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PASS CHRISTIAN SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Charles L. Shivers, CPA
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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

Superintendent and School Board
Pass Christian School District

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of June 30, 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*, I have also issued my report dated February 6, 2012, on my consideration of the Pass Christian School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pass Christian School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Charles L Shivers, CPA

Ridgeland, MS
February 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Pass Christian 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 \$2,122,708, including a prior period adjustment of (\$1,009,563), which represents a 3.1% increase from fiscal year 2010. Total net assets for 2010 decreased \$363,821, including a prior period adjustment of \$142,515, which represents a 1.0% decrease from fiscal year 2009.
- General revenues amounted to \$15,567,982 and \$17,495,750, or 76.6% and 80.0% 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 \$4,752,204, or 23.4% of total revenues for 2011, and \$4,288,490, or 20.0% of total revenues for 2010.
- The District had \$21,344,320 and \$22,290,576 in expenses for fiscal years 2011 and 2010; only \$4,752,204 for 2011 and \$4,288,490 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,567,982 for 2011 and \$17,495,750 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,481,714 in revenues and \$14,524,613 in expenditures for 2011, and \$14,053,852 in revenues and \$14,640,284 in expenditures in 2010. The General Fund's fund balance decreased by \$906,245 including a prior period adjustment of (\$804,863) from 2010 to 2011, and decreased by \$377 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$2,862,921 for 2011 and increased by \$5,286,582 for 2010. The increase for 2011 was due to the addition of buildings and buses coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$6,096,295 for 2011 and decreased by \$395,367 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$14,576 for 2011 and decreased by \$6,893 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.

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 and other expenses on long-term liabilities.

Fund Financial Statements

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

Governmental funds – 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:

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 and each additional major special revenue 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 \$70,887,221 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.

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</u> <u>Change</u>
Current assets	\$ 18,534,531	\$ 25,808,451	-28.18 %
Restricted assets	993,338	1,513,221	-34.36 %
Capital assets, net	62,717,488	59,854,567	4.78 %
Total assets	82,245,357	87,176,239	-5.66 %
Current liabilities	5,122,025	6,079,320	-15.75 %
Long-term debt outstanding	6,236,111	12,332,406	-49.43 %
Total liabilities	11,358,136	18,411,726	-38.31 %
Net assets:			
Invested in capital assets, net of related debt	57,008,946	51,508,308	10.68 %
Restricted	1,840,802	5,722,506	-67.83 %
Unrestricted	12,037,473	11,533,699	4.37 %
Total net assets	\$ 70,887,221	\$ 68,764,513	3.09 %

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

- Increase in net capital assets.
- The principal retirement and cancellation long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$20,320,186 and \$21,784,240, respectively. The total cost of all programs and services was \$21,344,320 for 2011 and \$22,290,576 for 2010.

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>
Revenues:			
Program revenues:			
Charges for services	\$ 1,047,691	\$ 739,030	41.77 %
Operating grants and contributions	3,704,513	3,082,688	20.17 %
Capital Grants and Contributions		466,772	(100.00) %
General revenues:			
Property and gaming taxes	8,719,913	8,573,426	1.71 %
Grants and contributions not restricted	6,123,737	6,333,976	(3.32) %
Investment earnings	699,048	2,416,985	(71.08) %
Sixteenth section sources	25,284	93,902	(73.07) %
Other		77,461	(100.00) %
Total revenues	20,320,186	21,784,240	(6.72) %
Expenses:			
Instruction	10,729,894	11,255,250	(4.67) %
Support services	9,138,037	9,489,778	(3.71) %
Non-instructional	1,436,572	1,077,118	33.37 %
Sixteenth section	20,978	13,156	59.46 %
Interest and other expenses on long-term liabilities	18,839	455,274	(95.86) %
Total expenses	21,344,320	22,290,576	(4.25) %
Special item	4,156,405	-	N/A
Increase (Decrease) in net assets	3,132,271	(506,336)	(718.62) %
Net Assets, July 1, as originally reported *	68,764,513	69,128,334	(0.53) %
Prior Period Adjustment	(1,009,563)	142,515	(808.39) %
Net Assets, July 1, as restated *	67,754,950	69,270,849	(2.19) %
Net Assets, June 30	\$ 70,887,221	\$ 68,764,513	3.09 %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term debt. 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.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 10,729,894	\$ 11,255,250	(4.67) %
Support services	9,138,037	9,489,778	(3.71) %
Non-instructional	1,436,572	1,077,118	33.37 %
Sixteenth section	20,978	13,156	59.46 %
Interest and other expenses on long-term liabilities	18,839	455,274	(95.86) %
Total expenses	\$ 21,344,320	\$ 22,290,576	(4.25) %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (8,042,663)	\$ (9,341,721)	(13.91) %
Support services	(8,293,785)	(7,783,540)	6.56 %
Non-instructional	(215,851)	(417,563)	(48.31) %
Sixteenth section	(20,978)	(3,988)	426.03 %
Interest and other expenses on long-term liabilities	(18,839)	(455,274)	(95.86) %
Total net (expense) revenue	\$ (16,592,116)	\$ (18,002,086)	(7.83) %

