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BILOXI PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Biloxi Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2011, which collectively comprise the Biloxi Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Biloxi Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

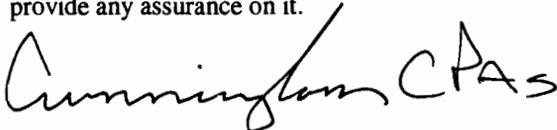
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated December 12, 2011, on our consideration of the Biloxi Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Biloxi Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Biloxi Public School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Cunningham CPAs, PLLC

December 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

## BILOXI PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Biloxi Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

#### FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$10,730,314, including FEMA's cancellation of a portion of the principal and accrued interest related to the community disaster loan, totaling \$8,373,781, which represents a 16% increase from fiscal year 2010. Total net assets for 2010 decreased \$3,386,219, including prior period adjustments of (\$339,192), which represents a 5% decrease from fiscal year 2009.
- General revenues amounted to \$30,116,040 and \$28,919,730, or 51% and 50% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$28,961,905, or 49% of total revenues for 2011, and \$28,803,804, or 50% of total revenues for 2010.
- The District had \$56,721,412 and \$60,770,561 in expenses for fiscal years 2011 and 2010; only \$28,961,905 for 2011 and \$28,803,804 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,116,040 for 2011 were adequate to provide for these programs and \$28,919,730 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$43,698,205 in revenues and \$40,346,495 in expenditures for 2011, and \$42,148,130 in revenues and \$43,159,895 in expenditures in 2010. The General Fund's fund balance decreased by \$450,331, including a decrease in reserve for inventory of \$5,444, from 2010 to 2011, and decreased by \$4,127,629, including a decrease in reserve for inventory \$16,554, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$932,608 for 2011 and decreased by \$523,338 for 2010. The decrease for 2011 was primarily due to the disposal of capital assets.
- Long-term debt decreased by \$10,676,739 for 2011 and decreased by \$3,743,000 for 2010. This decrease for 2011 was due primarily to principal payments on outstanding long-term debt and receiving forgiveness of the community disaster loan. The liability for compensated absences decreased by \$56,500 for 2011 and increased by \$58,742 for 2010.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

##### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# BILOXI PUBLIC SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position 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 periods.

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

### **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** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined 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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

BILOXI PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to the financial statements**

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

**Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

**Supplemental Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$78,447,959 as of June 30, 2011.

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.

BILOXI PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1  
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 19,284,364	\$ 19,928,739	(3.23) %
Restricted assets	2,001,807	8,250	24,164.33 %
Other assets	719,684	678,725	6.03 %
Capital assets, net	112,852,103	113,784,711	(0.82) %
<b>Total assets</b>	<b>134,857,958</b>	<b>134,400,425</b>	<b>0.34 %</b>
Current liabilities	4,491,026	4,252,813	5.60 %
Long-term debt outstanding	51,918,973	62,429,967	(16.84) %
<b>Total liabilities</b>	<b>56,409,999</b>	<b>66,682,780</b>	<b>(15.41) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	65,745,403	64,205,597	2.40 %
Restricted	7,859,600	7,773,661	1.11 %
Unrestricted	4,842,956	(4,261,613)	213.64 %
<b>Total net assets</b>	<b>\$ 78,447,959</b>	<b>\$ 67,717,645</b>	<b>15.85 %</b>

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

- Decrease in net capital assets in the amount of \$932,608.
- The principal retirement of \$5,368,000 of long-term debt.
- Issuing \$2,335,000 of qualified school construction bonds.
- Issuing refunding bonds in the amount of \$7,555,000.
- Receiving forgiveness of \$8,373,781 in principal and accrued interest of the community disaster loan.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$59,077,945 and \$57,723,534, respectively. The total cost of all programs and services was \$56,721,412 for 2011 and \$60,770,561 for 2010.

**BILOXI PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2**  
**Changes in Net Assets**

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,418,349	\$ 1,453,956	(2.45) %
Operating grants and contributions	27,543,556	27,349,848	0.71 %
General revenues:			
Property taxes	27,844,089	26,375,266	5.57 %
Grants and contributions not restricted	1,935,709	2,079,266	(6.90) %
Investment earnings	327,321	378,145	(13.44) %
Sixteenth section sources	7,305	8,345	(12.46) %
Other	1,616	78,708	(97.95) %
<b>Total revenues</b>	<b>59,077,945</b>	<b>57,723,534</b>	<b>2.35 %</b>
<b>Expenses:</b>			
Instruction	36,423,840	39,792,804	(8.47) %
Support services	15,203,342	15,631,448	(2.74) %
Non-instructional	2,615,841	2,533,947	3.23 %
Interest expense and other debt issuance costs	2,478,389	2,812,362	(11.88) %
<b>Total expenses</b>	<b>56,721,412</b>	<b>60,770,561</b>	<b>(6.66) %</b>
<b>Special Items:</b>			
Forgiveness of debt - community disaster loan	8,373,781	-	N/A %
<b>Increase (Decrease) in net assets</b>	<b>10,730,314</b>	<b>(3,047,027)</b>	<b>452.16 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b>67,717,645</b>	<b>71,103,864</b>	<b>(4.76) %</b>
<b>Prior period adjustments</b>	<b>-</b>	<b>(339,192)</b>	<b>(100.00) %</b>
<b>Net Assets, July 1, as restated</b>	<b>67,717,645</b>	<b>70,764,672</b>	<b>(4.31) %</b>
<b>Net Assets, June 30,</b>	<b>\$ 78,447,959</b>	<b>\$ 67,717,645</b>	<b>15.85 %</b>

