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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2011

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board  
Bay St. Louis / Waveland School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis / Waveland School District, as of June 30, 2011, and the respective changes in financial position and cash flows where applicable, 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 November 30, 2011, on our consideration of the Bay St. Louis / Waveland 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.

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

*Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



**Independent Auditor's Report on the Basic Financial Statements  
and Supplemental Information  
Page 2**

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

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

*Walter McDuff, Jr. Oppie*

Pascagoula, Mississippi  
November 30, 2011

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2011 decreased \$1,855,640, net of a prior period adjustment of \$1,171,887, which represents a 5% decrease from fiscal year 2010. Total net assets for 2010 increased \$11,321,438, including a prior period adjustment of \$3,225,771, which represents a 38% increase from fiscal year 2009.
- General revenues amounted to \$16,178,326 and \$15,650,698, or 79% and 51% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,263,407, or 21% of total revenues for 2011, and \$15,277,806, or 49% of total revenues for 2010.
- The District had \$23,469,260 and \$22,832,837 in expenses for fiscal years 2011 and 2010; only \$4,263,407 for 2011 and \$15,277,806 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,178,326 for 2011 were not adequate to provide for these programs. However, general revenues of \$15,650,698 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,649,851 in revenues and \$14,122,511 in expenditures for 2011, and \$14,167,012 in revenues and \$25,471,588 in expenditures in 2010. The General Fund's fund balance increased by \$4,457,198, including a prior period adjustment of \$3,155,342, from 2010 to 2011, and decreased by \$12,237,301, net of a prior period adjustment of \$323,612, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$719,602 for 2011 and increased by \$20,188,324 for 2010. The decrease for 2011 was due primarily to the disposal of buildings, mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$720,093 for 2011 and increased by \$4,145,362 for 2010. The decrease for 2011 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,025 for 2011 and increased by \$15,362 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

#### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Proprietary funds** – Proprietary funds of the District consist of an enterprise fund that is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District used an enterprise fund to account for its Early Education Center but discontinued the operations of the Center at the end of the fiscal year.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$39,274,326 as of June 30, 2011.

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

**Table 1**  
**Condensed Statement of Net Assets**

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	2011	2010	% Change	2011	2010	% Change
Current assets	\$ 17,529,005	\$ 28,600,947	(38.71) %	\$ -	\$ 32,156	(100.00) %
Restricted assets	633,027	3,928,485	(83.89) %	-	-	-
Capital assets, net	38,953,740	39,673,342	(1.81) %	-	-	-
<b>Total assets</b>	<b>57,115,772</b>	<b>72,202,774</b>	<b>(20.90) %</b>	<b>-</b>	<b>32,156</b>	<b>(100.00) %</b>
Current liabilities	1,906,751	14,418,020	(86.78) %	-	32,156	(100.00) %
Long-term debt outstanding	15,934,695	16,654,788	(4.32) %	-	-	-
<b>Total liabilities</b>	<b>17,841,446</b>	<b>31,072,808</b>	<b>(42.58) %</b>	<b>-</b>	<b>32,156</b>	<b>(100.00) %</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	31,331,767	34,681,827	(9.66) %	-	-	-
Restricted	1,845,281	4,802,942	(61.58) %	-	-	-
Unrestricted	6,097,278	1,645,197	270.61 %	-	-	-
<b>Total net assets</b>	<b>\$ 39,274,326</b>	<b>\$ 41,129,966</b>	<b>(4.51) %</b>	<b>\$ -</b>	<b>\$ -</b>	<b>- %</b>

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

- Decrease in net capital assets in the amount of \$719,602.
- The recording of a prior year donation of a building with a value of \$1,200,000, net of accumulated depreciation of \$48,000 at the beginning of the fiscal year, that was previously used for the operation of the Early Education Center but was transferred to the District after the discontinued operations of the Center.
- The principal retirement of \$710,068 of long-term debt.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$20,441,733 and \$30,928,504, respectively. The total cost of all programs and services was \$23,469,260 for 2011 and \$22,832,837 for 2010.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

**Table 2**  
**Change(s) in Net Assets**

	<u>Governmental</u> <u>Activities</u>			<u>Business-type</u> <u>Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>% Change</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 361,755	\$ 202,857	78.33 %	\$ 272,078	\$ 354,292	(23.21) %
Operating grants and contributions	3,629,574	12,720,657	(71.47) %	-	-	-
Capital grants and contributions	-	2,000,000	(100.00) %	-	-	-
<b>General revenues:</b>						
Property taxes	8,151,644	7,313,413	11.46 %	-	-	-
Gaming	311,469	315,010	(1.12) %	-	-	-
Grants and contributions not restricted	7,284,021	7,263,865	0.28 %	-	-	-
Investment earnings	259,670	549,457	(52.74) %	269	352	(23.58) %
Sixteenth section sources	5,684	3,303	72.09 %	-	-	-
Other	165,569	205,298	(19.35) %	-	-	-
<b>Total revenues</b>	<u>20,169,386</u>	<u>30,573,860</u>	<u>(34.03) %</u>	<u>272,347</u>	<u>354,644</u>	<u>(23.21) %</u>
<b>Expenses:</b>						
Instruction	10,537,152	10,387,028	1.45 %	-	-	-
Support services	10,366,914	9,772,045	6.09 %	-	-	-
Non-instructional	1,522,995	1,166,592	30.55 %	-	-	-
Sixteenth section	-	1,236	(100.00) %	-	-	-
Interest on long-term liabilities	629,276	978,804	(35.71) %	-	-	-
Early Education Center	-	-	-	412,923	527,132	(21.67) %
<b>Total expenses</b>	<u>23,056,337</u>	<u>22,305,705</u>	<u>3.37 %</u>	<u>412,923</u>	<u>527,132</u>	<u>(21.67) %</u>
Transfers	1,011,424	(172,488)	686.37 %	(1,011,424)	172,488	(686.37) %
<b>Increase (Decrease) in net assets</b>	<u>(1,875,527)</u>	<u>8,095,667</u>	<u>(123.17) %</u>	<u>(1,152,000)</u>	<u>-</u>	N/A
Net Assets, July 1	41,129,966	29,808,528	37.98 %	-	-	-
Prior Period Adjustment(s)	19,887	3,225,771	(99.38) %	1,152,000	-	N/A
Net Assets Restated, July 1	41,149,853	33,034,299	24.57 %	1,152,000	-	N/A
<b>Net Assets, June 30</b>	<u>\$ 39,274,326</u>	<u>\$ 41,129,966</u>	<u>(4.51) %</u>	<u>\$ -</u>	<u>\$ -</u>	-