- Net cost of governmental activities (\$16,592,116 for 2011 and \$18,002,086 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$8,719,913 for 2011 and \$8,573,426 for 2010) and state and federal revenues (\$6,123,737 for 2011 and \$6,333,976 for 2010). In addition, there was \$25,284 and \$93,902 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$699,048 for 2011 and \$2,416,985 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 \$14,485,941, a decrease of \$7,190,743, which includes a prior period adjustment of (\$1,039,203) and a decrease in inventory of (\$1,879). \$1,566,460 or 10.8% 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 \$12,919,481 or 89.2% 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.

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 \$906,245, which includes a prior period adjustment of (\$804,863). The fund balance of Other Governmental Funds showed a decrease in the amount of \$48,162, which includes a decrease in reserve for inventory of \$1,879. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
FEMA/MEMA Fund	\$ no increase or decrease
Hurricane Katrina Fund	(14,534)
Local Building Fund	(6,221,802)

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 and major special revenue fund(s) 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 \$71,079,318, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$4,340,140 from 2010. Total accumulated depreciation as of June 30, 2011, was \$8,361,830, and

total depreciation expense for the year was \$1,628,981, resulting in total net capital assets of \$62,717,488.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 517,230	\$ 484,731	6.70 %
Construction in Progress	10,828,840	7,653,013	41.50 %
Buildings	47,096,593	47,838,752	(1.55) %
Building improvements	90,557	94,869	(4.55) %
Improvements other than buildings	2,494,606	2,121,594	17.58 %
Mobile equipment	900,582	1,058,923	(14.95) %
Furniture and equipment	789,080	602,685	30.93 %
Total	\$ 62,717,488	\$ 59,854,567	4.78 %

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

Debt Administration. At June 30, 2011, the District had \$6,236,111 in outstanding long-term debt, of which \$691,769 is due within one year. The liability for compensated absences increased \$14,576 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	5,585,000	6,190,000	(9.77) %
Limited obligation bonds payable		1,670,564	(100.00) %
Three mill notes payable	479,000	485,695	(1.38) %
Shortfall notes payable		3,828,612	(100.00) %
Compensated absences payable	172,111	157,535	9.25 %
Total	\$ 6,236,111	\$ 12,332,406	(49.43) %

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

CURRENT ISSUES

The Pass Christian 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 is 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pass Christian School District, 6457 Kiln-Delisle Road, Pass Christian, MS 39571.

FINANCIAL STATEMENTS

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Pass Christian School District
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 17,984,895
Due from other governments	536,871
Other receivables, net	6,502
Inventories and prepaid items	6,263
Restricted assets (Note 4)	993,338
Non-depreciable capital assets (Note 5)	11,346,070
Depreciable capital assets, net (Note 5)	51,371,418
Total Assets	<u>82,245,357</u>
Liabilities	
Accounts payable and accrued liabilities	2,092,495
Unearned revenue	2,949,433
Interest payable on long-term liabilities	80,097
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	678,000
Non-capital related liabilities	13,769
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	5,386,000
Non-capital related liabilities	158,342
Total Liabilities	<u>11,358,136</u>
Net assets	
Invested in capital assets, net of related debt	57,008,946
Restricted net assets	
Expendable	
School-based activities	230,140
Debt service	775,434
Contractual commitments	685,817
Forestry improvements	4,797
Unemployment benefits	26,422
Non-expendable	
Sixteenth section	118,192
Unrestricted	<u>12,037,473</u>
Total Net Assets	<u>\$ 70,887,221</u>

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

Pass Christian School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 10,729,894	577,608	2,109,623	(8,042,663)
Support services	9,138,037	31,048	813,204	(8,293,785)
Non-instructional	1,436,572	439,035	781,686	(215,851)
Sixteenth section	20,978			(20,978)
Interest and other expenses on long-term liabilities	18,839			(18,839)
Total Governmental Activities	<u>21,344,320</u>	<u>1,047,691</u>	<u>3,704,513</u>	<u>(16,592,116)</u>
General Revenues				
Taxes				
				7,780,774
				742,472
				196,667
Unrestricted grants and contributions				
				6,102,267
				21,470
				699,048
				25,284
				<u>15,567,982</u>
				4,156,405
				<u>19,724,387</u>
Changes in Net Assets				
				<u>3,132,271</u>
Net Assets - Beginning, as originally reported)				
				68,764,513
Prior Period Adjustments (Note 10)				
				(1,009,563)
Net Assets - Beginning -as restated				
				<u>67,754,950</u>
Net Assets - Ending				
				<u>\$ 70,887,221</u>