**Governmental activities**

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

BILOXI PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2011</b>	<b>2010</b>	
Instruction	\$ 36,423,840	\$ 39,792,804	(8.47) %
Support services	15,203,342	15,631,448	(2.74) %
Non-instructional	2,615,841	2,533,947	3.23 %
Interest expense and other debt issuance costs	2,478,389	2,812,362	(11.88) %
<b>Total expenses</b>	<b>\$ 56,721,412</b>	<b>\$ 60,770,561</b>	<b>(6.66) %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2011</b>	<b>2010</b>	
Instruction	\$ (11,246,842)	\$ (13,954,011)	(19.40) %
Support services	(15,203,342)	(15,631,448)	(2.74) %
Non-instructional	1,169,066	431,064	171.20 %
Interest expense and other debt issuance costs	(2,478,389)	(2,812,362)	(11.88) %
<b>Total net (expense) revenue</b>	<b>\$ (27,759,507)</b>	<b>\$ (31,966,757)</b>	<b>(13.16) %</b>

- Net cost of governmental activities (\$27,759,507 for 2011 and \$31,966,757 for 2010) was financed by general revenue, which is primarily made up of property taxes and gaming revenues (\$27,844,089 for 2011 and \$26,375,266 for 2010) and local, state, and federal revenues (\$1,935,709 for 2011 and \$2,079,266 for 2010). In addition, there was \$7,305 and \$8,345 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$327,321 for 2011 and \$378,145 for 2010.

**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, unassigned 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 \$16,431,026, an increase of \$697,525, which includes a decrease in reserve for inventory of \$3,776. \$5,922,819 or 36% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$10,508,207 or 64% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**BILOXI PUBLIC SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$450,331, including a decrease in reserve for inventory of \$5,444. The fund balance of Other Governmental Funds showed an increase in the amount of \$697,192, which includes an increase in reserve for inventory of \$1,668, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Future Building Fund	\$ 47,813
Energy Conservation QSCB Fund	\$ 402,851

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$145,377,732, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$543,681 from 2010. Total accumulated depreciation as of June 30, 2011, was \$32,525,629, and total depreciation expense for the year was \$3,069,637, resulting in total net capital assets of \$112,852,103.

**Table 4  
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 6,541,949	\$ 6,541,949	0.00 %
Construction in progress	2,686,525	-	N/A %
Buildings	102,082,800	105,715,448	(3.44) %
Mobile equipment	1,080,534	1,036,271	4.27 %
Furniture and equipment	460,295	491,043	(6.26) %
<b>Total</b>	<b><u>\$ 112,852,103</u></b>	<b><u>\$ 113,784,711</u></b>	<b>(0.82) %</b>

Additional information on the District's capital assets can be found in Note 5 included in this report.

**BILOXI PUBLIC SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Debt Administration.** At June 30, 2011, the District had \$51,918,973 in outstanding long-term debt, of which \$6,412,651 is due within one year. The liability for compensated absences decreased \$56,500 from the prior year.

The District maintains an A+ bond rating.

**Table 5  
Outstanding Long-Term Debt**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>Percentage Change</b>
General obligation bonds payable	\$ 32,425,000	\$ 34,720,000	(6.61) %
Limited obligation bonds payable	6,000,000	6,690,000	(10.31) %
Certificates of participation	-	1,450,000	(100.00) %
Three mill notes payable	7,555,000	8,425,533	(10.33) %
Shortfall notes	3,826,492	11,532,698	(66.82) %
Qualified school construction bonds payable	2,335,000	-	N/A %
Compensated absences payable	582,930	639,430	(8.84) %
<b>Total</b>	<b>52,724,422</b>	<b>63,457,661</b>	<b>(16.91) %</b>
Less deferred amounts on bond issues	(805,449)	(1,027,694)	(21.63) %
<b>Total</b>	<b>\$ 51,918,973</b>	<b>\$ 62,429,967</b>	<b>(16.84) %</b>

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

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Average daily attendance for the 2010-2011 year increased by 2% to 4,721 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or additional financial information, contact the Superintendent's Office of the Biloxi Public School District, 160 St. Peters Street, Biloxi, MS 39533.

FINANCIAL STATEMENTS

**BILOXI PUBLIC SCHOOL DISTRICT**

**Statement of Net Assets**  
**June 30, 2011**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 14,604,741
Due from other governments	3,746,551
Inventories	48,619
Prepaid items	884,453
Restricted assets	2,001,807
Deferred debt issuance costs	719,684
Capital assets, non-depreciable:	
Land	6,541,949
Construction in progress	2,686,525
Capital assets, net of accumulated depreciation:	
Buildings	102,082,800
Mobile equipment	1,080,534
Furniture and equipment	460,295
Total Assets	134,857,958
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,967,302
Unearned revenue	3,390
Interest payable on long-term liabilities	520,334
Long-term liabilities, due within one year:	
Capital related liabilities	5,865,000
Non-capital related liabilities	547,651
Long-term liabilities, due beyond one year:	
Capital related liabilities	41,644,551
Non-capital related liabilities	3,861,771
Total Liabilities	56,409,999
<b>Net Assets</b>	
Invested in capital assets, net of related debt	65,745,403
Restricted for:	
Expendable:	
School-based activities	1,586,123
Debt service	1,273,974
Capital improvements	4,855,549
Unemployment benefits	135,704
Non-expendable:	
Sixteenth section	8,250
Unrestricted	4,842,956
Total Net Assets	\$ 78,447,959

