

# PASS CHRISTIAN SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2009

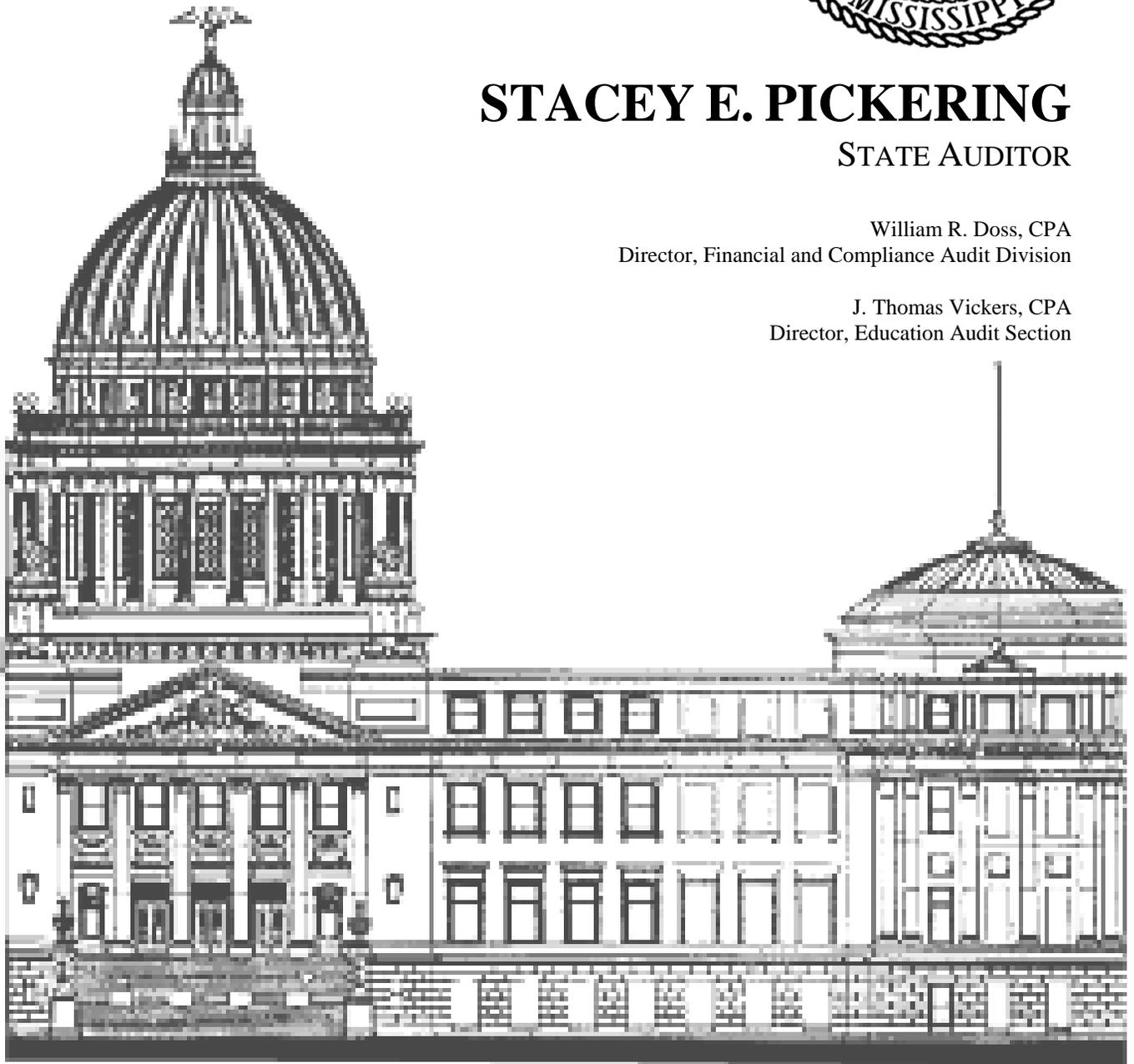


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

J. Thomas Vickers, CPA  
Director, Education Audit Section



A Report from the Education Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

September 17, 2010

Members of the School Board  
Pass Christian School District

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for the Pass Christian School District. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the Superintendent and other employees of the Pass Christian School District throughout the audit. Thank you for working to move Mississippi forward by serving as a board member for the Pass Christian School District. If I or this office can be of any further assistance, please contact me or Tommy Vickers of my staff at (601) 576-2666.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering  
State Auditor



PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

PASS CHRISTIAN SCHOOL DISTRICT

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Superintendent and School Board  
Pass Christian School District

We 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, 2009, 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pass Christian School District, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, on our consideration of the Pass Christian School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Will-R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 17, 2010

PASS CHRISTIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

The discussion and analysis of Pass Christian School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

## FINANCIAL HIGHLIGHTS

- Total net assets for 2009 decreased \$3,105,107, including prior period adjustments of (\$2,173,287), which represents 4.30% decrease from fiscal year 2008. Total net assets for 2008 increased \$36,026,945, including a prior period adjustment of (\$54,596) which represents a 30.21% increase from fiscal year 2007.
- General revenues amounted to \$12,471,888 and \$15,241,742, or 67.89% and 37.90% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,897,926, or 32.11% of total revenues for 2009, and \$25,007,512, or 62.13 % of total revenues for 2008.
- The District had \$19,301,634 and \$19,562,887 in expenses for fiscal years 2009 and 2008; only \$5,897,926 for 2009 and \$25,007,512 for 2008 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,471,888 for 2009 and \$15,241,742 for 2008 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,018,599 in revenues and \$13,708,975 in expenditures for 2009, and \$14,067,402 in revenues and \$6,408,576 in expenditures in 2008. The General Fund's fund balance increased by \$1,562,602 from 2008 to 2009, including a prior period adjustment of \$1,501,200 and increased by \$1,555,266 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$16,798,410 for 2009 and increased by \$18,658,912 for 2008. The increase in 2009 was due to the increase in construction in progress as the District rebuilds from damages caused as a result of Hurricane Katrina.
- Long-term debt increased by \$334,578 for 2009 and decreased by \$736,842 for 2008. This increase in 2009 was due to the issuance of a Community Disaster Loan in conjunction with shortfalls caused by the effects of Hurricane Katrina. In addition, the liability for compensated absences increased for 2009 by \$6,972 and decreased by \$5,166 for 2008.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. 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 fund's balance sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**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.