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

Pass Christian School District
 Balance Sheet - Governmental Funds
 June 30, 2011

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	FEMA/MEMA Fund	Hurricane Katrina Fund	Local Building Fund		
Assets						
Cash and cash equivalents (Note 2)	\$ 3,941,729		2,915,055	10,468,175	1,653,274	18,978,233
Due from other governments	266,682				270,189	536,871
Other receivables, net	1,005				5,497	6,502
Due from other funds (Note 3)	247,410	3,125,850	216,158	6,037	187,140	3,782,595
Inventories and prepaid items					6,263	6,263
Total Assets	4,456,826	3,125,850	3,131,213	10,474,212	2,122,363	23,310,464
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	970,887	147,249		669,568	304,791	2,092,495
Due to other funds (Note 3)	176,924	38,690	3,131,213	216,158	219,610	3,782,595
Unearned revenue	2,100	2,939,911			7,422	2,949,433
Total Liabilities	1,149,911	3,125,850	3,131,213	885,726	531,823	8,824,523
Fund Balances						
Nonexpendable						
Inventory					3,470	3,470
Permanent fund principal					118,192	118,192
Restricted						
Debt service					855,531	855,531
Forestry improvements					4,797	4,797
Unemployment benefits					26,422	26,422
School bus purchases					355,458	355,458
Construction contracts				685,817		685,817
Grant activities					94,731	94,731
Other restrictions	17,963					17,963
Committed						
Renovations at Pass Christian Elementary				62,379		62,379
Capital and technology improvements	1,387,200			8,840,290		10,227,490
Technology improvements	261,694					261,694
Assigned						
School activities	73,598					73,598
Capital and technology improvements					121,245	121,245
Other assignments					10,694	10,694
Unassigned						
	1,566,460					1,566,460
Total Fund Balances	3,306,915	0	0	9,588,486	1,590,540	14,485,941
Total Liabilities and Fund Balances	\$ 4,456,826	3,125,850	3,131,213	10,474,212	2,122,363	23,310,464

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

Pass Christian School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 14,485,941
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$8,361,830.	\$ 62,717,488
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	\$ (6,236,111)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>\$ (80,097)</u>
Total Net Assets - Governmental Activities	<u>\$ 70,887,221</u>

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

Pass Christian School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	FEMA/MEMA Fund	Hurricane Katrina Fund	Local Building Fund		
Revenues						
Local sources	\$ 8,291,427		468,277	161,293	1,334,876	10,255,873
State sources	6,123,029				266,525	6,389,554
Federal sources	67,258	351,927			3,230,290	3,649,475
Sixteenth section sources					25,284	25,284
Total Revenues	14,481,714	351,927	468,277	161,293	4,856,975	20,320,186
Expenditures						
Instruction	7,201,827	193,524	54,837	16,301	2,616,671	10,083,160
Support services	7,189,583	158,289		470,349	802,098	8,620,319
Noninstructional services				327,170	960,590	1,287,760
Sixteenth section	10,446				10,532	20,978
Facilities acquisition and construction	122,757			4,184,722		4,307,479
Debt service						
Principal (Note 6)					2,787,124	2,787,124
Interest					371,051	371,051
Other					2,023	2,023
Total Expenditures	14,524,613	351,813	54,837	4,998,542	7,550,089	27,479,894
Excess (Deficiency) of Revenues Over Expenditures	(42,899)	114	413,440	(4,837,249)	(2,693,114)	(7,159,708)
Other Financing Sources (Uses)						
Proceeds of loans (Note 6)	357,566				475,092	832,658
Sale of other property	177,389					177,389
Operating transfers in (Note 3)	34,663	234,340	58,640	233,999	2,214,156	2,775,798
Operating transfers out (Note 3)	(628,101)	(114)	(486,614)	(1,618,552)	(42,417)	(2,775,798)
Total Other Financing Sources (Uses)	(58,483)	234,226	(427,974)	(1,384,553)	2,646,831	1,010,047
Net Change in Fund Balances	(101,382)	234,340	(14,534)	(6,221,802)	(46,283)	(6,149,661)
Fund Balances						
July 1, 2010, as originally reported	4,213,160	0	14,534	15,810,288	1,638,702	21,676,684
Prior period adjustments (Note 10)	(804,863)	(234,340)				(1,039,203)
July 1, 2010, as restated	3,408,297	(234,340)	14,534	15,810,288	1,638,702	20,637,481
Decrease in reserve for inventory					(1,879)	(1,879)
June 30, 2011	\$ 3,306,915	0	0	9,588,486	1,590,540	14,485,941