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

**BILOXI PUBLIC SCHOOL DISTRICT**

**Statement of Activities**  
**For the Year Ended June 30, 2011**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 36,423,840	481,173	24,695,825	-	(11,246,842)
Support services	15,203,342	-	-	-	(15,203,342)
Non-instructional	2,615,841	937,176	2,847,731	-	1,169,066
Interest on long-term liabilities and other debt issuance costs	2,478,389	-	-	-	(2,478,389)
<b>Total Governmental Activities</b>	<b>\$ 56,721,412</b>	<b>1,418,349</b>	<b>27,543,556</b>	<b>-</b>	<b>(27,759,507)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
					17,911,864
					3,977,479
					5,954,746
<b>Unrestricted grants and contributions:</b>					
					29,211
					399,340
					1,507,158
					327,321
					7,305
					1,616
					<u>30,116,040</u>
<b>Special Items:</b>					
					8,373,781
					<u>8,373,781</u>
					<u>10,730,314</u>
					<u>67,717,645</u>
					<u>\$ 78,447,959</u>

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

**BILOXI PUBLIC SCHOOL DISTRICT**

Governmental Funds

**Balance Sheet**  
June 30, 2011

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Future Building Fund	Energy Conservation QSCB Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 6,823,826	\$ 3,176,302	\$ 1,154,224	\$ 5,452,196	\$ 16,606,548
Due from other governments	944,485	-	-	1,609,711	2,554,196
Due from other funds	2,427,553	257,493	-	997,380	3,682,426
Inventories	22,471	-	-	26,148	48,619
<b>Total Assets</b>	<b>\$ 10,218,335</b>	<b>\$ 3,433,795</b>	<b>\$ 1,154,224</b>	<b>\$ 8,085,435</b>	<b>\$ 22,891,789</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 2,798,250	\$ 45,086	\$ 426,435	\$ 697,531	\$ 3,967,302
Due to other funds	773,611	-	324,938	1,391,522	2,490,071
Unearned revenue	-	-	-	3,390	3,390
<b>Total Liabilities</b>	<b>3,571,861</b>	<b>45,086</b>	<b>751,373</b>	<b>2,092,443</b>	<b>6,460,763</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	22,471	-	-	26,148	48,619
Permanent fund principal	-	-	-	8,250	8,250
<b>Restricted:</b>					
Debt service	-	-	-	1,794,308	1,794,308
Unemployment benefits	-	-	-	135,704	135,704
Grant activities	-	-	-	880,614	880,614
<b>Committed:</b>					
Future capital improvements	-	3,388,709	402,851	1,466,840	5,258,400
<b>Assigned:</b>					
School based activities	701,184	-	-	-	701,184
Future capital improvements	-	-	-	1,681,128	1,681,128
<b>Unassigned</b>	<b>5,922,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,922,819</b>
<b>Total Fund Balances</b>	<b>6,646,474</b>	<b>3,388,709</b>	<b>402,851</b>	<b>5,992,992</b>	<b>16,431,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,218,335</b>	<b>\$ 3,433,795</b>	<b>\$ 1,154,224</b>	<b>\$ 8,085,435</b>	<b>\$ 22,891,789</b>

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

**BILOXI PUBLIC SCHOOL DISTRICT**

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

**Exhibit C-1**

June 30, 2011

**Total fund balances for governmental funds** \$ 16,431,026

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	6,541,949	
Construction in progress		2,686,525	
Buildings		130,308,468	
Mobile equipment		3,183,581	
Furniture and equipment		2,657,209	
Accumulated depreciation		<u>(32,525,629)</u>	112,852,103

2. Items that are normally expenses in the governmental funds are capitalized as prepaid expenses in the Statement of Net Assets. 884,453

3. Bond issue costs related to advance refunding are reported as expenses in the fund financial statements but are capitalized as deferred charges and amortized over the life of the debt in government-wide financial statements. 719,684

4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds		(32,425,000)	
Limited obligation bonds		(6,000,000)	
Three mill notes payable		(7,555,000)	
Shortfall notes payable		(3,826,492)	
Qualified school construction bonds		(2,335,000)	
Compensated absences		(582,930)	
Unamortized premiums and other debt issuance costs		805,449	
Accrued interest payable		<u>(520,334)</u>	<u>(52,439,307)</u>

**Net assets of governmental activities** \$ 78,447,959

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

**BILOXI PUBLIC SCHOOL DISTRICT**

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011**

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Future Building Fund	Energy Conservation QSCB Fund		
<b>Revenues:</b>					
Local sources	\$ 24,700,176	\$ 65,534	\$ 527	\$ 5,039,971	\$ 29,806,208
State sources	17,415,860	-	-	1,923,999	19,339,859
Federal sources	1,582,169	-	-	8,342,404	9,924,573
Sixteenth section sources	-	-	-	7,305	7,305
<b>Total Revenues</b>	<b>43,698,205</b>	<b>65,534</b>	<b>527</b>	<b>15,313,679</b>	<b>59,077,945</b>
<b>Expenditures:</b>					
Instruction	25,674,988	-	-	7,283,760	32,958,748
Support services	14,605,897	-	-	530,712	15,136,609
Noninstructional services	244	-	-	2,568,668	2,568,912
Facilities acquisition and construction	64,213	127,721	1,885,976	676,938	2,754,848
Debt service:					
Principal	-	-	-	5,368,000	5,368,000
Interest	-	-	-	1,877,985	1,877,985
Other	1,153	-	46,700	136,086	183,939
<b>Total Expenditures</b>	<b>40,346,495</b>	<b>127,721</b>	<b>1,932,676</b>	<b>18,442,149</b>	<b>60,849,041</b>
Excess (Deficiency) of Revenues over (under) Expenditures	3,351,710	(62,187)	(1,932,149)	(3,128,470)	(1,771,096)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	-	2,335,000	-	2,335,000
Refunding bonds issued	-	-	-	7,555,000	7,555,000
Premium on refunding bonds issued	-	-	-	84,991	84,991
Sale of other property	13,150	-	-	-	13,150
Operating transfers in	116,863	110,000	-	4,403,441	4,630,304
Operating transfers out	(3,926,610)	-	-	(703,694)	(4,630,304)
Payment to refunded bond escrow agent	-	-	-	(7,515,744)	(7,515,744)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,796,597)</b>	<b>110,000</b>	<b>2,335,000</b>	<b>3,823,994</b>	<b>2,472,397</b>
<b>Net Change in Fund Balances</b>	<b>(444,887)</b>	<b>47,813</b>	<b>402,851</b>	<b>695,524</b>	<b>701,301</b>
<b>Fund Balances:</b>					
July 1, 2010	7,096,805	3,340,896	-	5,295,800	15,733,501
Increase (decrease) in reserve for inventory	(5,444)	-	-	1,668	(3,776)
<b>June 30, 2011</b>	<b>\$ 6,646,474</b>	<b>\$ 3,388,709</b>	<b>\$ 402,851</b>	<b>\$ 5,992,992</b>	<b>\$16,431,026</b>