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2011

**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 liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3  
 Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 10,537,152	\$ 10,387,028	1.45 %
Support services	10,366,914	9,772,045	6.09 %
Non-instructional	1,522,995	1,166,592	30.55 %
Sixteenth section	-	1,236	(100.00) %
Interest on long-term liabilities	629,276	978,804	(35.71) %
<b>Total expenses</b>	<b>\$ 23,056,337</b>	<b>\$ 22,305,705</b>	<b>3.37 %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (8,766,358)	\$ (4,741,611)	84.88 %
Support services	(9,232,163)	(3,602,389)	156.28 %
Non-instructional	(437,211)	1,941,849	(122.52) %
Sixteenth section	-	(1,236)	(100.00) %
Interest on long-term liabilities	(629,276)	(978,804)	(35.71) %
<b>Total net (expense) revenue</b>	<b>\$ (19,065,008)</b>	<b>\$ (7,382,191)</b>	<b>158.26 %</b>

- Net cost of governmental activities (\$19,065,008 for 2011 and \$7,382,191 for 2010) was financed by general revenue, which is primarily made up of property and gaming taxes (\$8,463,113 for 2011 and \$7,628,423 for 2010) and state and federal revenues (\$7,284,021 for 2011 and \$7,263,865 for 2010). In addition, there was \$5,684 and \$3,303 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$259,670 for 2011 and \$549,457 for 2010.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Business-type activities.** The following table presents the cost of activities related to the operation of the Early Education Center. The table also shows the net cost of activities (total cost less charges for services generated by the activities). The net cost presents the financial burden that was placed on the District for the operation of the Early Education Center.

**Table 3  
Net Cost of Business-type Activities**

	Total Expenses		Percentage Change
	2011	2010	
Early Education Center	\$ 412,923	\$ 527,132	(21.67) %
<b>Total expenses</b>	<b>\$ 412,923</b>	<b>\$ 527,132</b>	(21.67) %

  

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Early Education Center	\$ (140,845)	\$ (172,840)	(18.51) %
<b>Total net (expense) revenue</b>	<b>\$ (140,845)</b>	<b>\$ (172,840)</b>	(18.51) %

- Net cost of business-type activities for 2010 was financed by unrestricted investment earnings and transfers from governmental activities. The District discontinued the use of the Early Education Center in 2011 and the assets remaining at fiscal year end were transferred to the Governmental Activities.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$10,467,001, an increase of \$1,312,131, which includes a prior period adjustment of \$35,493 and a decrease in reserve for inventory of \$7,011. \$6,504,515, or 62%, of the fund balance is unassigned, which primarily represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The unassigned fund balance also includes the negative fund balance in the FEMA/MEMA Fund of \$6,591,133. \$3,962,486, or 38%, of the fund balance is reported as either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$4,457,198, including a prior period adjustment of \$3,155,342. The fund balance of Other Governmental Funds showed a decrease in the amount of \$4,311,250, which includes a prior period adjustment of \$(3,119,879) and a decrease in reserve for inventory of \$7,011. The increase (decrease) in the fund balances for the other major funds were as follows:

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2011

<u>Major Fund</u>	<u>Increase (Decrease)</u>
FEMA/MEMA Fund	\$ 1,166,183

**Proprietary funds.** The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Assets, liabilities and net assets of the Early Education Center at the end of the fiscal year were \$0 due to the discontinued operations of the Center during the fiscal year. Expenses related to the operation of the Early Education Center totaled \$412,923 and were partially funded by receipts from customers and private sources in the amount of \$272,078 and interest income of \$269. A prior period adjustment of \$1,152,000 was reported to reflect the book value of a building that was donated in a prior fiscal year for use by the Early Education Center. The net amount of the restated fund balance of \$1,152,000 less the loss of \$140,576 for the fiscal year was shown as a transfer to the governmental activities resulting from discontinued operations.

**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. Significant budget revisions during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately \$418,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to more accurately reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to more accurately reflect the actual federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funding were revised during the fiscal year to more accurately reflect actual revenue received and expenditures incurred during the fiscal year.

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2011

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$45,353,280, including land, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$228,863 from 2010. During the fiscal year, the District completed the construction of the Lower and Upper Elementary Schools and purchased various items of mobile equipment and furniture and equipment. The District also disposed of numerous portable buildings that were being used as classrooms during the construction of the new school facilities. In addition, the building that was being used for the Early Education Center was transferred to the governmental activities of the District after the discontinued operations of the Early Education Center. Total accumulated depreciation as of June 30, 2011, was \$6,399,540, and total depreciation expense for the year was \$1,154,807, resulting in total net capital assets of \$38,953,740.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 309,523	\$ 309,523	0.00 %
Construction in Progress	-	25,861,638	(100.00) %
Buildings	37,303,995	12,425,115	200.23 %
Improvements other than buildings	357,869	380,620	(5.98) %
Mobile equipment	253,677	279,475	(9.23) %
Furniture and equipment	728,676	416,971	74.75 %
<b>Total</b>	<b><u>\$ 38,953,740</u></b>	<b><u>\$ 39,673,342</u></b>	<b>(1.81) %</b>

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

**Debt Administration.** At June 30, 2011, the District had \$15,934,695 in outstanding long-term debt, of which \$739,714 is due within one year. During the fiscal year, the District made principal payments in the amount of \$710,068 on existing long-term debt. The liability for compensated absences decreased \$10,025 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 4,400,000	\$ 4,920,000	(10.57) %
Three mill notes payable	3,855,000	4,000,000	(3.63) %
Shortfall notes payable - CDL	7,001,337	7,001,337	0.00 %
Shortfall notes payable	534,932	580,000	(7.77) %
Compensated absences payable	143,426	153,451	(6.53) %
<b>Total</b>	<b><u>\$ 15,934,695</u></b>	<b><u>\$ 16,654,788</u></b>	<b>(4.32) %</b>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**CURRENT ISSUES**

The Bay St. Louis / Waveland School District is financially stable. The District is proud of its community support of the public schools.

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Bay St. Louis / Waveland School District, 201 Carroll Avenue, Bay St. Louis, MS 39520.