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

Pass Christian School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2011

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (6,149,661)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$4,736,199 and the depreciation expense amounted to \$1,628,981.	3,107,218
The cancellation of long-term debt is reflected in the Statement of Activities but has no effect on current financial resources of the governmental funds.	4,156,405
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	2,787,124
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(832,658)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	354,235
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(273,937)
A decrease in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increase in the Statement of Activities.	(1,879)
Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(14,576)</u>
Changes in Net Assets of Governmental Activities	<u>\$ 3,132,271</u>

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

Pass Christian School District
 Statement of Net Assets - Fiduciary Funds
 June 30, 2011

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 2)	<u>\$ 68,928</u>	<u>23,170</u>
Total Assets	<u>68,928</u>	<u>23,170</u>
Liabilities		
Accounts payable and accrued liabilities		356
Due to student clubs		<u>22,814</u>
Total Liabilities	<u>0</u>	<u>23,170</u>
Net Assets		
Reserved for endowments	<u>68,928</u>	
Total Net Assets	<u>\$ 68,928</u>	

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

Pass Christian School District
 Statement of Changes in Fiduciary Net Assets
 For the Year Ended June 30, 2011

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 2,016
Contributions and donations from private sources	<u>10,910</u>
Total Additions	<u>12,926</u>
Deductions	
Scholarships awarded	<u>23,250</u>
Total Deductions	<u>23,250</u>
Changes in Net Assets	<u>(10,324)</u>
Net Assets	
July 1, 2010	<u>79,252</u>
June 30, 2011	<u><u>\$ 68,928</u></u>

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

Pass Christian School District
Notes to Financial Statements
For the 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 Pass Christian since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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.

Pass Christian School District
Notes to Financial Statements
For the 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.

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

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

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

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

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

The District's fiduciary funds include the following:

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

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

Student Club Accounts - These funds are used to account for the transactions of student clubs.

Scholarship Funds - These funds are used to finance scholarships for students.

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.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 programs.

FIDUCIARY FUNDS

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

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

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.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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.

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.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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 16th 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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

	Capitalization Policy	Estimated Useful Life
Leased property under capital leases	*	*
Intangible assets	**	**

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

(**) The estimated useful life is based on the district's specific intangible asset(s). There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

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 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.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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. This formal action is documented in the board minutes of the School Board.

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 Superintendent or Business Manager pursuant to authorization established by the 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 (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 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$18,978,233 and \$92,098, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$17,984,895.

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.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - FEMA/MEMA Fund	\$ 38,016
	Other governmental funds	209,394
Major Fund - FEMA/MEMA Fund	Major fund - Hurricane Katrian Fund	3,125,850
Major Fund - Hurricane Katrian Fund	Major Fund - Local Building Fund	216,158
Major Fund - Local Building Fund	Major Fund - FEMA/MEMA Fund	674
	Major fund - Hurricane Katrian Fund	5,363
Other Governmental Funds	General Fund	176,924
	Other Governmental Funds	10,216
Total		<u>\$ 3,782,595</u>

The purpose of the inter-fund loans from the General Fund was to eliminate deficit cash balances in certain Federal programs as part of the normal year end closing adjustments. The inter-fund loan associated with the FEMA/MEMA Fund and the Hurricane Katrina Fund was to eliminate deficit cash balances.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 628,101
Major Fund - FEMA/MEMA Fund	General Fund	114
Major Fund - Hurricane Katrina	General Fund	18,275
	Major Fund - FEMA/MEMA Fund	234,340
	Major Fund - Local Building Projects	233,999
Major Fund - Local Building	Other Governmental Funds	1,559,912
	Major Fund - Hurricane Katrina Fund	58,640
Other Governmental Funds	General Fund	16,274
	Other Governmental Funds	26,143
Total		<u>\$ 2,775,798</u>

The transfer out of the General Fund was for the purpose of funding various district programs in the Other Governmental Funds. The transfers to the Major Funds are to fund building projects and to prevent cash shortages.

Note 4 – Restricted Assets

The restricted assets represent the legally restricted cash balances of the following funds which may not be used for purposes that support the district's programs.