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

**BILOXI PUBLIC SCHOOL DISTRICT**

Governmental Funds

**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, 2011**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 701,301

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 3,093,288	
Depreciation expense	<u>(3,069,637)</u>	23,651

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (956,259)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(2,335,000)	
Refunding bonds issued	(7,555,000)	
Premiums on refunding bonds issued	(84,991)	
Deferred issuance costs	124,247	
Payments of debt principal	5,368,000	
Payments to refunded bond escrow agents	7,515,744	
Accrued interest payable	<u>(296,959)</u>	2,736,041

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	56,500	
Change in inventory reserve	(3,776)	
Changed in prepaid items	42,828	
Amortization of deferred charges, premiums and discounts	(243,753)	
Forgiveness of debt - community disaster loan	<u>8,373,781</u>	<u>8,225,580</u>

**Change in net assets of governmental activities** \$ 10,730,314

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

**BILOXI PUBLIC SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2011**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,067,987
Due from other funds	1,155,684
Total Assets	<u>\$ 3,223,671</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 747,471
Due to student clubs	128,161
Due to other funds	2,348,039
Total Liabilities	<u>\$ 3,223,671</u>

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

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

### Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting 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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

#### B. Financial Reporting Entity

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

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

#### C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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 of 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.

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

Energy Conservation QSCB Fund - This fund accounts for the activities of the energy conservation and retrofit program on school facilities which were financed by Qualified School Construction Bonds.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

programs.

### FIDUCIARY FUNDS

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

#### **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 taxes, 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.

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

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

The account classifications used in the financial statements conform to the broad classifications

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

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

### **E. Encumbrances**

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

### **F. Assets, liabilities, and net assets/fund balances**

#### **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**

Activities 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 inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

#### **3. Due from Other Governments**

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

#### **4. Inventories and Prepaid Items**

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

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

inventories are reported as expenditures when purchased.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets 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 table below.

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 the capitalization 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 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

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

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 a long-term liability 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 liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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 Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

**Nonspendable fund balance** includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

**Restricted fund balance** includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

**Committed fund balance** includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Commitments may be changed or lifted only by Board resolution, which imposed the constraint originally.

**Assigned fund balance** includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the District's management pursuant to authorization established by the District's School Board.

**Unassigned fund balance** is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

(committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

### **Note 2 – Cash and Cash Equivalents**

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

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

#### **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 \$16,606,548 and \$2,067,987, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$19,552,898 was exposed to custodial credit risk.

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Energy conservation QSCB fund	\$ 324,938
	Other governmental funds	1,122,832
	Fiduciary funds	979,783
Future building fund	General fund	83,605
	Fiduciary funds	173,888
Other governmental funds	General fund	582,465
	Other governmental funds	102,335
	Fiduciary funds	312,580
Fiduciary funds	General fund	107,541
	Other governmental funds	166,355
	Fiduciary funds	881,788
Total		<u>\$ 4,838,110</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Future building fund	\$ 110,000
	Other governmental funds	3,816,610
Other governmental funds	General fund	116,863
	Other governmental funds	586,831
Total		<u>\$ 4,630,304</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$8,421, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling \$418,294, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance, totaling \$1,154,224, of unspent Qualified School

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

Construction Bond proceeds.

Also, the restricted assets represent the cash balance, totaling \$420,868, of the other debt service funds, whose revenues are derived from ad valorem receipts or pledged gaming revenues.

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 6,541,949	\$ -	\$ -	\$ 6,541,949
Construction in progress	-	2,686,525	-	2,686,525
<b>Total non-depreciable capital assets</b>	<b>6,541,949</b>	<b>2,686,525</b>	<b>-</b>	<b>9,228,474</b>
<u>Depreciable capital assets:</u>				
Buildings	133,627,190	-	(3,318,722)	130,308,468
Mobile equipment	3,008,477	234,158	(59,054)	3,183,581
Furniture and equipment	2,743,797	172,605	(259,193)	2,657,209
<b>Total depreciable capital assets</b>	<b>139,379,464</b>	<b>406,763</b>	<b>(3,636,969)</b>	<b>136,149,258</b>
<u>Less accumulated depreciation for:</u>				
Buildings	27,911,742	2,691,279	(2,377,353)	28,225,668
Mobile equipment	1,972,206	183,451	(52,610)	2,103,047
Furniture and equipment	2,252,754	194,907	(250,747)	2,196,914
<b>Total accumulated depreciation</b>	<b>32,136,702</b>	<b>3,069,637</b>	<b>(2,680,710)</b>	<b>32,525,629</b>
<b>Total depreciable capital assets, net</b>	<b>107,242,762</b>	<b>(2,662,874)</b>	<b>(956,259)</b>	<b>103,623,629</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 113,784,711</b>	<b>\$ 23,651</b>	<b>\$ (956,259)</b>	<b>\$ 112,852,103</b>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 2,578,483
Support services	448,001
Non-instructional	43,153
<b>Total depreciation expense - Governmental activities</b>	<b>\$ 3,069,637</b>