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FINANCIAL STATEMENTS

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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

Exhibit A

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,714,017	\$ -	\$ 9,714,017
Due from other governments	7,409,342	-	7,409,342
Other receivables, net	7,371	-	7,371
Inventories	14,273	-	14,273
Prepaid items	384,002	-	384,002
Restricted assets	633,027	-	633,027
Capital assets, non-depreciable:			
Land	309,523	-	309,523
Capital assets, net of accumulated depreciation:			
Buildings	37,303,995	-	37,303,995
Improvements other than buildings	357,869	-	357,869
Mobile equipment	253,677	-	253,677
Furniture and equipment	728,676	-	728,676
Total Assets	<u>57,115,772</u>	<u>-</u>	<u>57,115,772</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,113,646	-	1,113,646
Unearned revenue	3,224	-	3,224
Interest payable on long-term liabilities	789,881	-	789,881
Long-term liabilities, due within one year:			
Capital related liabilities	685,000	-	685,000
Non-capital related liabilities	54,714	-	54,714
Long-term liabilities, due beyond one year:			
Capital related liabilities	7,570,000	-	7,570,000
Non-capital related liabilities	7,624,981	-	7,624,981
Total Liabilities	<u>17,841,446</u>	<u>-</u>	<u>17,841,446</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	31,331,767	-	31,331,767
Restricted for:			
Expendable:			
School-based activities	848,965	-	848,965
Debt service	953,376	-	953,376
Unemployment benefits	42,940	-	42,940
Unrestricted	6,097,278	-	6,097,278
Total Net Assets	<u>\$ 39,274,326</u>	<u>\$ -</u>	<u>\$ 39,274,326</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 Statement of Activities  
 For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 10,537,152	\$ 116,695	\$ 1,654,099	\$ -	\$ (8,766,358)	\$ -	\$ (8,766,358)
Support services	10,366,914	1,189	1,133,562	-	(9,232,163)	-	(9,232,163)
Non-instructional	1,522,995	243,871	841,913	-	(437,211)	-	(437,211)
Interest on long-term liabilities	629,276	-	-	-	(629,276)	-	(629,276)
<b>Total Governmental Activities</b>	<b>23,058,337</b>	<b>361,755</b>	<b>3,629,574</b>	<b>-</b>	<b>(19,065,008)</b>	<b>-</b>	<b>(19,065,008)</b>
<b>Business-type Activities:</b>							
Early Education Center	412,923	272,078	-	-	-	(140,845)	(140,845)
<b>Total Business-type Activities</b>	<b>412,923</b>	<b>272,078</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(140,845)</b>	<b>(140,845)</b>
<b>Total Primary Government</b>	<b>\$ 23,469,260</b>	<b>\$ 633,833</b>	<b>\$ 3,629,574</b>	<b>\$ -</b>	<b>\$ (19,065,008)</b>	<b>\$ (140,845)</b>	<b>\$ (19,205,853)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
General purpose levies					7,126,340	-	7,126,340
Debt purpose levies					1,025,304	-	1,025,304
Gaming					311,469	-	311,469
<b>Unrestricted grants and contributions:</b>							
State					6,732,452	-	6,732,452
Federal					551,569	-	551,569
Unrestricted investment earnings					259,670	269	259,939
Sixteenth section sources					5,684	-	5,684
Other					165,569	-	165,569
<b>Total General Revenues</b>					<b>16,178,057</b>	<b>269</b>	<b>16,178,326</b>
<b>Transfers</b>					<b>1,011,424</b>	<b>(1,011,424)</b>	<b>-</b>
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>					<b>17,189,481</b>	<b>(1,011,155)</b>	<b>16,178,326</b>
<b>Change in Net Assets</b>					<b>(1,875,527)</b>	<b>(1,152,000)</b>	<b>(3,027,527)</b>
<b>Net Assets - Beginning, as originally reported</b>					<b>41,129,956</b>	<b>-</b>	<b>41,129,956</b>
<b>Prior Period Adjustments</b>					<b>19,867</b>	<b>1,152,000</b>	<b>1,171,867</b>
<b>Net Assets - Beginning, as restated</b>					<b>41,149,853</b>	<b>1,152,000</b>	<b>42,301,853</b>
<b>Net Assets - Ending</b>					<b>\$ 39,274,326</b>	<b>\$ -</b>	<b>\$ 39,274,326</b>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 Balance Sheet  
 June 30, 2011

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	FEMA/MEMA Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 8,032,978	\$ -	\$ 2,314,066	\$ 10,347,044
Due from other governments	325,788	6,578,161	505,393	7,409,342
Other receivables, net	7,371	-	-	7,371
Due from other funds	6,799,951	-	99,058	6,899,009
Inventories	-	-	14,273	14,273
Prepaid items	384,002	-	-	384,002
<b>Total assets</b>	<b>\$ 15,550,090</b>	<b>\$ 6,578,161</b>	<b>\$ 2,932,790</b>	<b>\$ 25,061,041</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 674,280	\$ 84,633	\$ 354,733	\$ 1,113,646
Due to other funds	10,000	6,506,500	382,509	6,899,009
Unearned revenue	-	6,578,161	3,224	6,581,385
<b>Total Liabilities</b>	<b>684,280</b>	<b>13,169,294</b>	<b>740,466</b>	<b>14,594,040</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	14,273	14,273
Prepaid items	384,002	-	-	384,002
<b>Restricted:</b>				
Debt service	-	-	1,051,394	1,051,394
Capital projects	-	-	633,027	633,027
Unemployment benefits	-	-	42,940	42,940
Other commitments	-	-	450,690	450,690
<b>Committed:</b>				
Other purposes	-	-	-	-
<b>Assigned:</b>				
Other purposes	1,386,160	-	-	1,386,160
<b>Unassigned</b>	<b>13,095,648</b>	<b>(6,591,133)</b>	<b>-</b>	<b>6,504,515</b>
<b>Total Fund Balances</b>	<b>14,865,810</b>	<b>(6,591,133)</b>	<b>2,192,324</b>	<b>10,467,001</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,550,090</b>	<b>\$ 6,578,161</b>	<b>\$ 2,932,790</b>	<b>\$ 25,061,041</b>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011