Funds with Restricted Balances	Amount
EEF Building and Bus Fund	\$ 46,341
EEF Classroom Instructional Supplies	11,615
Workers's Compensation	29,622
Forestry Escrow Fund	4,797
Shortfall Debt Service Fund	1,028
Note Retirement Fund	195
Bond Retirement Fund	781,548
16th Section Principal Fund	118,192
Total	<u>\$ 993,338</u>

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2011
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 484,731	33,000	(501)			517,230
Construction in progress	7,653,013	4,184,722		(1,008,895)		10,828,840
Total non-depreciable capital	<u>8,137,744</u>	<u>4,217,722</u>	<u>(501)</u>	<u>(1,008,895)</u>	<u>0</u>	<u>11,346,070</u>
<u>Depreciable capital assets:</u>						
Buildings	52,132,432	89,757	(303,280)	390,168		52,309,077
Building improvements	107,806					107,806
Improvements other than buildings	3,256,965		(121,918)	618,727		3,753,774
Mobile equipment	1,978,952					1,978,952
Furniture and equipment	1,125,279	428,720			29,640	1,583,639
Total depreciable capital assets	<u>58,601,434</u>	<u>518,477</u>	<u>(425,198)</u>	<u>1,008,895</u>	<u>29,640</u>	<u>59,733,248</u>
<u>Less accumulated depreciation</u>						
Buildings	4,293,680	1,046,182	(127,378)			5,212,484
Building improvements	12,937	4,312				17,249
Improvements other than buildings	1,135,371	148,181	(24,384)			1,259,168
Mobile equipment	920,029	158,341				1,078,370
Furniture and equipment	522,594	271,965				794,559
Total accumulated depreciation	<u>6,884,611</u>	<u>1,628,981</u>	<u>(151,762)</u>	<u>0</u>	<u>0</u>	<u>8,361,830</u>
Total depreciable capital assets,	<u>51,716,823</u>	<u>(1,110,504)</u>	<u>(273,436)</u>	<u>1,008,895</u>	<u>29,640</u>	<u>51,371,418</u>
Governmental activities capital assets, net	<u>\$ 59,854,567</u>	<u>3,107,218</u>	<u>(273,937)</u>	<u>0</u>	<u>29,640</u>	<u>62,717,488</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 978,906
Support services	503,142
Non-instructional	146,933
Total depreciation expense - Governmental activities	<u>\$ 1,628,981</u>

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Delisle School Construction	\$ <u>10,828,840</u>	\$ <u>685,817</u>

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

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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	Adjustments	Balance 6/30/2011	Amounts due within one year
A. General obligation refunding bonds payable	\$ 6,190,000		605,000		5,585,000	630,000
B. Limited obligation bonds payable	1,670,564		1,670,564			
C. Three mill notes payable	485,695	479,000	485,695		479,000	48,000
D. Shortfall notes payable	3,828,612	353,658	25,865	(4,156,405)		
E. Compensated absences payable	157,535	14,576			172,111	13,769
Total	\$ 12,332,406	847,234	2,787,124	(4,156,405)	6,236,111	691,769

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series 2005	3 - 4%	5/19/2005	9/1/2017	\$ 7,705,000	\$ 5,585,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 630,000	205,587	835,587
2013	655,000	182,281	837,281
2014	800,000	155,000	955,000
2015	825,000	123,500	948,500
2016	860,000	89,800	949,800
2017 – 2018	1,815,000	73,300	1,888,300
Total	\$ 5,585,000	829,468	6,414,468

This debt will be retired from the Bond Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 3.3% of property assessments as of October 1, 2010.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

B. Limited obligation bonds payable

The limited obligation bonds were paid in full during the fiscal year.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2011	2.61%	3/1/2011	3/1/2020	\$ 479,000	\$ 479,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 48,000	12,502	60,502
2013	49,000	11,249	60,249
2014	50,000	9,970	59,970
2015	52,000	8,665	60,665
2016	53,000	7,308	60,308
2017 – 2020	<u>227,000</u>	<u>14,982</u>	<u>241,982</u>
Total	<u>\$ 479,000</u>	<u>64,676</u>	<u>543,676</u>

This debt will be retired from the EEF building and bus fund (Special Revenue Fund).

The Three Mill Note, Series 2005 was paid in full during the fiscal year.

The Three Mill Note, Series 2007 was paid in full during the fiscal year.

D. Shortfall notes payable

The Short Fall Notes, Series 2007 were paid in full during the fiscal year.

The district issued (drew down) \$353,658 under the authority granted by the Community Disaster Loan (CDL) program. During the year, the district applied for cancellation of the outstanding balance of \$4,156,405 of the CDL and was notified by the Federal Emergency Management Agency (FEMA) that full cancellation was granted as well as any interest accrued on the loan.