BILOXI PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2011	Remaining Commitment
Energy conservation project	\$ 2,562,913	\$ 469,790
Jeff Davis cafeteria expansion	120,612	102,750
Admin parking lot expansion	3,000	101,620
Total	<u>\$ 2,686,525</u>	<u>\$ 674,160</u>

Construction projects included in governmental activities are funded with proceeds from debt financing and available fund balances in the capital projects and special revenue funds.

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due Within one year
A. General obligation bonds payable	\$ 34,720,000	-	(2,295,000)	32,425,000	4,135,000
B. Limited obligation bonds payable	6,690,000	-	(690,000)	6,000,000	715,000
C. Certificates of participation payable	1,450,000	-	(1,450,000)	-	-
D. Three mill notes payable	8,425,533	7,555,000	(8,425,533)	7,555,000	1,015,000
E. Shortfall notes payable	11,532,698	-	(7,706,206)	3,826,492	547,651
F. Qualified school construction bonds	-	2,335,000	-	2,335,000	-
G. Compensated absences payable	639,430	-	(56,500)	582,930	-
Total	<u>63,457,661</u>	<u>9,890,000</u>	<u>(20,623,239)</u>	<u>52,724,422</u>	<u>6,412,651</u>
Less deferred amounts on issues	(1,027,694)	61,780	160,465	(805,449)	-
Total - net	<u>\$ 62,429,967</u>	<u>9,951,780</u>	<u>(20,462,774)</u>	<u>51,918,973</u>	<u>6,412,651</u>

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

**A. General obligations bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2005	3%-5%	8/25/2005	6/15/2018	\$ 20,635,000	\$ 12,045,000
General obligation refunding bonds, Series 2010	2.0%-3.5%	3/11/2010	4/1/2021	20,505,000	20,380,000
<b>Total</b>				<b>\$ 41,140,000</b>	<b>\$ 32,425,000</b>

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

1. General obligation refunding bond issue of 2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 2,340,000	\$ 547,363	\$ 2,887,363
2013	2,500,000	430,363	2,930,363
2014	2,645,000	305,362	2,950,362
2015	2,590,000	192,950	2,782,950
2016	790,000	82,876	872,876
2017-2018	1,180,000	62,898	1,242,898
<b>Total</b>	<b>\$ 12,045,000</b>	<b>\$ 1,621,812</b>	<b>\$ 13,666,812</b>

This debt will be retired from Fund 4031.

2. General obligation refunding bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,795,000	\$ 575,335	\$ 2,370,335
2013	1,840,000	539,435	2,379,435
2014	1,885,000	502,635	2,387,635
2015	1,930,000	464,935	2,394,935
2016	1,985,000	416,685	2,401,685
2017-2021	10,945,000	1,121,760	12,066,760
<b>Total</b>	<b>\$ 20,380,000</b>	<b>\$ 3,620,785</b>	<b>\$ 24,000,785</b>

This debt will be retired from Fund 4091. The school district pledged gaming tax revenues as collateral for issuance of these bonds. No ad valorem taxes will be assessed in payment of these bonds.

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

Total payments for all bond issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 4,135,000	\$ 1,122,698	\$ 5,257,698
2013	4,340,000	969,798	5,309,798
2014	4,530,000	807,997	5,337,997
2015	4,520,000	657,885	5,177,885
2016	2,775,000	499,561	3,274,561
2017-2021	12,125,000	1,184,658	13,309,658
<b>Total</b>	<b>\$ 32,425,000</b>	<b>\$ 5,242,597</b>	<b>\$ 37,667,597</b>

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, 2011, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2010.

**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
1. State aid capital improvement refunding bonds, Series 2006	4.00%	2/1/2007	2/1/2018	\$ 8,520,000	\$ 6,000,000
<b>Total</b>				<b>\$ 8,520,000</b>	<b>\$ 6,000,000</b>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 715,000	\$ 209,803	\$ 924,803
2013	745,000	180,603	925,603
2014	775,000	150,203	925,203
2015	810,000	120,528	930,528
2016	835,000	91,741	926,741
2017-2018	2,120,000	91,210	2,211,210
<b>Total</b>	<b>\$6,000,000</b>	<b>\$ 844,088</b>	<b>\$6,844,088</b>

This debt will be retired from Fund 4041.

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

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

**C. Certificates of participation payable**

This debt was retired during the year.

**D. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note refunding, 2011	2%-3%	6/2/2011	5/1/2018	\$ 7,555,000	\$ 7,555,000
<b>Total</b>				<u>\$ 7,555,000</u>	<u>\$ 7,555,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$1,015,000	\$ 158,452	\$ 1,173,452
2013	1,015,000	153,083	1,168,083
2014	1,040,000	132,783	1,172,783
2015	1,080,000	111,983	1,191,983
2016	1,105,000	90,383	1,195,383
2017-2018	2,300,000	97,708	2,397,708
<b>Total</b>	<u>\$7,555,000</u>	<u>\$ 744,392</u>	<u>\$ 8,299,392</u>

This debt will be retired from Fund 4021.