Exhibit C-1

<b>Total fund balances for governmental funds</b>	<b>\$ 10,467,001</b>	
Amounts reported for governmental activities in the statement of net assets are different because.		
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 309,523	
Buildings	42,414,238	
Improvements other than buildings	568,762	
Mobile equipment	527,511	
Furniture and equipment	1,533,246	
Accumulated depreciation	<u>(6,399,540)</u>	38,953,740
2 Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the Statement of Net Assets		
		6,578,161
3 Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(4,400,000)	
Notes payable	(11,391,269)	
Compensated absences	(143,426)	
Accrued interest payable	<u>(789,881)</u>	(16,724,576)
 <b>Net assets of governmental activities</b>		 <u><u>\$ 39,274,326</u></u>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	FEMA/MEMA Fund		
<b>Revenues:</b>				
Local sources	\$ 7,787,069	\$ -	\$ 1,453,370	\$ 9,240,439
State sources	6,678,360	-	371,651	7,050,011
Federal sources	184,422	3,146,846	3,679,162	7,010,430
Sixteenth section sources	-	-	5,684	5,684
<b>Total Revenues</b>	<b>14,649,851</b>	<b>3,146,846</b>	<b>5,509,867</b>	<b>23,306,564</b>
<b>Expenditures:</b>				
Instruction	7,172,848	481,181	2,358,199	10,012,228
Support services	6,703,054	410,523	1,350,703	8,464,280
Noninstructional services	-	534,582	1,100,328	1,634,910
Facilities acquisition and construction	-	548,002	-	548,002
Debt service:				
Principal	-	-	710,068	710,068
Interest	245,859	-	368,557	614,416
Other	750	-	8,300	9,050
<b>Total Expenditures</b>	<b>14,122,511</b>	<b>1,974,288</b>	<b>5,896,155</b>	<b>21,992,954</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>527,340</b>	<b>1,172,558</b>	<b>(386,288)</b>	<b>1,313,610</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	9,668	-	-	9,668
Sale of other property	127,766	-	-	127,766
Operating transfers in	1,054,331	-	336,513	1,390,844
Operating transfers out	(413,082)	(6,405)	(1,111,933)	(1,531,420)
Other financing uses	(4,167)	-	(22,852)	(26,819)
<b>Total Other Financing Sources (Uses)</b>	<b>774,516</b>	<b>(6,405)</b>	<b>(798,072)</b>	<b>(29,961)</b>
<b>Net Change in Fund Balances</b>	<b>1,301,856</b>	<b>1,166,153</b>	<b>(1,184,360)</b>	<b>1,283,649</b>
<b>Fund Balances:</b>				
July 1, 2010, as originally reported	10,408,612	(7,757,316)	6,503,574	9,154,870
Prior period adjustments	3,155,342	30	(3,119,879)	35,493
July 1, 2010, as restated	13,563,954	(7,757,286)	3,383,695	9,190,363
<b>Increase (Decrease) in reserve for inventory</b>	<b>-</b>	<b>-</b>	<b>(7,011)</b>	<b>(7,011)</b>
<b>June 30, 2011</b>	<b>\$ 14,865,810</b>	<b>\$ (6,591,133)</b>	<b>\$ 2,192,324</b>	<b>\$ 10,467,001</b>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,283,649

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

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

Capital outlay	\$ 1,131,599	
Depreciation expense	<u>(1,154,807)</u>	(23,208)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (1,848,394)

3. The transfer of a donated building from the discontinued operation of the Early Education Center is reported as a transfer in the governmental activities on the Statement of Activities but was not reported in the governmental funds. 1,152,000

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

Payments of debt principal	710,068	
Accrued interest payable	<u>(5,810)</u>	704,258

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

Change in compensated absences	10,025	
Change in inventory reserve	<u>(7,011)</u>	3,014

6. Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (3,146,846)

Change in net assets of governmental activities \$ (1,875,527)

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

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

**Exhibit E**

	Business-type Activities - Enterprise Fund	Early Education Center
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	-
Due from other governments	-	-
Capital assets, net of accumulated depreciation:		
Buildings	<u>                    </u>	<u>                    </u>
Total Assets	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	-
Due to other funds	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>                    </u>	<u>                    </u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	-	-
Unrestricted	<u>                    </u>	<u>                    </u>
Total Net Assets	<u>                    </u>	<u>                    </u>

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

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

**Exhibit F**

	Business-type Activities - Enterprise Fund
	Early Education Center
Operating revenues:	
Local sources	\$ 272,078
Total operating revenues	<u>272,078</u>
Operating expenses:	
Instruction	312,666
Support services	100,257
Total operating expenses	<u>412,923</u>
Operating income (loss)	<u>(140,845)</u>
Non-operating revenue:	
Interest income	269
Total non-operating revenue	<u>269</u>
Income (loss) before transfers	<u>(140,576)</u>
Transfers in (out)	<u>(1,011,424)</u>
Change in net assets	(1,152,000)
Total net assets - beginning	<u>-</u>
Prior period adjustment	1,152,000
Total net assets - restated	1,152,000
Total net assets - ending	<u>\$ -</u>

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

**BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

Exhibit G

	Business-type Activities - Enterprise Fund
	Early Education Center
<b>Cash flows from operating activities:</b>	
Cash received from customers and users	\$ 273,223
Cash received from private sources	95
Cash payments to employees and professional contractors for services	(369,310)
Cash payments to suppliers for goods and services	(46,112)
Cash amounts due to other funds	(29,656)
Net cash provided (used) by operating activities	<u>(171,760)</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from other funds	140,576
Net cash provided by noncapital financing activities	<u>140,576</u>
<b>Cash flows from investing activities:</b>	
Interest received	269
Net cash provided by investing activities	<u>269</u>
Net increase (decrease) in cash	(30,915)
Cash and cash equivalents, July 1	30,915
Cash and cash equivalents, June 30	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (140,845)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in due from other governments	1,241
Increase (decrease) in accounts payable	(2,500)
Increase (decrease) in due to other funds	(29,656)
Total adjustments	<u>(30,915)</u>
Net cash provided (used) by operating activities	<u>\$ (171,760)</u>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2011

Exhibit H

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 97,626
Other receivables	58
Total Assets	<u>\$ 97,684</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 34,958
Due to student clubs	62,726
Total Liabilities	<u>\$ 97,684</u>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**B. Financial Reporting Entity**

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

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

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

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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.

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

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

The school district reports the following major governmental funds:

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

FEMA/MEMA Fund - This is a special revenue fund that is used to account for federal sources received from FEMA and expenditures incurred for disaster recovery.

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 reports the following major proprietary fund:

The district's proprietary fund is the Early Education Center Fund. This fund is used to account for local sources received and expenditures incurred for the operation of the Early Education Center of the district.