E. 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 – Other Commitments

Commitments under construction contracts are described in Note 5.

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Operating leases:

The school district has an operating lease for 17 copiers. Lease expenditures for the year ended June 30, 2011, amounted to \$46,308. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2012	\$ 46,308
2013	34,731
Total	<u>\$ 81,039</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 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 \$1,230,970, \$1,214,090 and \$1,083,494, respectively, which equaled the required contributions for each year.

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.

Year Ending June 30	Amount
2012	\$ 7,375
2013	7,172
2014	7,172
2015	7,172
2016	7,172
2017 – 2021	34,555
Thereafter	14,068
Total	<u>\$ 84,686</u>

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 10 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of prior year error - prepaid item	\$ (804,863)
2. Correction of prior year error - deferred revenue	(234,340)
3. Correction of prior year error - capital assets	29,640
Total	\$ (1,009,563)

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

Fund	Explanation	Amount
General Fund	Correction of prior year error - prepaid item	\$ (804,863)
Major Fund - FEMA/MEMA Fund	Correction of prior year error - deferred revenue	(234,340)
Total		\$ (1,039,203)

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. As of June 30, 2011, the school district is expecting to have to repay certain amounts from the Federal Emergency Management Agency received as a result of damages sustained during Hurricane Katrina. These amounts were settled to the district based on certain estimates, including private insurance proceeds from the disaster. Any disallowance of previously settled FEMA amounts by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements; however, the district has tentatively estimated that as much as \$2,939,911 may exist in overpayments.

The Mississippi Emergency Management Agency has questioned \$220,673 in costs for an unapplied credit and excessive contract costs found in its audit of Hurricane Katrina recovery costs associated with the Pass Christian School District. During this agency review, MEMA focused on \$8.6 million awarded under five large projects and covered the period August 29, 2005 to February 6, 2008. The District is currently appealing these questioned costs to MEMA. The ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

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 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 – Special Items

During the 2011 FY, the Federal Emergency Management Agency (FEMA) informed the school district that H.R. 2006, as signed by the President "requires the federal government to cover 100 percent of all eligible projects under the Public

Pass Christian School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Assistance Program for the designated disasters". As such, the outstanding balance of \$4,156,405 of the Community Disaster Loan has been fully cancelled by FEMA as well as any interest accrued on the loan.

Note 14 – Economic Dependency

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

REQUIRED SUPPLEMENTAL INFORMATION

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Pass Christian School District
 Budgetary Comparison Schedule for the 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
Revenues					
Local sources	\$ 8,264,963	8,291,427	8,291,427	26,464	0
State sources	6,331,567	6,123,029	6,123,029	(208,538)	0
Federal sources	101,000	67,258	67,258	(33,742)	0
Total Revenues	14,697,530	14,481,714	14,481,714	(215,816)	0
Expenditures					
Instruction	7,784,207	7,201,827	7,201,827	582,380	0
Support services	7,407,260	7,189,583	7,189,583	217,677	0
Sixteenth section		10,446	10,446	(10,446)	0
Facilities acquisition and construction	797,420	122,757	122,757	674,663	0
Debt service					
Principal	1,000	0	0	1,000	0
Total Expenditures	15,989,887	14,524,613	14,524,613	1,465,274	0
Excess (Deficiency) of Revenues Over Expenditures	(1,292,357)	(42,899)	(42,899)	1,249,458	0
Other Financing Sources (Uses)					
Proceeds of loans	0	357,566	357,566	357,566	0
Insurance loss recoveries	500	0	0	(500)	0
Sale of transportation equipment	1,000	0	0	(1,000)	0
Sale of other property	500	177,389	177,389	176,889	0
Operating transfers in	1,361,712	1,304,348	34,663	(57,364)	(1,269,685)
Operating transfers out	(2,337,377)	(1,900,072)	(628,101)	437,305	1,271,971
Total Other Financing Sources (Uses)	(973,665)	(60,769)	(58,483)	912,896	2,286
Net Change in Fund Balances	(2,266,022)	(103,668)	(101,382)	2,162,354	2,286
Fund Balances					
July 1, 2010, as originally reported			4,213,160		
Prior period adjustments			(804,863)		
July 1, 2010, as restated			<u>3,408,297</u>		
June 30, 2011			<u>3,306,915</u>		