On June 2, 2011, the School District issued \$7,555,000, plus an \$84,991 premium on the issuance, in refunding notes with an average interest rate of 2.455 percent to advance refund \$7,492,533 of outstanding limited tax notes with an average rate of 3.47 percent. The net proceeds of \$7,515,744 after payments of \$124,247 were used to redeem the outstanding limited tax notes, series 2004 in the amount of \$2,577,533 and series 2008 in the amount of \$4,915,000.

As a result, those limited tax notes are considered defeased and the liability for those notes has been removed from long-term liabilities.

The School District advance refunded the limited tax notes to reduce its total debt service payments over the remaining 8 years of the debt by approximately \$358,000 and to obtain an economic gain of approximately \$242,000.

**BILOXI PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2011

**E Shortfall notes payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community disaster loan	3.02%	5/16/2006	6/1/2016	\$ 11,532,698	\$ 3,826,492
Total				<u>\$ 11,532,698</u>	<u>\$ 3,826,492</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 547,651	\$ 334,814	\$ 882,465
2013	783,715	98,750	882,465
2014	807,112	75,353	882,465
2015	831,487	50,978	882,465
2016	<u>856,527</u>	<u>25,938</u>	<u>882,465</u>
Total	<u>\$3,826,492</u>	<u>\$ 585,833</u>	<u>\$ 4,412,325</u>

The School District intends to transfer funds from the Future Building Fund 3025 into the District Maintenance Fund 1120 to retire this debt.

Pursuant to HR 2206 – Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis. FEMA has forgiven \$7,706,206 of the original debt, plus accrued interest of \$667,575. The School District is vigorously pursuing total forgiveness.

**F. Qualified school construction bonds payable**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Federally taxable limited-tax note, Series 2011	0.83%	3/30/2011	3/1/2026	\$ 2,335,000	\$2,335,000
Total				<u>\$ 2,335,000</u>	<u>\$2,335,000</u>

BILOXI PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

**G. 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.

**Note 7 – Prior Year Defeasance of Debt**

In prior years, the Biloxi Public School District defeased certain general trust certificates payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$19,285,000 of trust certificates payable are defeased.

**Note 8 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Note 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.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2012	\$ 7,510
2013	7,510
2014	7,510
2015	7,510
2016	7,510
2017 – 2021	37,550
2022 – 2026	37,550
2027 – 2031	37,550
2032 – 2036	37,550
Thereafter	10,070
Total	<u>\$ 197,820</u>

**Note 10 – 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

# BILOXI PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2011

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 9.00% 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, 2011 was 12.00% 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, 2011, 2010 and 2009 were \$3,363,752, \$3,724,251 and \$3,728,240, respectively, which equaled the required contributions for each year.

### **Note 11 – Contingencies**

**Federal Grants** – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

**Litigation** – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

### **Note 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 school 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.

### **Note 13 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. There was \$402,851, net of current liabilities, of unspent bond proceeds at June 30, 2011. The district was not required to make a sinking fund deposit for the year ended June 30, 2011. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

BILOXI PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

Year Ending June 30	Amount
2012	\$ 155,667
2013	155,667
2014	155,667
2015	155,667
2016	155,667
2017-2021	778,335
2022-2026	778,330
Total	<u>\$ 2,335,000</u>

**Note 14 – Special Items**

On November 12, 2010, the school district received approval from FEMA for partial cancellation on the community disaster loan in the amount of \$7,706,206, plus accrued interest of \$667,575. The school district is left with a balance owned of \$3,826,492 on the community disaster loan. The total amount of debt forgiven was \$8,373,781 and is reported as special items on the Statement of Activities.

REQUIRED SUPPLEMENTAL INFORMATION

**BILOXI PUBLIC SCHOOL DISTRICT**

Required Supplemental Information

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 23,743,962	\$ 24,698,558	\$ 24,700,176	\$ 954,596	\$ 1,618
State sources	17,442,799	17,415,860	17,415,860	(26,939)	-
Federal sources	1,098,000	1,582,169	1,582,169	484,169	-
<b>Total Revenues</b>	<b>42,284,761</b>	<b>43,696,587</b>	<b>43,698,205</b>	<b>1,411,826</b>	<b>1,618</b>
<b>Expenditures:</b>					
Instruction	22,688,640	22,258,794	25,674,988	429,846	(3,416,194)
Support services	17,674,884	18,022,165	14,605,897	(347,281)	3,416,268
Noninstructional services	2,200	244	244	1,956	-
Facilities acquisition and construction	5,000	64,213	64,213	(59,213)	-
Debt service:					
Other	-	1,153	1,153	(1,153)	-
<b>Total Expenditures</b>	<b>40,370,724</b>	<b>40,346,569</b>	<b>40,346,495</b>	<b>24,155</b>	<b>74</b>
Excess (Deficiency) of Revenues over (under) Expenditures	1,914,037	3,350,018	3,351,710	1,435,981	1,692
<b>Other Financing Sources (Uses):</b>					
Sale of other property	-	13,150	13,150	13,150	-
Operating transfers in	3,738,789	3,829,239	116,863	90,450	(3,712,376)
Operating transfers out	(6,918,625)	(7,638,986)	(3,926,610)	(720,361)	3,712,376
<b>Total Other Financing Sources (Uses)</b>	<b>(3,179,836)</b>	<b>(3,796,597)</b>	<b>(3,796,597)</b>	<b>(616,761)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,265,799)</b>	<b>(446,579)</b>	<b>(444,887)</b>	<b>819,220</b>	<b>1,692</b>
<b>Fund Balances:</b>					
July 1, 2010	6,889,732	7,096,805	7,096,805	207,073	-
Decrease in reserve for inventory	-	(3,826)	(5,444)	(3,826)	(1,618)
<b>June 30, 2011</b>	<b>\$ 5,623,933</b>	<b>\$ 6,646,400</b>	<b>\$ 6,646,474</b>	<b>\$ 1,022,467</b>	<b>\$ 74</b>