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

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

Additionally, a Schedule of Expenditures of Federal Awards 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.

Also, included in the other supplemental information section are 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. This information 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$68,128,334 as of June 30, 2009.

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, 2009 and June 30, 2008.

Table 1  
Condensed Statement of Net Assets

	June 30, 2009	June 30, 2008	Percentage Change
Current assets	\$ 34,204,185	50,821,045	(32.70) %
Restricted assets	210,551	1,855,100	(88.65) %
Capital assets, net	54,567,985	37,769,575	44.48 %
<b>Total assets</b>	<b>88,982,721</b>	<b>90,445,720</b>	<b>(1.62) %</b>
Current liabilities	7,119,721	5,819,163	22.35 %
Long-term debt outstanding	12,734,666	12,393,116	2.76 %
<b>Total liabilities</b>	<b>19,854,387</b>	<b>18,212,279</b>	<b>9.02 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	45,148,959	27,206,950	65.95 %
Restricted	1,668,625	2,364,636	(29.43) %
Unrestricted	22,310,750	42,661,855	(47.70) %
<b>Total Net Assets</b>	<b>\$ 69,128,334</b>	<b>72,233,441</b>	<b>(4.30) %</b>

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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

- Increase in net capital assets in the amount of \$16,798,410.
- The principal retirement of \$1,166,622 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$18,369,814 and \$40,249,254, respectively. The total cost of all programs and services was \$19,301,634 for 2009 and \$19,562,887 for 2008. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

Table 2  
Change(s) in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 425,454	428,439	(0.70) %
Operating grants and contributions	3,958,844	10,528,789	(62.40) %
Capital Grants and Contributions	1,513,628	14,050,284	(89.23) %
General revenues:			
Property (and gaming) taxes	7,820,888	6,794,797	15.10 %
Grants and contributions not restricted	7,001,728	8,108,673	(13.65) %
Investment earnings	(2,696,225)	186,809	(1,543.31) %
Sixteenth section sources	(7,712)	17,888	(143.11) %
Other	353,209	133,575	164.43 %
<b>Total Revenues</b>	<u>18,369,814</u>	<u>40,249,254</u>	<u>(54.36) %</u>
<b>Expenses:</b>			
Instruction	9,775,349	9,302,778	5.08 %
Support services	8,403,382	8,949,827	(6.11) %
Non-instructional	626,473	831,446	(24.65) %
Sixteenth section	2,049	1,581	29.60 %
Interest and other expense on long-term liabilities	494,381	477,255	3.59 %
<b>Total Expenses</b>	<u>19,301,634</u>	<u>19,562,887</u>	<u>(1.34) %</u>
<b>Special Item</b>		15,395,174	0.00 %
<b>Increase (Decrease) in net assets</b>	<u>(931,820)</u>	<u>36,081,541</u>	<u>(102.58) %</u>
<b>Net Assets, July 1, as originally reported</b>	72,233,441	36,206,496	99.50 %
<b>Prior Period Adjustments</b>	(2,173,287)	(54,596)	3,880.67 %
<b>Net Assets Restated, July 1</b>	<u>70,060,154</u>	<u>36,151,900</u>	<u>93.79 %</u>
<b>Net Assets, June 30</b>	<u>\$ 69,128,334</u>	<u>72,233,441</u>	<u>(4.30) %</u>

**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest 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 shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

Table 3  
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2009	2008	Change
Instruction	\$ 9,775,349	9,302,778	5.08 %
Support services	8,403,382	8,949,827	(6.11) %
Non-instructional	626,473	831,446	(24.65) %
Sixteenth section	2,049	1,581	29.60 %
Interest on long-term liabilities	494,381	477,255	3.59 %
<b>Total Expenses</b>	<b>\$ 19,301,634</b>	<b>19,562,887</b>	<b>(1.34) %</b>

	Net (Expense) Revenue		Percentage
	2009	2008	Change
Instruction	\$ (6,277,311)	929,006	775.70 %
Support services	(6,867,538)	4,511,081	252.24 %
Non-instructional	170,307	483,374	64.77 %
Sixteenth section	(2,049)	(1,581)	(29.60) %
Interest on long-term liabilities	(427,117)	(477,255)	10.51 %
<b>Total Net (Expense) Revenue</b>	<b>\$ (13,403,708)</b>	<b>5,444,625</b>	<b>346.18 %</b>

- Net cost of governmental activities, [(\$13,403,708) for 2009 and \$5,444,625 for 2008], was financed by general revenue, which is made up of primarily property and gaming taxes of \$7,820,888 for 2009 and \$6,794,797 for 2008 and state and federal revenues of \$7,001,728 for 2009 and \$8,108,673 for 2008. In addition, there was (\$7,712) and \$17,888 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings amounted to (\$2,696,225) for 2009 and \$186,809 for 2008.
- Other revenue earning amounted to \$353,209 for 2009 and \$133,575 for 2008.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$27,640,885, a decrease of \$19,469,142, which includes the prior period adjustment of (\$656,102) and a decrease in inventory of \$5,782. \$3,553,225 or 12.85% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$24,087,660 or 87.15% is reserved or designated to indicate that it is not available for spending because it has already been committed.

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENED JUNE 30, 2009

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,562,602 including the effects of prior period adjustments of \$1,501,200. The fund balance of Other Governmental Funds showed a decrease in the amount of \$994,014, which includes a prior period adjustment of \$8 and a decrease in reserve for inventory of \$5,782. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
MEMA/ FEMA Fund	no increase or decrease
Hurricane Katrina Fund	\$21,006,906 decrease, including a prior period adjustment of \$13,869
Local Building Projects Fund	\$969,176 increase

**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 funds is provided in this report as required supplemental information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2009, the District's total capital assets were \$60,299,981, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$17,534,056 from 2008. Total accumulated depreciation as of June 30, 2009, was \$5,731,996, and total depreciation expense for the year was \$907,989, resulting in total net capital assets of \$54,567,985.