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

Pass Christian School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - FEMA/MEMA Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 319,858	351,927	351,927	32,069	0
Total Revenues	<u>319,858</u>	<u>351,927</u>	<u>351,927</u>	<u>32,069</u>	<u>0</u>
Expenditures					
Instruction	0	193,524	193,524	(193,524)	0
Support services	319,858	158,289	158,289	161,569	0
Total Expenditures	<u>319,858</u>	<u>351,813</u>	<u>351,813</u>	<u>(31,955)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>114</u>	<u>114</u>	<u>114</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	0	234,340	234,340	(234,340)	0
Operating transfers out	0	(114)	(114)	114	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>234,226</u>	<u>234,226</u>	<u>(234,226)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>234,340</u>	<u>234,340</u>	<u>(234,112)</u>	<u>0</u>
Fund Balances					
July 1, 2010, as originally reported			0		
Prior period adjustments			(234,340)		
July 1, 2010, as restated			<u>(234,340)</u>		
June 30, 2011			<u>0</u>		

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

Pass Christian School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Hurricane Katrina Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	0	468,277	468,277	468,277	0
Total Revenues	0	468,277	468,277	468,277	0
Expenditures					
Instruction	0	54,837	54,837	(54,837)	0
Total Expenditures	0	54,837	54,837	(54,837)	0
Excess (Deficiency) of Revenues Over Expenditures	0	413,440	413,440	413,440	0
Other Financing Sources (Uses)					
Operating transfers in	0	58,640	58,640	(58,640)	0
Operating transfers out	0	(486,614)	(486,614)	486,614	0
Total Other Financing Sources (Uses)	0	(427,974)	(427,974)	427,974	0
Net Change in Fund Balances	0	(14,534)	(14,534)	841,414	0
Fund Balances					
July 1, 2010			14,534		
June 30, 2011			0		

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

Pass Christian School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

(1) **Basis of Presentation.**

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

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

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

SUPPLEMENTAL INFORMATION

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Pass Christian School District
 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
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 255,516
National school lunch program	10.555	747,097
Summer food service program for children	10.559	14,262
Total child nutrition cluster		<u>1,016,875</u>
Total U.S. Department of Agriculture		<u>1,016,875</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	21,470
Total Federal Communications Commission		<u>21,470</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	5,489
Safe and drug-free schools and communities - state grants	84.186	273
Rural education	84.358	2,201
Improving teacher quality - state grants	84.367	148,905
ARRA- education for homeless children and youth, recovery act	84.387	5,045
Total		<u>161,913</u>
Education technology state grants cluster:		
Education technology - state grants	84.318	5,542
ARRA - education technology - state grants, recovery act	84.386	7,556
Total education technology state grants cluster		<u>13,098</u>
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	396,764
Total state fiscal stabilization cluster		<u>396,764</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	529,920
ARRA - Title I - grants to local educational agencies, recovery act	84.389	99,174
Total title I cluster		<u>629,094</u>
Special education cluster:		
Special education - grants to states	84.027	380,302
Special education - preschool grants	84.173	16,772
ARRA - Special education - grants to states, recovery act	84.391	154,679
ARRA - Special education - preschool grants, recovery act	84.392	16,548
Total special education cluster		<u>568,301</u>
Education jobs fund	84.410	296,279
Total passed-through Mississippi Department of Education		<u>2,065,449</u>
Total U.S. Department of Education		<u>2,065,449</u>

Pass Christian School District
 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
<u>U.S. Department of Homeland Security</u>		
Passed through the Mississippi Emergency Management Agency:		
Disaster grants - Public assistance (presidentially declared disasters)	97.036	351,815
Total U.S. Department of Homeland Security		351,815
Total for All Federal Awards		\$ 3,455,609

NOTES TO SCHEDULE

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

Pass Christian School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2011

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,061,758	\$ 9,364,637	\$ 740,248	\$ 1,172,943	\$ 1,783,930
Other	\$ 14,418,136	\$ 2,533,669	\$ 231,712	\$ 132,550	\$ 11,520,205
Total	<u>\$ 27,479,894</u>	<u>\$ 11,898,306</u>	<u>\$ 971,960</u>	<u>\$ 1,305,493</u>	<u>\$ 13,304,135</u>
Total number of students	<u>1,607</u>				
Cost per student	<u>\$ 17,100</u>	<u>\$ 7,404</u>	<u>\$ 605</u>	<u>\$ 812</u>	<u>\$ 8,279</u>

Notes to the schedule.