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

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GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the school district has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUNDS

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

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

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

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

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

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Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

**E. Encumbrances**

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

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

1. 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.

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.

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5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	<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

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unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board.

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use

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

**Note 2 – Cash and Cash Equivalents**

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, proprietary fund and fiduciary funds was \$10,347,044, \$0 and \$97,626, respectively. The carrying amount of deposits reported in the government-wide financial statements was reported as cash and cash equivalents of \$9,714,017 and restricted assets of \$633,027.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$10,795,243 was exposed to custodial credit risk.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	FEMA/MEMA Fund	\$ 6,506,500
	Other governmental funds	293,451
Other governmental funds	General Fund	10,000
	Other governmental funds	89,058
Total		<u>\$ 6,899,009</u>

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs and for timing differences between revenues and expenditures and cash balances.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
<u>Fund level transfers:</u>		
General Fund	Other governmental funds	\$ 272,506
	Proprietary Fund	140,576
FEMA/MEMA Fund	General Fund	6,405
Other governmental funds	General Fund	1,047,926
	Other governmental funds	64,007
Subtotal		1,531,420
<u>Government-wide transfers:</u>		
Proprietary Fund	General Fund	1,152,000
General Fund	Proprietary Fund	(140,576)
Subtotal		1,011,424
Grand total		<u>\$ 2,542,844</u>

Fund level transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, debt service transfers, and the transfer of funds to the Early Education Center Fund. The government-wide transfer was to transfer the book value of the building used for the Early Education Center to the governmental activities after the discontinued operations of the Early Education Center during the fiscal year.

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**Note 4 – Restricted Assets**

Restricted assets include unspent proceeds from long-term debt in the amount of \$633,027 that remained on hand at fiscal year end.

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Adjustments	Transfers	Balance 6/30/2011
<b>Governmental Activities:</b>							
<u>Non-depreciable capital assets:</u>							
Land	\$ 309,523	\$	\$	\$	\$	\$	\$ 309,523
Construction in progress	25,861,838	548,002		(26,409,640)			-
Total non-depreciable capital assets	26,171,161	548,002	-	(26,409,640)	-	-	309,523
<u>Depreciable capital assets:</u>							
Buildings	18,844,598		2,040,000	26,409,640		1,200,000	42,414,238
Improvements other than buildings	568,782						568,782
Mobile equipment	487,439	5,795	13,810		48,087		527,511
Furniture and equipment	1,052,457	577,802	48,926		(48,087)		1,533,246
Total depreciable capital assets	18,953,256	583,597	2,102,736	26,409,640	-	1,200,000	45,043,757
<u>Less accumulated depreciation for:</u>							
Buildings	4,419,483	845,980	203,200			48,000	5,110,243
Improvements other than buildings	188,142	22,751					210,893
Mobile equipment	207,964	51,249	12,429		27,050		273,834
Furniture and equipment	635,486	234,847	38,713		(27,050)		804,570
Total accumulated depreciation	5,451,075	1,154,807	254,342	-	-	48,000	6,399,540
Total depreciable capital assets, net	13,502,181	(571,210)	1,848,394	26,409,640	-	1,152,000	38,644,217
Governmental activities capital assets, net	\$ 39,673,342	\$ (23,208)	\$ 1,848,394	\$ -	\$ -	\$ 1,152,000	\$ 38,653,740

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Adjustments	Transfers	Balance 6/30/2011
<b>Business Type Activities:</b>							
<u>Depreciable capital assets</u>							
Buildings	\$	\$	\$	\$	1,200,000	(1,200,000)	\$ -
Total depreciable capital assets	-	-	-	-	1,200,000	(1,200,000)	-
<u>Less accumulated depreciation for:</u>							
Buildings					48,000	(48,000)	-
Total accumulated depreciation	-	-	-	-	48,000	(48,000)	-
Business-type activities capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ 1,152,000	\$ (1,152,000)	\$ -

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An adjustment was needed in the governmental activities capital assets schedule to properly report the cost and accumulated depreciation of mobile equipment that was classified as furniture and equipment in prior fiscal years. An adjustment was needed in the business type activities capital assets schedule to properly report the cost and accumulated depreciation of a building that was donated in a prior fiscal year that was used for the Early Education Center. The transfer of the building from the business type activities to governmental activities resulting from the discontinued operations of the Early Education Center is reflected on the capital asset schedules.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 535,193
Support services	228,175
Non-instructional	391,439
Total depreciation expense - Governmental activities	\$ 1,154,807

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	\$ 4,920,000	\$ 520,000	\$ 4,400,000	\$ 4,400,000	\$ 540,000
B. Three mill notes payable	4,000,000		145,000	3,855,000	145,000
C. Shortfall notes payable - CDL	7,001,337			7,001,337	-
D. Shortfall notes payable	580,000		45,068	534,932	47,543
E. Compensated absences payable	153,451		10,025	143,426	7,171
Total	\$ 16,654,788	\$ -	\$ 720,093	\$ 15,934,695	\$ 739,714

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2007	4.00%	11/20/2007	9/1/2017	\$ 5,845,000	\$ 4,400,000
Total				\$ 5,845,000	\$ 4,400,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 540,000	\$ 165,200	\$ 705,200
2013	570,000	143,000	713,000
2014	595,000	119,700	714,700
2015	625,000	95,300	720,300
2016	655,000	69,700	724,700
2017 – 2018	1,415,000	57,300	1,472,300
<b>Total</b>	<b>\$ 4,400,000</b>	<b>\$ 650,200</b>	<b>\$ 5,050,200</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2010.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	3.0%-4.55%	6/10/2010	6/1/2030	\$ 4,000,000	\$ 3,855,000
<b>Total</b>				<b>\$ 4,000,000</b>	<b>\$ 3,855,000</b>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 145,000	\$ 149,819	\$ 294,819
2013	150,000	145,469	295,469
2014	155,000	140,969	295,969
2015	160,000	136,319	296,319
2016	165,000	131,519	296,519
2017 – 2021	910,000	573,537	1,483,537
2022 – 2026	1,105,000	387,062	1,492,062
2027 – 2030	1,065,000	123,760	1,188,760
<b>Total</b>	<b>\$ 3,855,000</b>	<b>\$ 1,788,454</b>	<b>\$ 5,643,454</b>

This debt will be retired from the Short Term Debt Fund (Debt Service Fund 4011).