Table 4  
Capital Assets Net of Depreciation

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 484,731	484,731	0.00 %
Construction in Progress	31,425,509	19,841,129	58.39 %
Buildings	18,435,935	14,056,676	31.15 %
Building improvements	99,181	103,494	(4.17) %
Improvements other than buildings	2,288,054	2,313,983	(1.12) %
Mobile equipment	1,197,352	738,425	62.15 %
Furniture and equipment	637,223	231,137	175.69 %
<b>Total</b>	<u>\$ 54,567,985</u>	<u>37,769,575</u>	44.48 %

PASS CHRISTIAN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**Debt Administration.** At June 30, 2009, the District had \$12,734,666 in outstanding long-term debt, of which \$1,097,167 is due within one year. In addition, the liability for compensated absences increased from the prior year.

The District maintains an Aa3 bond rating.

Table 5  
Outstanding Long-Term Debt

	June 30, 2009	June 30, 2008	Percentage Change
General obligation bonds payable	\$ 6,750,000	7,290,000	(7.41) %
Limited obligation bonds payable	1,825,106	1,972,866	(7.49) %
Three mill notes payable	843,920	1,299,759	(35.07) %
Shortfall notes payable	50,267	73,290	(31.41) %
Community disaster loan payable	3,100,945	1,599,745	93.84 %
Compensated absences payable	164,428	157,456	4.43 %
<b>Total</b>	<b>\$ 12,734,666</b>	<b>12,393,116</b>	<b>2.76 %</b>

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.

Enrollment for the 2008-2009 year increased by 1.59% to 1,467 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT

FINANCIAL STATEMENTS

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2009

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 10,286,450
Investments	22,071,716
Due from other governments	1,005,477
Other receivables, net	4,417
Inventories	3,767
Prepaid items	832,358
Restricted assets	210,551
Capital assets, non-depreciable:	
Land	484,731
Construction in progress	31,425,509
Capital assets, net of accumulated depreciation:	
Buildings	18,435,935
Building improvements	99,181
Improvements other than buildings	2,288,054
Mobile equipment	1,197,352
Furniture and equipment	637,223
	<hr/>
Total Assets	88,982,721
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Liabilities	
Accounts payable and accrued liabilities	2,516,401
Unearned revenue	4,257,450
Interest payable on long-term liabilities	345,870
Long-term liabilities, due within one year	
Capital related liabilities	1,072,765
Non-capital related liabilities	24,402
Long-term liabilities, due beyond one year	
Capital related liabilities	8,346,261
Non-capital related liabilities	3,291,238
	<hr/>
Total Liabilities	19,854,387
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	45,148,959
Restricted net assets:	
Expendable:	
School-based activities	175,812
Debt service	1,010,985
Capital improvements	231,706
Forestry improvements	3,854
Unemployment benefits	35,717
Non-expendable:	
Sixteenth section	210,551
Unrestricted	22,310,750
	<hr/>
Total Net Assets	\$ 69,128,334
	<hr/> <hr/>

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, 2009

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 9,775,349	220,088	1,764,322	1,513,628	(6,277,311)	
Support services	8,403,382	4,523	1,531,321		(6,867,538)	
Non-instructional	626,473	200,843	595,937		170,307	
Sixteenth section	2,049				(2,049)	
Interest on long-term liabilities	494,381		67,264		(427,117)	
Total Governmental Activities	\$ 19,301,634	425,454	3,958,844	1,513,628	(13,403,708)	
General Revenues:						
Taxes:						
General purpose levies						6,537,555
Debt purpose levies						1,098,850
Gaming						184,483
Unrestricted grants and contributions:						
State						6,233,403
Federal						768,325
Loss on investments						(2,696,225)
Sixteenth section sources						(7,712)
Other						353,209
Total General Revenues						12,471,888
Change in Net Assets						(931,820)
Net Assets - Beginning, as originally reported						72,233,441
Prior Period Adjustments						(2,173,287)
Net Assets - Beginning - Restated						70,060,154
Net Assets - Ending						\$ 69,128,334

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

	Major Funds					
	General Fund	FEMA/MEMA Fund	Hurricane Katrina Fund	Local Building Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,628,761	755,297	7,643	5,841,873	1,054,048	10,287,622
Investments	1,023,474		15,816,264	4,744,198	697,159	22,281,095
Due from other governments	851,893				153,584	1,005,477
Other receivables, net	1,124				43	1,167
Due from other funds	1,938	3,921,179		10,828,177	21,290	14,772,584
Inventories					3,767	3,767
Prepaid items	832,358					832,358
<b>Total Assets</b>	<b>\$ 5,339,548</b>	<b>4,676,476</b>	<b>15,823,907</b>	<b>21,414,248</b>	<b>1,929,891</b>	<b>49,184,070</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,084,587	421,630	878,598		131,586	2,516,401
Due to other funds	41,424		14,678,987	1,395	47,528	14,769,334
Unearned revenue		4,254,846			2,604	4,257,450
<b>Total Liabilities</b>	<b>1,126,011</b>	<b>4,676,476</b>	<b>15,557,585</b>	<b>1,395</b>	<b>181,718</b>	<b>21,543,185</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Contracts			230,813			230,813
Inventory					3,767	3,767
Prepaid items	832,357					832,357
Capital projects					893	893
Debt service					1,356,855	1,356,855
Unemployment benefits					35,717	35,717
Forestry improvement purposes					3,854	3,854
Permanent fund purposes					210,551	210,551
<b>Unreserved:</b>						
<b>Designated for, reported in:</b>						
Capital Projects Funds				21,412,853		21,412,853
<b>Undesignated, reported in:</b>						
General Fund	3,381,180					3,381,180
Special Revenue Funds			35,509		136,536	172,045
<b>Total Fund Balances</b>	<b>4,213,537</b>	<b>0</b>	<b>266,322</b>	<b>21,412,853</b>	<b>1,748,173</b>	<b>27,640,885</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,339,548</b>	<b>4,676,476</b>	<b>15,823,907</b>	<b>21,414,248</b>	<b>1,929,891</b>	<b>49,184,070</b>

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, 2009

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 27,640,885
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,731,996.	54,567,985
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(12,734,666)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(345,870)</u>
Total Net Assets - Governmental Activities	\$ <u><u>69,128,334</u></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, 2009

