,914,969	\$ 485,347
Net Change in Fund Balances	\$ 18,173,350	\$ 2,726,291	\$ 20,923,294	\$ 220,962
Fund Balances				
July 1	\$ 28,948,958	\$ 26,215,209	\$ 5,309,866	\$ 5,100,042
Prior period adjustments	\$ -	\$ -	\$ (18,142)	\$ (1,992)
July 1, as restated	\$ 28,948,958	\$ 26,215,209	\$ 5,291,724	\$ 5,098,050
Increase (Decrease) in reserve for inventory	\$ (12,281)	\$ 7,458	\$ 191	\$ (9,146)
June 30	\$ 47,110,027	\$ 28,948,958	\$ 26,215,209	\$ 5,309,866

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2008, which collectively comprise the district's basic financial statements and have issued my report thereon dated June 15, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the school district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. See Finding 2008-01 and 2008-02.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The school district's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS
June 15, 2009

CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Pass Christian School District

Compliance

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

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

In my opinion, Pass Christian School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of the district's school board and management, 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.



Ridgeland, MS
June 15, 2009

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2008, which collectively comprise Pass Christian School District's basic financial statements and have issued my report thereon dated June 15, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the Auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds."

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion. The district reported \$41,663 of classroom supply funds carried over from previous years.

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

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion.

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

The results of procedures performed to test compliance with certain other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the Mississippi State Auditor and my 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, 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.



Ridgeland, MS
June 15, 2009

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Pass Christian School District
 Schedule of Findings and Questioned Costs
 June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Hurricane Education Recovery
CFDA #: 84.938 | |
| | b. Community Disaster Loan
CFDA #: 97.030 | |
| | c. Disaster Grants – Public Assistance (Presidentially Declared Disasters)
CFDA #: 97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$745,352 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2008-01.

CONDITION: The accounts payable clerk loads checks in the printer in preparation for signatures. The business manager loads the signature software and prints the signature on the check. Upon printing the checks with signature there is no subsequent review by the business manager of the signed checks.

CRITERIA: A well designed system of controls would be such that a subsequent review of the signed checks would be performed by the business manager.

CAUSE OF CONDITION: The cause of the condition is a design deficiency in the system of cash disbursements.

EFFECT OF CONDITION: The effect of this condition could result in errors occurring and not being detected in a timely manner.

RECOMMENDATION: It is recommended that the business manager review signed checks prior to the checks being mailed to the vendors.

Pass Christian School District
Schedule of Findings and Questioned Costs
June 30, 2008

Finding 2008-02.

CONDITION: The year end inventory of assets was not appropriately documented and the results of the inventory were not linked to adjustments made to asset account balances.

CRITERIA: The asset inventory process should be well documented and discrepancies, if any, should be resolved and reconciled to the general ledger asset account balances.

CAUSE OF CONDITION: The cause of the condition was the result of poor documentation based on the procedures performed.

EFFECT OF CONDITION: The effect of the condition could lead to unexplained or unreconciled differences between the physical inventory and the asset accounting records.

RECOMMENDATION: It is recommended that a third party, who is independent of the custody of the asset, verify the existence of the assets and maintain sufficient documentation supporting the physical inventory process.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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June 15, 2009

As required by Section 315(c) of OMB Circular A-133, the Pass Christian School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008.

Finding 2008-01:

Corrective Action Plan

- a. Contact person responsible for corrective action: Marsha Garziano, Business Manager
- b. Description of correction action to be taken: The business manager now reviews all signed checks prior to mailing
- c. Anticipated completion date of corrective action: Immediately

Finding 2008-02:

Corrective Action Plan

- a. Contact person responsible for corrective action: Marsha Garziano, Business Manger
- b. Description of correction action to be taken: At year end, the Insurance/Fixed Asset Clerk and one or two other school district personnel will conduct an independent inventory of sufficient sample size to verify the existence of the assets that are included in the general ledger asset account balances. If problems exist, the sample size may be expanded to include 100% of the assets. She will maintain sufficient documentation to support the physical inventory process
- c. Anticipated completion date of corrective action: June 30, 2010

Sincerely,



Sue Matheson, Ed.D.
Superintendent

SM/vm

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