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C. **Shortfall notes payable - Community Disaster Loan (CDL)**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Community Disaster Loan	3.02%	8/14/2006	5/14/2016	\$ 1,750,000	\$ 1,750,000
Community Disaster Loan	3.02%	9/5/2006	5/14/2016	187,474	187,474
Community Disaster Loan	3.02%	1/18/2008	5/14/2016	1,627,933	1,627,933
Community Disaster Loan	3.02%	4/18/2008	5/14/2016	1,417,089	1,417,089
Community Disaster Loan	3.02%	9/22/2009	5/14/2016	124,355	124,355
Community Disaster Loan	2.93%	10/21/2009	8/27/2016	1,894,486	1,894,486
<b>Total</b>				<b>\$ 7,001,337</b>	<b>\$ 7,001,337</b>

This debt is considered one loan for repayment purposes. However, there were different drawdown dates for this debt.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 5,106,851	\$ 1,349,307	\$ 6,456,158
2017	1,894,486	380,195	2,274,681
<b>Total</b>	<b>\$ 7,001,337</b>	<b>\$ 1,729,502</b>	<b>\$ 8,730,839</b>

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. In the event the Community Disaster Loan is not forgiven, the loan will be retired from the District Maintenance Fund or a Debt Service Fund.

D. **Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note, Series 2009	4.50%	8/1/2009	8/1/2019	\$ 580,000	\$ 534,932
<b>Total</b>				<b>\$ 580,000</b>	<b>\$ 534,932</b>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 47,543	\$ 29,368	\$ 76,911
2013	50,153	26,758	76,911
2014	52,906	24,004	76,910
2015	55,811	21,100	76,911
2016	58,875	18,036	76,911
2017-2020	269,644	37,996	307,640
<b>Total</b>	<b>\$ 534,932</b>	<b>\$ 157,262</b>	<b>\$ 692,194</b>

This debt will be retired from the Shortfall Note Fund (Debt Service Fund 4012).

**E. Compensated absences payable**

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

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

In prior years, the Bay St. Louis / Waveland 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 liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$4,295,000 of bonds outstanding are defeased.

**Note 8 – Short-Term Financing**

During the fiscal year ended June 30, 2011, the school district participated in the following short-term financing for the purpose of rebuilding school facilities due to damages caused by Hurricane Katrina.

**Promissory Note - Hurricane Katrina Relief Program.**

The Bay St. Louis / Waveland School District issued a revenue anticipation note payable to Hancock Bank, and the proceeds from such issuance were accounted for as a current liability in the General Fund of the school district. The amount of the note payable was \$11,303,855 dated 8/16/2007. The proceeds of \$11,303,855 were used to pay off the original note payable of \$11,500,000 dated 10/25/2005 that was incurred due to Hurricane Katrina. The note payable of \$11,303,855 was paid in full in August, 2010, with a semi-annual interest payment of \$245,859 incurred at an annual rate of 4.35%.

All transactions related to participation in this program were accounted for as part of the school district's General Fund.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2011 are as follows:

Description	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011
Revenue anticipation note -				
Hancock Bank	\$ 11,303,855	\$	\$ 11,303,855	\$ -
Total	\$ 11,303,855	\$ -	\$ 11,303,855	\$ -

**Note 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.

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,219,183, \$1,459,236 and \$1,352,489, respectively, which equaled the required contributions for each year.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 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
2012	\$ 2,400
2013	2,400
2014	2,400
2015	2,400
2016	2,400
2017 – 2021	12,000
2022 – 2026	12,000
2027 – 2031	12,000
2032 – 2036	12,000
Thereafter	81,600
Total	<u>\$ 141,600</u>

**Note 11 – Deficit Fund Balance of Individual Funds**

The FEMA/MEMA Fund has a deficit fund balance in the amount of \$6,591,133.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 12 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To reclass loan proceeds from a prior year, to record prior year revenues and expenditures, to write off old cash reconciliation items and claims adjustments, etc. at the governmental fund level	\$ 35,493
2. To adjust deferred revenue related to FEMA/MEMA grant	(15,606)
3. To record book value of building donated in a prior fiscal year and used by the Early Education Center (Proprietary Fund)	1,152,000
Total	<u>\$ 1,171,887</u>

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

Fund	Explanation	Amount
General Fund	To reclass loan proceeds from a prior year, to record prior year revenues and expenditures, to write off old cash reconciliation items and claims adjustments, etc.	\$ 3,155,342
FEMA/MEMA Fund	To correct prior year audit entry	30
Other governmental funds	To reclass loan proceeds from a prior year and to write off prior period claims adjustments	(3,119,879)
Total		<u>\$ 35,493</u>

Exhibit F - Statement of Revenues, Expenses, and Changes in Fund Net Assets

Explanation	Amount
1. To record book value of building donated in a prior fiscal year and used by the Early Education Center (Proprietary Fund)	\$ 1,152,000
Total	<u>\$ 1,152,000</u>

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

**Note 13 – Contingencies**

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

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

**Note 14 – Risk Management**

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

**Note 15 - Discontinued Operations**

As of June 30, 2011, the school district discontinued the use of the Early Education Center that has been accounted for as a Proprietary Fund of the district. Any balances in assets or liabilities of the Early Education Center at fiscal year end were reported as assets or liabilities of the General Fund on the Governmental Funds Balance Sheet. Operating revenues and expenses of the Early Education Center for the fiscal year were reported in the Proprietary Fund. A prior period adjustment was needed in the Proprietary Fund to report the book value of a building in the amount of \$1,152,000 (\$1,200,000 cost less \$48,000 accumulated depreciation) that was donated in a prior fiscal year and was used for the operation of the Early Education Center. After the discontinued operations of the Early Education Center, the net amount of the loss and the restated fund balance of the Early Education Center were shown as a transfer to governmental activities.