Exhibit D

	Major Funds					Total Governmental Funds
	General	FEMA/MEMA	Hurricane	Local	Other	
	Fund	Fund	Katrina Fund	Building Projects Fund	Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 6,841,942	2,115	(1,909,612)	(413,487)	1,270,677	5,791,635
State sources	6,365,243				165,603	6,530,846
Federal sources	811,414	1,695,379			1,960,037	4,466,830
Sixteenth section sources					(7,712)	(7,712)
Total Revenues	<u>14,018,599</u>	<u>1,697,494</u>	<u>(1,909,612)</u>	<u>(413,487)</u>	<u>3,388,605</u>	<u>16,781,599</u>
<b>Expenditures:</b>						
Instruction	7,397,982	635,825	71,029		1,198,117	9,302,953
Support services	6,310,993	500,981	483,800		1,516,091	8,811,865
Noninstructional services		59,051	30,022		764,353	853,426
Sixteenth section					2,049	2,049
Facilities acquisition and construction		501,637	14,605,133	17,337	3,271	15,127,378
Debt service:						
Principal					1,166,622	1,166,622
Interest					400,357	400,357
Other					1,200	1,200
Total Expenditures	<u>13,708,975</u>	<u>1,697,494</u>	<u>15,189,984</u>	<u>17,337</u>	<u>5,052,060</u>	<u>35,665,850</u>
Excess (Deficiency) of Revenues over Expenditures	<u>309,624</u>	<u>0</u>	<u>(17,099,596)</u>	<u>(430,824)</u>	<u>(1,663,455)</u>	<u>(18,884,251)</u>
<b>Other Financing Sources (Uses):</b>						
Insurance loss recoveries	4,523					4,523
Sale of transportation equipment	3,404					3,404
Sale of other property	69,066					69,066
Operating transfers in	1,755,881	3,921,179		1,400,000	694,337	7,771,397
Operating transfers out	(2,081,096)	(1,750,000)	(3,921,179)		(19,122)	(7,771,397)
Total Other Financing Sources (Uses)	<u>(248,222)</u>	<u>2,171,179</u>	<u>(3,921,179)</u>	<u>1,400,000</u>	<u>675,215</u>	<u>76,993</u>
Net Change in Fund Balances	<u>61,402</u>	<u>2,171,179</u>	<u>(21,020,775)</u>	<u>969,176</u>	<u>(988,240)</u>	<u>(18,807,258)</u>
<b>Fund Balances:</b>						
July 1, 2008, as originally reported	2,650,935		21,273,228	20,443,677	2,742,187	47,110,027
Prior period adjustments	<u>1,501,200</u>	<u>(2,171,179)</u>	<u>13,869</u>		<u>8</u>	<u>(656,102)</u>
July 1, 2008, as restated	<u>4,152,135</u>	<u>(2,171,179)</u>	<u>21,287,097</u>	<u>20,443,677</u>	<u>2,742,195</u>	<u>46,453,925</u>
Decrease in reserve for inventory					(5,782)	(5,782)
June 30, 2009	<u>\$ 4,213,537</u>	<u>0</u>	<u>266,322</u>	<u>21,412,853</u>	<u>1,748,173</u>	<u>27,640,885</u>

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, 2009

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (18,807,258)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$17,792,787 and the depreciation expense amounted to \$907,988.	16,884,798
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,166,622
3. 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.	(92,825)
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(67,998)
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(5,782)
6. Proceeds from the sale of capital equipment are shown as other financing sources in the governmental funds but are netted against the gain or loss on sale of capital assets on the Statement of Net Assets.	(2,405)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(6,972)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(931,820)</u></u>

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

PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2009

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,040	17,598
Investments	<u>63,829</u>	<u>6,377</u>
 Total Assets	 \$ <u><u>72,869</u></u>	 <u><u>23,975</u></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	1,156
Due to other funds	2,750	500
Due to student clubs	<u></u>	<u>22,319</u>
 Total Liabilities	 \$ <u><u>2,750</u></u>	 <u><u>23,975</u></u>
<b>Net Assets</b>		
Reserved for endowments	\$ <u>70,119</u>	
 Total Net Assets	 \$ <u><u>70,119</u></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, 2009

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Loss on investments	\$ (8,127)
Contributions and donations from private sources	<u>28,232</u>
Total Additions	<u>20,105</u>
Deductions	
Scholarships awarded	<u>49,000</u>
Total Deductions	<u>49,000</u>
Change in Net Assets	<u>(28,895)</u>
Net Assets	
July 1, 2008	<u>99,014</u>
June 30, 2009	<u>\$ <u>70,119</u></u>

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pass Christian Mississippi 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, Pass Christian School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

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

The Statement of Net Assets presents the District's 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 the Financial Statements  
For the Year Ended June 30, 2009

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 properly 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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 received as a result of Hurricane Katrina.

Local Building Projects Fund – This capital project fund is financed with local funds and used to account for various 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 fund for payroll and payroll related transactions.

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

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

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

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

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

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, 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.

C. Measurement Focus and Basis of Accounting.

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

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

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

Property 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.

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based on 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 taxes are actually collected by the tax levying authority.

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

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

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

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

D. Account Classifications.

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 resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

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

6. Capital Assets.

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

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

Depreciation is calculated on the straight-line basis for all assets, except land.

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund equity.

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

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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

Reserved for contractual commitments - An account that represents that portion of the fund balance which is legally restricted to approved construction/renovation contracts and that is not available for spending for any other purpose than that for which it was restricted.

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

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

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

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

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

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

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

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

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

(2) Cash and Cash Equivalents and Investments.

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

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 10,287,622 and \$26,638, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$10,286,450. The bank balance was \$10,992,669.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2009, none of the district's bank balance of \$10,992,669 was exposed to custodial credit risk.

Investments.

As of June 30, 2009, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Mississippi Education Investment Pool B	Less than 1 year	\$ <u>22,351,301</u>	Not rated **
Total Investments		\$ <u>22,351,301</u>	

\*\* The investments in the Mississippi Education Investment Pool B are not SEC-registered, and there is no regulatory oversight for this Pool. The fair value of the position in the Pool is the same as the value of the respective Pool shares. The Mississippi Education Investment Pool B does not issue separate audited financial statements.

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

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

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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

(3) Inter-fund Receivables, Payables and Transfers.

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

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Local Building Projects Fund	\$ 1,395
General Fund	Other governmental funds	43
General Fund	Fiduciary Funds	500
FEMA/MEMA Fund	Hurricane Katrina Fund	3,921,179
Local Building Projects Fund	General Fund	20,134
Local Building Projects Fund	Hurricane Katrina Fund	10,757,808
Local Building Projects Fund	Other governmental funds	47,485
Local Building Projects Fund	Fiduciary Funds	2,750
Other governmental funds	General Fund	<u>21,290</u>
Total		<u>\$ 14,772,584</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing adjustments and to show the effects of approved operating transfers and the resulting inter-fund balances created by these transfers.