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

BILOXI PUBLIC SCHOOL DISTRICT

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**BILOXI PUBLIC SCHOOL DISTRICT**

Supplemental Information

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 431,680
National school lunch program	10.555	1,339,249
Summer food service program for children	10.559	144,351
Total child nutrition cluster		<u>1,915,280</u>
Fresh fruit and vegetable program	10.582	9,222
Total passed-through Mississippi Department of Education		<u>1,924,502</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,924,502</u>
<b><u>U.S. Department of Defense</u></b>		
Direct programs:		
Reserve Officers' Training Corps	12.xxx	75,011
Air Force Reserve Officer Training Corps Operating	12.xxx	7,900
<b>Total U.S. Department of Defense</b>		<u>82,911</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	213,265
<b>Total Federal Communications Commission</b>		<u>213,265</u>
<b><u>U.S. Department of Education</u></b>		
Direct program:		
Impact aid	84.041	1,249,776
Total		<u>1,249,776</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,022
Total		<u>1,022</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	70,295
Safe and drug-free schools and communities - state grants	84.186	8,267
Education technology state grants	84.318	10,484
Gaining early awareness and readiness in undergraduate programs	84.334	28,947
English language acquisition grants	84.365	66,039
Improving teacher quality state grants	84.367	561,571
ARRA - Education technology state grants, Recovery Act	84.386	25,152
Hurricane Education Assistance	84.938	262,157
Subtotal		<u>1,032,912</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,744,306
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	361,090
Total Title I cluster		<u>2,105,396</u>
Special education cluster:		
Special education - grants to states	84.027	1,151,050
Special education - preschool grants	84.173	43,568
ARRA - Special education grants to states, Recovery Act	84.391	104,858
ARRA - Special education - preschool grants, Recovery Act	84.392	14,703
Total special education cluster		<u>1,314,179</u>

**BILOXI PUBLIC SCHOOL DISTRICT**

Supplemental Information

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	1,178,206
Total State Fiscal Stabilization Fund cluster		<u>1,178,206</u>
Total passed-through Mississippi Department of Education		<u>5,630,693</u>
<b>Total U.S. Department of Education</b>		<u><b>6,881,491</b></u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	43,095
Total passed-through Mississippi Department of Education		<u>43,095</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><b>43,095</b></u>
<b><u>U.S. Department of Energy</u></b>		
Passed-through Mississippi Development Authority:		
State energy program	81.041	676,938
Total passed-through Mississippi Development Authority		<u>676,938</u>
<b>Total U.S. Department of Energy</b>		<u><b>676,938</b></u>
<b><u>U.S. Department of Justice</u></b>		
Direct program:		
Public safety partnership and community policing grants, recovery act	16.710	59,058
Total passed-through Mississippi Development Authority		<u>59,058</u>
<b>Total U.S. Department of Energy</b>		<u><b>59,058</b></u>
Total for All Federal Awards		<u><b>\$ 9,881,260</b></u>

**NOTES TO SCHEDULE**

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

**BILOXI PUBLIC SCHOOL DISTRICT**

Supplemental Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2011**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 36,938,765	29,584,807	1,227,671	2,467,512	3,658,775
Other	23,910,276	3,373,942	577,715	3,264	19,955,355
<b>Total</b>	<b>\$ 60,849,041</b>	<b>32,958,749</b>	<b>1,805,386</b>	<b>2,470,776</b>	<b>23,614,130</b>
Total number of students *	4,721				
Cost per student	\$ 12,889	6,982	382	523	5,002

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

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

**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.

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

OTHER INFORMATION

**BILOXI PUBLIC SCHOOL DISTRICT**

Other Information

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund  
Last Four Years  
UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 24,700,176	\$ 23,360,935	\$ 22,805,219	\$ 20,827,313
State sources	17,415,860	17,536,097	19,672,834	24,654,279
Federal sources	1,582,169	1,251,098	644,163	2,109,242
<b>Total Revenues</b>	<b>43,698,205</b>	<b>42,148,130</b>	<b>43,122,216</b>	<b>47,590,834</b>
<b>Expenditures:</b>				
Instruction	25,674,988	28,528,241	31,214,376	26,245,889
Support services	14,605,897	14,616,118	15,889,244	18,851,779
Noninstructional services	244	15,536	1,667	72,248
Facilities acquisition and construction	64,213	-	13,933	205,014
Debt service:				
Other	1,153	-	-	1,777
<b>Total Expenditures</b>	<b>40,346,495</b>	<b>43,159,895</b>	<b>47,119,220</b>	<b>45,376,707</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>3,351,710</b>	<b>(1,011,765)</b>	<b>(3,997,004)</b>	<b>2,214,127</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	7,221,143	1,800,366
Insurance recoveries	-	72,132	-	11,691
Sale of other property	13,150	29,205	-	31,415
Operating transfers in	116,863	4,190,241	4,584,845	277,385
Operating transfers out	(3,926,610)	(7,390,888)	(8,288,683)	(5,349,589)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,796,597)</b>	<b>(3,099,310)</b>	<b>3,517,305</b>	<b>(3,228,732)</b>
<b>Net Change in Fund Balances</b>	<b>(444,887)</b>	<b>(4,111,075)</b>	<b>(479,699)</b>	<b>(1,014,605)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	7,096,805	11,224,434	11,705,732	12,698,438
Prior period adjustments	-	-	-	(94,475)
<b>Beginning of period, as restated</b>	<b>7,096,805</b>	<b>11,224,434</b>	<b>11,705,732</b>	<b>12,603,963</b>
Increase (Decrease) in reserve for inventory	(5,444)	(16,554)	(1,599)	18,766
Residual equity transfer in (out)	-	-	-	97,608
<b>End of Period</b>	<b>\$ 6,646,474</b>	<b>\$ 7,096,805</b>	<b>\$ 11,224,434</b>	<b>\$ 11,705,732</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**BILOXI PUBLIC SCHOOL DISTRICT**