**Note 16 – Subsequent Events**

Events that occur after the statement of net assets date but before the financial statements are 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 Bay St. Louis - Waveland School District evaluated the activity of the district through November 30, 2011, (the date the financial statements were available to be issued), and determined that there were no subsequent events that required disclosure in the notes to the financial statements.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 8,302,786	\$ 7,787,013	\$ 7,787,069	\$ (515,773)	\$ 56
State sources	7,289,204	6,678,360	6,678,360	(610,844)	-
Federal sources	52,680	184,422	184,422	131,762	-
<b>Total Revenues</b>	<b>15,644,650</b>	<b>14,649,795</b>	<b>14,649,851</b>	<b>(994,855)</b>	<b>56</b>
<b>Expenditures:</b>					
Instruction	8,362,584	7,172,848	7,172,848	1,189,735	-
Support services	7,657,499	6,719,528	6,703,054	937,971	16,474
Facilities acquisition and construction	900,000	-	-	900,000	-
Debt service					
Principal	10,173,412	10,173,412	-	-	10,173,412
Interest	245,859	245,859	245,859	-	-
Other	-	750	750	(750)	-
<b>Total Expenditures</b>	<b>27,339,354</b>	<b>24,312,397</b>	<b>14,122,511</b>	<b>3,026,957</b>	<b>10,189,886</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(11,694,704)</b>	<b>(9,662,602)</b>	<b>527,340</b>	<b>2,032,102</b>	<b>10,189,942</b>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	9,668	9,668	9,668	-
Sale of other property	-	127,766	127,766	127,766	-
Operating transfers in	338,942	5,210,718	1,054,331	4,871,776	(4,156,387)
Operating transfers out	(567,745)	(4,569,409)	(413,082)	(4,001,724)	4,156,387
Other financing uses	-	(4,167)	(4,167)	(4,167)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(228,803)</b>	<b>774,516</b>	<b>774,516</b>	<b>1,003,319</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(11,923,507)</b>	<b>(8,888,086)</b>	<b>1,301,856</b>	<b>3,035,421</b>	<b>10,189,942</b>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	20,340,283	20,340,283	10,408,612	-	(9,931,671)
Prior period adjustments	-	3,413,613	3,155,342	3,413,613	(258,271)
July 1, 2010, as restated	20,340,283	23,753,896	13,563,954	3,413,613	(10,189,942)
June 30, 2011	\$ 8,416,776	\$ 14,865,810	\$ 14,865,810	\$ 6,449,034	\$ -

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 FEMA/MEMA Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 16,797,176	\$ 1,980,693	\$ 3,146,846	\$ (14,816,483)	\$ 1,166,153
<b>Total Revenues</b>	<b>16,797,176</b>	<b>1,980,693</b>	<b>3,146,846</b>	<b>(14,816,483)</b>	<b>1,166,153</b>
<b>Expenditures:</b>					
Instruction	4,471,786	481,181	481,181	3,990,605	-
Support services	61,577	238,684	410,523	(177,107)	(171,839)
Noninstructional services	-	24,718	534,582	(24,718)	(509,864)
Facilities acquisition and construction	12,263,813	1,229,705	548,002	11,034,108	681,703
<b>Total Expenditures</b>	<b>16,797,176</b>	<b>1,974,288</b>	<b>1,974,288</b>	<b>14,822,888</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>-</b>	<b>6,405</b>	<b>1,172,558</b>	<b>6,405</b>	<b>1,166,153</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(6,405)	(6,405)	(6,405)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(6,405)</b>	<b>(6,405)</b>	<b>(6,405)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>1,166,153</b>	<b>-</b>	<b>1,166,153</b>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	-	-	(7,757,316)	-	(7,757,316)
Prior period adjustments	-	-	30	-	30
July 1, 2010, as restated	-	-	(7,757,286)	-	(7,757,286)
<b>June 30, 2011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,591,133)</b>	<b>\$ -</b>	<b>\$ (6,591,133)</b>

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

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DSTRIC  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	195,550
National school lunch program	10.555	570,222
Summer food service program for children	10.559	44,950
Total child nutrition cluster		<u>810,722</u>
Total passed-through Mississippi Department of Education		<u>810,722</u>
<b>Total U.S. Department of Agriculture</b>		<u>810,722</u>
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	51,309
<b>Total U.S. Department of Defense</b>		<u>51,309</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	89,568
<b>Total Federal Communications Commission</b>		<u>89,568</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants	84.186	1,473
Career and technical education - basic grants to states	84.048	1,721
Twenty-First Century Community Learning Centers	84.287	374,158
Education technology - state grants	84.318	759
Improving teacher quality - state grants	84.367	275,015
Hurricane education recovery act programs	84.938	92,726
ARRA - Education of homeless children and youth, recovery act	84.387	5,840
ARRA - Education technology - state grant	84.386	13,570
ARRA Stabilization Fund	84.394	418,455
Subtotal		<u>1,183,717</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	819,754
ARRA - Title I - grants to local educational agencies, recovery act	84.389	90,376
Total Title I cluster		<u>910,130</u>
Special education cluster:		
Special education - grants to states	84.027	454,275
Special education - preschool grants	84.173	14,316
ARRA - Special education - grants to states, recovery act	84.391	315,382
ARRA - Special education - preschool grants, recovery act	84.392	1,804
Total special education cluster		<u>785,777</u>
Total passed-through Mississippi Department of Education		<u>2,879,624</u>
<b>Total U.S. Department of Education</b>		<u>2,879,624</u>

BAY ST. LOUIS / WAVELAND SCHOOL DSTRIC  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Health and Human Services: Medical assistance program	93.778	<u>146,900</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed-through Mississippi Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	<u>2,899,433</u>
<b>Total Department of Homeland Security</b>		<u>2,899,433</u>
<b>Total for All Federal Awards</b>		<b>\$ <u>6,877,556</u></b>

**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.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For Year Ended June 30, 2011

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 13,297,854	8,421,261	525,172	1,093,780	3,257,641
Other	<u>8,695,100</u>	<u>1,903,631</u>	<u>249,275</u>	<u>28,130</u>	<u>6,514,064</u>
Total	<u>\$ 21,992,954</u>	<u>10,324,892</u>	<u>774,447</u>	<u>1,121,910</u>	<u>9,771,705</u>
Total number of students	<u>1,835</u>				
Cost per student	<u>\$ 11,985</u>	<u>5,627</u>	<u>422</u>	<u>611</u>	<u>5,325</u>