B. Inter-fund Transfers.

Transfers Out	Transfers In	Amount
General Fund	Local Building Projects Fund	\$ 1,400,000
General Fund	Other governmental funds	681,096
FEMA/MEMA Fund	General Fund	1,750,000
Hurricane Katrina Fund	FEMA/MEMA Fund	3,921,179
Other governmental funds	General Fund	5,882
Other governmental funds	Other governmental funds	<u>13,240</u>
Total		<u>\$ 7,771,397</u>

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

The transfer out of the General Fund was for the purpose of funding local building projects and providing operating transfers as other financing sources for certain special revenue funds and debt service funds. The other transfers were for general operating purposes.

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$1,172, and \$209,379, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets.

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

	Balance 7/1/2008	Additions	Retirements	Completed Construction	Adjustments*	Balance 6/30/2009
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 484,731					484,731
Construction in progress	19,841,129	15,127,378		(3,527,013)	(15,985)	31,425,509
Total non-depreciable capital assets	20,325,860	15,127,378	-	(3,527,013)	(15,985)	31,910,240
<u>Depreciable capital assets:</u>						
Buildings	17,146,773	1,444,304	57,484	3,423,185		21,956,778
Building improvements	107,806					107,806
Improvements other than buildings	3,220,735			103,828		3,324,563
Mobile equipment	1,512,584	634,688	185,262			1,962,010
Furniture and equipment	452,167	586,417				1,038,584
Total depreciable capital assets	22,440,065	2,665,409	242,746	3,527,013	-	28,389,741
<u>Less accumulated depreciation for:</u>						
Buildings	3,090,097	437,643	6,897			3,520,843
Building improvements	4,312	4,313				8,625
Improvements other than buildings	906,752	129,757				1,036,509
Mobile equipment	774,159	155,945	165,446			764,658
Furniture and equipment	221,030	180,331				401,361
Total accumulated depreciation	4,996,350	907,989	172,343	-	-	5,731,996
Total depreciable capital assets, net	17,443,715	1,757,420	70,403	3,527,013	-	22,657,745
Governmental activities capital assets, net	\$ 37,769,575	16,884,798	70,403	-	(15,985)	54,567,985

\* Prior period adjustments were made for overpayments in prior years for completed construction.

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 437,041
Support services	420,718
Non-instructional	<u>50,230</u>
 Total Depreciation Expense	 \$ <u><u>907,989</u></u>

Commitments under construction contracts at June 30, 2009, are summarized as follows:

	<u>Spent to June 30, 2009</u>	<u>Remaining Commitment</u>
Governmental Activities		
Delisle K-5 Addition	\$ 476,939	-
Old Field House	137,059	226,101
Pass Middle Re-Build	15,393,728	2,355
Pass Elementary Re-Build	15,393,728	2,356
Tennis Court	<u>24,055</u>	<u>-</u>
 Total	 <u><u>31,425,509</u></u>	 <u><u>230,812</u></u>

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

(6) Long-term Liabilities.

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

	<u>Balance 7/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 6/30/2009</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable \$	7,290,000		540,000		6,750,000	560,000
B. Limited obligation bonds payable	1,972,866		147,760		1,825,106	154,540
C. Three mill notes payable	1,299,759		455,839		843,920	358,225
D. Shortfall notes payable	1,673,035		23,023	1,501,200	3,151,212	24,402
E. Compensated absences payable	157,456	6,972			164,428	
 Total	 \$ 12,393,116	 6,972	 1,166,622	 1,501,200	 12,734,666	 1,097,167

\* Adjustment to record a Community Disaster Loan for a shortfall of ad valorem taxes in the prior year.

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding, bonds, Series 2005	3.00-4.00%	5/19/2005	9/1/2017	\$ 7,705,000	6,750,000
Total				\$ 7,705,000	6,750,000

Details of the district's general obligation bonded indebtedness are as follows:

Bond issue of May 19, 2005.

Year Ending June 30	Principal	Interest	Total
2010	\$ 560,000	246,828	806,828
2011	605,000	227,200	832,200
2012	630,000	205,587	835,587
2013	655,000	182,281	837,281
2014	800,000	155,000	955,000
2015 – 2019	3,500,000	286,600	3,786,600
Total	\$ 6,750,000	1,303,496	8,053,496

This debt will be retired from the Bond Retirement Fund (4031).

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, 2009, the amount of outstanding bonded indebtedness was equal to 4.26% of property assessments as of October 1, 2008.

B. Limited obligation bonds payable.

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

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Series, 2006	4.59%	3/12/1998	8/15/2018	\$ 2,579,000	1,825,106
Total				\$ 2,579,000	1,825,106

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Details of the district's limited obligation bonds indebtedness are as follows:

Limited obligation bond issue of March 12, 1998.

Year Ending June 30	Principal	Interest	Total
2010	\$ 154,540	83,774	238,314
2011	161,637	76,677	238,314
2012	169,054	69,260	238,314
2013	176,814	61,500	238,314
2014	184,929	53,385	238,314
2015 – 2019	<u>978,132</u>	<u>131,533</u>	<u>1,109,665</u>
Total	<u>\$ 1,825,106</u>	<u>476,129</u>	<u>2,301,235</u>

This debt will be retired from the MAEP Bond Retirement Fund (4041).

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

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$2,579,000 in limited obligation bonds payable issued March 12, 1998. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through August 15, 2018. Annual principal and interest payments on the bonds are expected to require approximately four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$2,301,235. Principal and interest paid for the current year and total State Minimum Adequate Education Program revenues were \$238,314 and \$5,933,730, respectively.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, Series 2005	3.375%	6/27/2005	6/27/2013	\$ 420,000	223,920
Three mill notes, Series 2007	3.41%	12/14/2007	12/1/2010	<u>630,000</u>	<u>620,000</u>
Total				<u>\$ 1,050,000</u>	<u>843,920</u>

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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

1. Three mill notes payable issued June 27, 2005.

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 53,225	7,557	60,782
2011	55,021	5,761	60,782
2012	56,878	3,904	60,782
2013	<u>58,796</u>	<u>1,986</u>	<u>60,782</u>
Total	<u>\$ 223,920</u>	<u>19,208</u>	<u>243,128</u>

This debt will be retired from the EEF Buildings and Bus Fund (2410).