Other Information

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 29,806,208	\$ 28,300,086	\$ 28,485,218	\$ 26,248,459
State sources	19,339,859	19,437,306	21,662,438	26,564,644
Federal sources	9,924,573	9,899,089	6,511,315	7,829,721
Sixteenth section sources	7,305	8,345	9,394	7,682
<b>Total Revenues</b>	<b>59,077,945</b>	<b>57,644,826</b>	<b>56,668,365</b>	<b>60,650,506</b>
<b>Expenditures:</b>				
Instruction	32,958,748	37,131,197	37,813,109	30,769,219
Support services	15,136,609	15,268,503	16,528,037	20,991,889
Noninstructional services	2,568,912	2,447,901	2,496,582	2,557,092
Facilities acquisition and construction	2,754,848	2,451,942	10,658,441	3,476,695
Debt service:				
Principal	5,368,000	4,963,000	4,939,000	7,357,467
Interest	1,877,985	2,529,089	2,458,935	2,725,122
Other	183,939	424,332	72,374	25,418
<b>Total Expenditures</b>	<b>60,849,041</b>	<b>65,215,964</b>	<b>74,966,478</b>	<b>67,902,902</b>
<b>Excess (Deficiency) of Revenues</b> <b>over (under) Expenditures</b>	<b>(1,771,096)</b>	<b>(7,571,138)</b>	<b>(18,298,113)</b>	<b>(7,252,396)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	2,335,000	-	12,321,143	1,800,366
Proceeds of refunding bonds	7,555,000	20,505,000	-	-
Premium on debt issuance	84,991	59,620	-	-
Insurance loss recoveries	-	72,132	-	1,309,293
Sale of other property	13,150	29,205	-	31,415
Operating transfers in	4,630,304	7,654,585	8,524,639	5,626,974
Operating transfers out	(4,630,304)	(7,654,585)	(8,524,639)	(5,626,974)
Payment to refunded bond escrow agent	(7,515,744)	(20,151,076)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,472,397</b>	<b>514,881</b>	<b>12,321,143</b>	<b>3,141,074</b>
<b>Net Change in Fund Balances</b>	<b>701,301</b>	<b>(7,056,257)</b>	<b>(5,976,970)</b>	<b>(4,111,322)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	15,733,501	22,828,106	28,837,403	33,487,591
Prior period adjustments	-	-	-	(531,607)
Beginning of period, as restated	15,733,501	22,828,106	28,837,403	32,955,984
<b>Increase (Decrease) in reserve for inventory</b>	<b>(3,776)</b>	<b>(38,348)</b>	<b>(32,327)</b>	<b>(7,259)</b>
<b>End of Period</b>	<b>\$ 16,431,026</b>	<b>\$ 15,733,501</b>	<b>\$ 22,828,106</b>	<b>\$ 28,837,403</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

# CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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

Superintendent and School Board  
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of Biloxi Public School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Biloxi Public School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Biloxi Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Biloxi Public School District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A **material weakness** is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive style, with the word "Cunningham" in a larger, more stylized font and "CPAs" in a simpler, blockier font.

Cunningham CPAs, PLLC

December 12, 2011

# CUNNINGHAM CPAs, PLLC

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Biloxi Public School District

## **Compliance**

We have audited Biloxi Public School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Biloxi Public School District's major federal programs for the year ended June 30, 2011. Biloxi Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Biloxi Public School District's management. Our responsibility is to express an opinion on Biloxi Public School District's compliance based on our audit.

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

In our opinion, Biloxi Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## **Internal Control Over Compliance**

Management of Biloxi Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Biloxi Public School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Biloxi Public School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive style.

Cunningham CPAs, PLLC

December 12, 2011

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

# CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board  
Biloxi Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biloxi Public School District as of and for the year ended June 30, 2011, which collectively comprise Biloxi Public School District's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,552 of classroom supply funds carried over from previous years.

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

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

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

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

December 12, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**BILOXI PUBLIC SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**Section I: Summary of Auditor's Results**

**Financial Statements:**

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified   |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weakness(es) identified?                         | No            |
|    | b. Significant deficiency(ies) identified?                   | None reported |
| 3. | Noncompliance material to the financial statements noted?    | No            |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No            |
| 7. | Identification of major programs:  |               |
|    | A. Child nutrition cluster:  |               |
|    | CFDA #   | 10.553        |
|    | CFDA #   | 10.555        |
|    | CFDA #   | 10.559        |
|    | B. Title I - Grants to local educational agencies:   |               |
|    | CFDA #   | 84.010        |
|    | CFDA #   | 84.389        |
|    | C. ARRA - State Fiscal Stabilization - Education State Grants, Recovery Act  |               |
|    | CFDA #   | 84.394        |
|    | D. Special Education Cluster:  |               |
|    | CFDA #   | 84.027        |
|    | CFDA #   | 84.173        |
|    | CFDA #   | 84.391        |
|    | CFDA #   | 84.392        |
|    | E. Impact aid  |               |
|    | CFDA #   | 84.041        |
|    | F. Improving teacher quality - state grants  |               |
|    | CFDA #   | 84.367        |
|    | G. State energy program  |               |
|    | CFDA #   | 81.041        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | Yes           |

BILOXI PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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