NOTES TO SCHEDULE

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 7,787,069	7,475,933	7,583,167	6,607,140
State sources	6,678,360	6,562,486	7,504,899	9,776,755
Federal source	184,422	128,593	140,528	192,793
<b>Total Revenues</b>	<u>14,649,851</u>	<u>14,167,012</u>	<u>15,228,594</u>	<u>16,576,688</u>
<b>Expenditures:</b>				
Instruction	7,172,848	7,479,971	8,317,620	3,575,316
Support services	6,703,054	7,680,875	8,952,093	4,809,939
Noninstructional services	-	-	1,426	1,676
Sixteenth section	-	-	-	345,001
Facilities acquisition and construction	-	9,828,969	-	-
Debt Service:				
Interest	245,859	481,773	451,535	966,590
Other	750	-	-	193,470
<b>Total Expenditures</b>	<u>14,122,511</u>	<u>25,471,588</u>	<u>17,722,674</u>	<u>9,891,992</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>527,340</u>	<u>(11,304,576)</u>	<u>(2,494,080)</u>	<u>6,684,696</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	-	-	-	1,417,089
Proceeds of loans	-	-	2,018,841	-
Insurance loss recoveries	9,668	-	77,598	-
Sale of transportation equipment	-	-	-	200
Sale of other property	127,766	555	-	-
Operating transfers in	1,054,331	128,235	508,252	598,729
Operating transfers out	(413,082)	(1,385,127)	(851,628)	(929,882)
Other financing uses	(4,167)	-	(6,677)	-
<b>Total Other Financing Sources (Uses)</b>	<u>774,516</u>	<u>(1,256,337)</u>	<u>1,746,386</u>	<u>1,086,136</u>
<b>Net Change in Fund Balance</b>	<u>1,301,856</u>	<u>(12,560,913)</u>	<u>(747,694)</u>	<u>7,770,832</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	10,408,612	22,645,913	23,397,694	27,032,820
Prior period adjustments	3,155,342	323,612	(4,087)	(11,405,958)
Beginning of period, as restated	<u>13,563,954</u>	<u>22,969,525</u>	<u>23,393,607</u>	<u>15,626,862</u>
<b>End of Period</b>	<u>\$ 14,865,810</u>	<u>10,408,612</u>	<u>22,645,913</u>	<u>23,397,694</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS.

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

"UNAUDITED"

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 9,240,439	10,586,033	8,905,615	7,586,402
State sources	7,050,011	6,979,829	7,881,050	10,562,293
Federal source	7,010,430	10,886,048	3,310,947	14,780,143
Sixteenth section sources	<u>5,684</u>	<u>3,303</u>	<u>2,895</u>	<u>5,764</u>
Total Revenues	<u>23,306,564</u>	<u>28,455,213</u>	<u>20,100,507</u>	<u>32,934,602</u>
<b>Expenditures:</b>				
Instruction	10,012,228	10,318,773	9,942,378	11,083,036
Support services	8,464,280	9,379,041	12,717,866	12,291,959
Noninstructional services	1,634,910	1,135,182	1,144,087	783,354
Sixteenth section	-	1,236	-	1,246
Facilities acquisition and construction	548,002	18,276,299	5,423,592	757,310
Debt service:				
Principal	710,068	450,000	915,000	880,000
Interest	614,416	687,573	930,729	1,195,645
Other	<u>9,050</u>	<u>73,315</u>	<u>-</u>	<u>278,533</u>
Total Expenditures	<u>21,992,954</u>	<u>40,321,419</u>	<u>31,073,652</u>	<u>27,271,083</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,313,610</u>	<u>(11,866,206)</u>	<u>(10,973,145)</u>	<u>5,663,519</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	-	-	-	5,845,000
Proceeds of loans	-	4,580,000	2,018,841	1,417,089
Insurance loss recoveries	9,668	-	77,598	7,960,000
Sale of transportation equipment	-	-	-	200
Sale of other property	127,766	555	-	-
Operating transfers in	1,390,844	1,383,956	9,125,530	981,620
Other financing sources	-	-	-	-
Operating transfers out	(1,531,420)	(1,556,444)	(9,253,575)	(981,620)
Other financing uses	(26,819)	-	(6,677)	-
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,763,625)</u>
Total Other Financing Sources (Uses)	<u>(29,961)</u>	<u>4,408,067</u>	<u>1,961,717</u>	<u>9,458,664</u>
Net Change in Fund Balance	<u>1,283,649</u>	<u>(7,458,139)</u>	<u>(9,011,428)</u>	<u>15,122,183</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	9,154,870	23,399,091	32,425,188	28,728,614
Prior period adjustments	<u>35,493</u>	<u>(6,788,551)</u>	<u>(4,087)</u>	<u>(11,408,634)</u>
Beginning of period, as restated	<u>9,190,363</u>	<u>16,610,540</u>	<u>32,421,101</u>	<u>17,319,980</u>
Increase (Decrease) in reserve for inventory	<u>(7,011)</u>	<u>2,469</u>	<u>(10,582)</u>	<u>(16,775)</u>
End of Period	<u>\$ 10,467,001</u>	<u>9,154,870</u>	<u>23,399,091</u>	<u>32,425,388</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

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C. Scott Rankin, CPA

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

Superintendent and School Board  
Bay St. Louis / Waveland School District

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

#### Internal Control Over Financial Reporting

Management of the school district is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Membership in:  
American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



**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***  
Page 2

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.

Wolfe, McDuff & Oppie

Pascagoula, Mississippi  
November 30, 2011



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

Superintendent and School Board  
Bay St. Louis / Waveland School District

Compliance

We have audited the compliance of the Bay St. Louis / Waveland School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Bay St. Louis / Waveland 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, Bay St. Louis / Waveland School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Bay St. Louis / Waveland 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 Bay St. Louis / Waveland School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

*Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
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**Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**  
Page 2

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

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

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

*Walter McDuff Jr, Oppie*

Pascagoula, Mississippi  
November 30, 2011

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

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**Wolfe • McDuff & Oppie**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Bay St. Louis / Waveland School District

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

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district did not report any 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.

*Wolfe, McDuff & Oppie*

Pascagoula, Mississippi  
November 30, 2011

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:		
1.	Type of auditor's report issued on the financial statements:	Unqualified
2.	Noncompliance material to financial statements noted?	No
3.	Internal control over financial reporting:	
a.	Material weaknesses identified?	No
b.	Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
Federal Awards:		
4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
a.	Material weaknesses identified?	No
b.	Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
6.	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
7.	Federal programs identified as major programs:	
a.	Twenty-First Century Community Learning Centers CFDA #: 84.287	
b.	Education Technology, Recovery Act CFDA #:84.386	
c.	Special Education Cluster CFDA #: 84.027, 84.173, 84.391, 84.392	
d.	Education for Homeless Children and Youth, Recovery Act CFDA #: 84.387	
e.	Disaster Grants - Public Assistance CFDA # 97.036	
f.	MAEP Stabilization Funds CFDA # 84.394	
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	No
10.	Prior fiscal year findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133?	No

BAY ST. LOUIS / WAVELAND SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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