The School District has pledged a portion of future Educational Enhancement Fund revenues to repay \$420,000 in three mill notes payable for June 27, 2005. Proceeds from the notes were used to make capital improvements to the District's buildings. The notes are payable in part from future revenues of the State Educational Enhancement Buildings and Buses Revenue Program and are payable through June 27, 2013. Annual principal and interest payments on the notes are expected to require all of such state revenues designated as Educational Enhancement Buildings and Buses revenue and additional revenue raised through ad valorem debt service levies. The total principal and interest remaining to be paid on the notes is \$243,128. Principal and interest paid for the current year and the total State Educational Enhancement Buildings and Buses revenues were \$60,782 and \$67,264, respectively.

2. Three mill notes payable issued December 14, 2007.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 305,000	21,142	326,142
2011	<u>315,000</u>	<u>10,742</u>	<u>325,742</u>
Total	<u>\$ 620,000</u>	<u>31,884</u>	<u>651,884</u>

This debt will be retired from the Note Retirement Fund (4021).

Total three mill notes payable payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 358,225	28,699	386,924
2011	370,021	16,503	386,524
2012	56,878	3,904	60,782
2013	<u>58,796</u>	<u>1,986</u>	<u>60,782</u>
Total	<u>\$ 843,920</u>	<u>51,092</u>	<u>895,012</u>

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

D. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community Disaster Loan	3.02%	6/2/2006	6/11/2011	\$ 3,100,945	3,100,945
Shortfall notes, Series 2007	5.99%	7/24/2007	7/24/2010	<u>73,290</u>	<u>50,267</u>
Total				<u>\$ 3,174,235</u>	<u>3,151,212</u>

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

Community Disaster Loan issued June 2, 2006.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	-	-
2011	<u>3,100,945</u>	<u>152,084</u>	<u>3,253,029</u>
Total	<u>\$ 3,100,945</u>	<u>152,084</u>	<u>3,253,029</u>

This debt will be retired from the District Maintenance Fund (1120).

In fiscal years 2007 and 2008, the school district borrowed \$3,100,945 from the U.S. Department of Homeland Security (FEMA) under the Community Disaster Loan Program. This is a shortfall note and its purpose was to provide funds for a shortfall in the local budget that was caused because of damages to properties and tax assessments and related tax collections as a result of Hurricane Katrina in August 2005. Payments on the loan are deferred for a five year period. This debt will be retired from the District Maintenance Fund.

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

Shortfall notes payable issued July 24, 2007.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 24,402	3,011	27,413
2011	<u>25,865</u>	<u>1,549</u>	<u>27,414</u>
Total	<u>\$ 50,267</u>	<u>4,560</u>	<u>54,827</u>

This debt will be retired from the Shortfall Note Retirement Fund (4011).

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 24,402	3,011	27,413
2011	3,126,810	153,633	3,280,443
Total	\$ 3,151,212	156,644	3,307,856

F. Compensated absences payable.

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

(7) Prior Year Defeasance of Debt.

In prior years, the Pass Christian School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2009, \$6,455,000 of bonds outstanding are defeased.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5. .

Operating Leases:

The school district has operating leases for 17 copiers. Lease expenditures for the year ended June 30, 2009, amounted to \$11,577. Future lease payments for this lease are as follows:

June 30	Amount
2010	\$ 46,308
2011	46,308
2012	46,308
2013	34,731
Total	\$ 173,655

(9) 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.

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2009 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2009, 2008 and 2007 were \$1,083,494, \$1,063,294, and \$936,691, respectively, which equaled the required contributions for each year.

(10) 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
2010	\$ 7,038
2011	701
2012	701
2013	701
2014	701
2015 – 2019	3,505
2020 – 2024	3,505
2025 – 2029	3,055
2030 – 2034	1,255
Thereafter	1,847
Total	<u>\$ 23,009</u>

(11) Prior Period Adjustment(s).

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
An error in recording a District asset or liability	\$ 13,877
An adjustment to construction in progress in prior periods	(15,985)
An adjustment to reflect a prior period CDL loan payable	(1,501,200)
An adjustment to reflect a prior period revenue deferral	(3,921,179)
An adjustment to reflect a prior period CDL loan proceeds	1,501,200
An adjustment to reflect revenue for prior period expenditures	1,750,000
Total	<u>\$ (2,173,287)</u>

PASS CHRISTIAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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

Major Funds	Explanation(s)	Amount
General Fund	To record fiscal year 2008 CDL loan for fiscal year 2007-2008 shortfall.	\$ 1,501,200
FEMA/MEMA Fund	To reflect a prior period deferral of revenue.	(3,921,179)
FEMA/MEMA Fund	To reflect revenue for prior period expenditures	1,750,000
Hurricane Katrina Fund	An error in recording a district asset or liability	13,869
Other governmental funds	An error in recording a district asset or liability.	<u>8</u>
	Total	<u>\$ (656,102)</u>

(12) 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, 2009, 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 \$2,889,617 may exist in overpayments.

The Mississippi Emergency Management Agency has questioned \$333,432 in costs for duplicate funding, 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.

(13) 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.

(14) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated June 14, 1983 creating the West Harrison Occupational Training Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Long Beach School District and the Mississippi Gulf Coast Community College.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

PASS CHRISTIAN SCHOOL DISTRICT

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For the Year Ended June 30, 2009

The Mississippi Gulf Coast Community College has been designated as the fiscal agent for the West Harrison Occupational Training Center and the operations of the consortium are included in its financial statements.

(15) Insurance loss recoveries.

The Pass Christian School District received \$4,523 in insurance loss recoveries related to damages to buses during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and reported in the support services expenditure function.

(16) Subsequent Events.

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the school district evaluated the activity of the district through the date the financial statements were available to be issued and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

The school district entered into a construction contract dated July 17, 2009, in the amount of \$611,418 for new tennis courts at the high school.

The school district entered into a construction contract dated September 9, 2009, in the amount of \$10,123,000 for additions and renovations at Pass Christian Delisle Elementary School.