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

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 8,291,427	7,976,090	6,841,942	5,812,034
State sources	6,123,029	5,968,461	6,365,243	8,184,227
Federal sources	67,258	109,301	811,414	71,141
Total Revenues	14,481,714	14,053,852	14,018,599	14,067,402
Expenditures				
Instruction	7,201,827	7,380,167	7,397,982	2,845,388
Support services	7,189,583	7,256,944	6,310,993	3,563,188
Sixteenth section	10,446	0	0	0
Facilities acquisition and construction	122,757	0	0	0
Debt service				
Interest	0	3,173	0	0
Total Expenditures	14,524,613	14,640,284	13,708,975	6,408,576
Excess (Deficiency) of Revenues Over Expenditures	(42,899)	(586,432)	309,624	7,658,826
Other Financing Sources (Uses)				
Proceeds of loans	357,566	701,802	0	1,153,784
Insurances loss recoveries	0	534	4,523	264
Sale of transportation equipment	0	0	3,404	1,851
Sale of other property	177,389	0	69,066	0
Operating transfers in	34,663	1,524,124	1,755,881	5,457
Operating transfers out	(628,101)	(938,603)	(2,081,096)	(7,264,916)
Total Other Financing Sources (Uses)	(58,483)	1,287,857	(248,222)	(6,103,560)
Net Change in Fund Balances	(101,382)	701,425	61,402	1,555,266
Fund Balances				
July 1, as originally reported	4,213,160	4,213,537	2,650,935	1,095,669
Prior period adjustments	(804,863)	(701,802)	1,501,200	0
July 1, as restated	3,408,297	3,511,735	4,152,135	1,095,669
June 30	\$ 3,306,915	4,213,160	4,213,537	2,650,935

* Source - Prior year audit reports.

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

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 10,255,873	11,797,189	5,791,635	7,544,621
State sources	6,389,554	6,249,051	6,530,846	8,346,737
Federal sources	3,649,475	3,634,396	4,466,830	24,341,003
Sixteenth section sources	25,284	103,070	(7,712)	16,893
Total Revenues	20,320,186	21,783,706	16,781,599	40,249,254
Expenditures				
Instruction	10,083,160	9,923,576	9,302,953	8,938,503
Support services	8,620,319	9,059,539	8,811,865	8,947,848
Noninstructional services	1,287,760	961,461	853,426	818,919
Sixteenth section	20,978	13,156	2,049	1,581
Facilities acquisition and construction	4,307,479	7,074,944	15,127,378	18,907,025
Debt service				
Principal	2,787,124	1,097,169	1,166,622	1,115,066
Interest	371,051	365,543	400,357	417,718
Other	2,023	1,269	1,200	3,343
Total Expenditures	27,479,894	28,496,657	35,665,850	39,150,003
Excess (Deficiency) of Revenues Over Expenditures	(7,159,708)	(6,712,951)	(18,884,251)	1,099,251
Other Financing Sources (Uses)				
Proceeds of loans	832,658	701,802	0	1,857,074
Insurances loss recoveries	0	534	4,523	15,215,174
Sale of transportation equipment	0	0	3,404	1,851
Sale of other property	177,389	0	69,066	0
Operating transfers in	2,775,798	9,502,610	7,771,397	7,514,611
Operating transfers out	(2,775,798)	(9,502,610)	(7,771,397)	(7,514,611)
Total Other Financing Sources (Uses)	1,010,047	702,336	76,993	17,074,099
Net Change in Fund Balances	(6,149,661)	(6,010,615)	(18,807,258)	18,173,350
Fund Balances				
July 1, as originally reported	21,676,684	27,640,885	47,110,027	28,948,958
Prior period adjustments	(1,039,203)	44,832	(656,102)	0
July 1, as restated	20,637,481	27,685,717	46,453,925	28,948,958
Increase (Decrease) in reserve for inventory	(1,879)	1,582	(5,782)	(12,281)
June 30	\$ 14,485,941	21,676,684	27,640,885	47,110,027

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District as of and for the year ended June 30, 2011, which collectively comprise the district's basic financial statements and have issued my report thereon dated February 6, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Charles L. Shivers, CPA

Ridgeland, MS
February 6, 2012

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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
Pass Christian School District

Compliance

I have audited the compliance of the Pass Christian School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the 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

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

My consideration of the 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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

Charles L Shivers, CPA

Ridgeland, MS
February 6, 2012

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

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

Superintendent and School Board
Pass Christian School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated February 6, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$11,615 of classroom supply funds carried over from previous years.

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

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

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

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

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

Charles L. Shivers, CPA

Ridgeland, MS
February 6, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Pass Christian School District
 Schedule of Findings and Questioned Costs
 June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | CFDA #: 84.389 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | CFDA #: 84.391 | |
| | CFDA #: 84.392 | |
| | c. ARRA - State fiscal stabilization fund - education state grants, recovery act | |
| | CFDA#: 84.394 | |
| | d. Education jobs fund | |
| | CFDA#: 84.410 | |
| | e. Disaster grants - public assistance (presidentially declared disasters) | |
| | CFDA#: 97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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