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,893,955	6,879,048	6,841,942	(1,014,907)	(37,106)
State sources	6,720,780	6,328,137	6,365,243	(392,643)	37,106
Federal sources	112,120	109,612	811,414	(2,508)	701,802
Total Revenues	<u>14,726,855</u>	<u>13,316,797</u>	<u>14,018,599</u>	<u>(1,410,058)</u>	<u>701,802</u>
Expenditures:					
Instruction	7,669,781	7,397,982	7,397,982	271,799	
Support services	6,459,469	6,249,582	6,310,993	148,476	(61,411)
Facilities acquisition and construction	198,800	61,411		198,800	61,411
Debt service:					
Interest	2,000			2,000	
Total Expenditures	<u>14,330,050</u>	<u>13,708,975</u>	<u>13,708,975</u>	<u>621,075</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>396,805</u>	<u>(392,178)</u>	<u>309,624</u>	<u>(788,983)</u>	<u>701,802</u>
Other Financing Sources (Uses):					
Proceeds of loans		1,501,200		1,501,200	(1,501,200)
Insurance loss recoveries		4,523	4,523	4,523	
Sale of transportation equipment	1,000	3,404	3,404	2,404	
Sale of other property	1,000	69,066	69,066	68,066	
Operating transfers in	1,286,037	2,987,911	1,755,881	1,701,874	(1,232,030)
Operating transfers out	(2,128,738)	(3,313,126)	(2,081,096)	(1,184,388)	1,232,030
Total Other Financing Sources (Uses)	<u>(840,701)</u>	<u>1,252,978</u>	<u>(248,222)</u>	<u>2,093,679</u>	<u>(1,501,200)</u>
Net Change in Fund Balances	<u>(443,896)</u>	<u>860,800</u>	<u>61,402</u>	<u>1,304,696</u>	<u>(799,398)</u>
Fund Balances:					
July 1, 2008, as originally reported	2,650,935	2,650,935	2,650,935		
Prior period adjustments			1,501,200		1,501,200
July 1, 2008, as restated	<u>2,650,935</u>	<u>2,650,935</u>	<u>4,152,135</u>		<u>1,501,200</u>
June 30, 2009	\$ <u>2,207,039</u>	<u>3,511,735</u>	<u>4,213,537</u>	<u>1,304,696</u>	<u>701,802</u>

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

PASS CHRISTIAN SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 FEMA/MEMA Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$	2,115	2,115	2,115	
Federal sources	15,192,112	3,445,379	1,695,379	(11,746,733)	(1,750,000)
Total Revenues	15,192,112	3,447,494	1,697,494	(11,744,618)	(1,750,000)
<b>Expenditures:</b>					
Instruction	355,058	635,825	635,825	(280,767)	
Support services	1,328,786	500,981	500,981	827,805	
Noninstructional services	2,000	59,051	59,051	(57,051)	
Facilities acquisition and construction	13,513,816	501,637	501,637	13,012,179	
Total Expenditures	15,199,660	1,697,494	1,697,494	13,502,166	
Excess (Deficiency) of Revenues over Expenditures	(7,548)	1,750,000		1,757,548	(1,750,000)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in			3,921,179		3,921,179
Operating transfers out		(1,750,000)	(1,750,000)	(1,750,000)	
Total Other Financing Sources (Uses)		(1,750,000)	2,171,179	(1,750,000)	3,921,179
Net Change in Fund Balances	(7,548)		2,171,179	7,548	2,171,179
<b>Fund Balances:</b>					
July 1, 2008, as originally reported					
Prior period adjustments			(2,171,179)		(2,171,179)
July 1, 2008, as restated			(2,171,179)		(2,171,179)
June 30, 2009	\$	0	0	7,548	0

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

PASS CHRISTIAN SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Hurricane Katrina Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 110,000	(1,909,612)	(1,909,612)	(2,019,612)	
Total Revenues	110,000	(1,909,612)	(1,909,612)	(2,019,612)	
Expenditures:					
Instruction	145,497	71,029	71,029	74,468	
Support services	578,027	114,969	483,800	463,058	(368,831)
Noninstructional services		30,021	30,022	(30,021)	(1)
Facilities acquisition and construction	18,559,285	14,973,964	14,605,133	3,585,321	368,831
Total Expenditures	19,282,809	15,189,983	15,189,984	4,092,826	(1)
Excess (Deficiency) of Revenues over Expenditures	(19,172,809)	(17,099,595)	(17,099,596)	2,073,214	(1)
Other Financing Sources (Uses):					
Operating transfers out			(3,921,179)		(3,921,179)
Total Other Financing Sources (Uses)			(3,921,179)		(3,921,179)
Net Change in Fund Balances	(19,172,809)	(17,099,595)	(21,020,775)	2,073,214	(3,921,180)
Fund Balances:					
July 1, 2008, as originally reported	21,273,228	21,273,228	21,273,228		
Prior period adjustments		13,869	13,869	13,869	
July 1, 2008, as restated	21,273,228	21,287,097	21,287,097	13,869	
June 30, 2009	\$ 2,100,419	4,187,502	266,322	2,087,083	(3,921,180)

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, 2009

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

PASS CHRISTIAN SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

PASS CHRISTIAN SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 131,623
National school lunch program	10.555	464,922
Total child nutrition cluster		596,545
Total U.S. Department of Agriculture		596,545
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	66,522
Total Federal Communications Commission		66,522
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	738,598
Career and technical education - basic grants to states	84.048	29,104
Safe and drug-free schools and communities- state grants	84.186	2,067
Teacher quality partnership grants	84.336	500
Rural education	84.358	43,041
Improving teacher quality state grants	84.367	120,169
Hurricane education recovery act programs	84.938	40,925
Total		974,404
Special education cluster:		
Special education - grants to states	84.027	441,477
Special education - preschool grants	84.173	17,733
Total special education cluster		459,210
Total passed-through Mississippi Department of Education		1,433,614
Total U.S. Department of Education		1,433,614
<u>U.S. Department of Homeland Security</u>		
Direct Program:		
Community disaster loans	97.030	701,802
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	1,695,379
Total Department of Homeland Security		2,397,181
Total for All Federal Awards		\$ 4,493,862

NOTES TO SCHEDULE

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

PASS CHRISTIAN SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2009

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 12,418,473	8,856,710	848,039	997,472	1,716,252
Other	<u>23,247,377</u>	<u>2,282,775</u>	<u>206,929</u>	<u>187,957</u>	<u>20,569,716</u>
Total	<u>\$ 35,665,850</u>	<u>11,139,485</u>	<u>1,054,968</u>	<u>1,185,429</u>	<u>22,285,968</u>
Total number of students*	<u>1,467</u>				
Cost per student	<u>\$ 24,312</u>	<u>7,593</u>	<u>719</u>	<u>808</u>	<u>15,192</u>

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

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

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

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

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

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

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>
<b>Revenues:</b>				
Local sources	\$ 6,841,942	5,812,034	5,304,279	6,296,600
State sources	6,365,243	8,184,227	7,679,913	7,589,857
Federal sources	<u>811,414</u>	<u>71,141</u>	<u>113,769</u>	<u>62,258</u>
Total Revenues	<u>14,018,599</u>	<u>14,067,402</u>	<u>13,097,961</u>	<u>13,948,715</u>
<b>Expenditures:</b>				
Instruction	7,397,982	2,845,388	2,651,832	2,632,214
Support services	6,310,993	3,563,188	4,918,143	2,549,795
Facilities acquisition and construction			<u>50,868</u>	<u>19,471</u>
Total Expenditures	<u>13,708,975</u>	<u>6,408,576</u>	<u>7,620,843</u>	<u>5,201,480</u>
Excess (Deficiency) of Revenues over Expenditures	<u>309,624</u>	<u>7,658,826</u>	<u>5,477,118</u>	<u>8,747,235</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans		1,153,784		445,961
Insurance loss recoveries	4,523	264		
Sale of transportation equipment	3,404	1,851		
Sale of other property	69,066			
Operating transfers in	1,755,881	5,457	124,278	92,564
Other financing sources			(6,136,480)	(9,122,047)
Operating transfers out	<u>(2,081,096)</u>	<u>(7,264,916)</u>		
Total Other Financing Sources (Uses)	<u>(248,222)</u>	<u>(6,103,560)</u>	<u>(6,012,202)</u>	<u>(8,583,522)</u>
Net Change in Fund Balances	<u>61,402</u>	<u>1,555,266</u>	<u>(535,084)</u>	<u>163,713</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	2,650,935	1,095,669	1,630,753	1,467,040
Prior period adjustments	<u>1,501,200</u>			
Beginning of period, as restated	<u>4,152,135</u>	<u>1,095,669</u>	<u>1,630,753</u>	<u>1,467,040</u>
End of Period	<u>\$ 4,213,537</u>	<u>2,650,935</u>	<u>1,095,669</u>	<u>1,630,753</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

PASS CHRISTIAN SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

"UNAUDITED"

	2009	2008*	2007*	2006*
<b>Revenues:</b>				
Local sources	\$ 5,791,635	7,544,621	7,613,055	8,559,180
State sources	6,530,846	8,346,737	7,822,708	7,737,449
Federal sources	4,466,830	24,341,003	9,073,278	17,522,080
Sixteenth section sources	(7,712)	16,893	23,569	20,055
<b>Total Revenues</b>	<b>16,781,599</b>	<b>40,249,254</b>	<b>24,532,610</b>	<b>33,838,764</b>
<b>Expenditures:</b>				
Instruction	9,302,953	8,938,503	8,844,293	8,685,043
Support services	8,811,865	8,947,848	7,259,499	12,249,972
Noninstructional services	853,426	818,919	810,422	682,177
Sixteenth section	2,049	1,581	2,042	1,349
Facilities acquisition and construction	15,127,378	18,907,025	2,926,684	3,709,984
<b>Debt service:</b>				
Principal	1,166,622	1,115,066	3,174,083	1,049,239
Interest	400,357	417,718	568,683	449,476
Other	1,200	3,343	3,711	3,199
<b>Total Expenditures</b>	<b>35,665,850</b>	<b>39,150,003</b>	<b>23,589,417</b>	<b>26,830,439</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(18,884,251)</b>	<b>1,099,251</b>	<b>943,193</b>	<b>7,008,325</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans		1,857,074		2,445,961
Insurance loss recoveries	4,523	15,215,174	1,773,033	11,469,008
Sale of transportation equipment	3,404	1,851		
Sale of other property	69,066			
Operating transfers in	7,771,397	7,514,611	6,395,589	9,224,549
Other financing sources			10,065	
Operating transfers out	(7,771,397)	(7,514,611)	(6,395,589)	(9,224,549)
<b>Total Other Financing Sources (Uses)</b>	<b>76,993</b>	<b>17,074,099</b>	<b>1,783,098</b>	<b>13,914,969</b>
<b>Net Change in Fund Balances</b>	<b>(18,807,258)</b>	<b>18,173,350</b>	<b>2,726,291</b>	<b>20,923,294</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	47,110,027	28,948,958	26,215,209	5,309,866
Prior period adjustments	(656,102)			(18,142)
Beginning of period, as restated	46,453,925	28,948,958	26,215,209	5,291,724
Increase (Decrease) in reserve for inventory	(5,782)	(12,281)	7,458	191
<b>End of period</b>	<b>\$ 27,640,885</b>	<b>47,110,027</b>	<b>28,948,958</b>	<b>26,215,209</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

PASS CHRISTIAN SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

PASS CHRISTIAN SCHOOL DISTRICT

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Superintendent and School Board  
Pass Christian School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pass Christian School District as of and for the year ended June 30, 2009, which collectively comprise Pass Christian School District's basic financial statements and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 17, 2010



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Superintendent and School Board  
Pass Christian School District

Compliance

We have audited the compliance of the Pass Christian School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Pass Christian School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Pass Christian School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Pass Christian School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pass Christian 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

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

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 17, 2010

PASS CHRISTIAN SCHOOL DISTRICT

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

PASS CHRISTIAN SCHOOL DISTRICT

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Superintendent and School Board  
Pass Christian School District

We 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, 2009, which collectively comprise Pass Christian School District's basic financial statements and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,609 of classroom supply funds carried over from previous years.

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

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

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

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

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

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 17, 2010

PASS CHRISTIAN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PASS CHRISTIAN SCHOOL DISTRICT

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PASS CHRISTIAN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
| a.  | Material weakness(es) identified?  | No          |
| b.  | Significant deficiency(ies) identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
| a.  | Child Nutrition Cluster<br>CFDA # 10.553 School Breakfast Program<br>CFDA # 10.555 National School Lunch Program   |             |
| b.  | Title I Grants to Local Educational Agencies<br>CFDA # 84.010  |             |
| c.  | Community Disaster Loans<br>CFDA # 97.030  |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes         |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No          |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

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