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Bay St. Louis /Waveland School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

Bay St. Louis /Waveland School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental 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, 2013, and the related notes to the financial statements, which collectively comprise the Bay St. Louis /Waveland School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay St. Louis /Waveland School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 15 and 41 to 44 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 supplementary 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.

Other Information

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 financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, on our consideration of the Bay St. Louis /Waveland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay St. Louis /Waveland School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC — Certified Public Accountants
October 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. 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 position for 2013 increased $474,064, including a prior period adjustment of $38,385, which represents a 1% increase from fiscal year 2012. Total net position for 2012 increased $7,012,066, including a prior period adjustment of $21,583, which represents an 18% increase from fiscal year 2011.

- General revenues amounted to $16,906,377 and $16,524,912, or 77% and 62% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $5,032,979, or 23% of total revenues for 2013, and $10,327,282, or 38% of total revenues for 2012.

- The District had $21,503,677 and $25,011,131 in expenses for fiscal years 2013 and 2012; only $5,032,979 for 2013 and $10,327,282 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $16,906,377 for 2013 and general revenues of $16,524,912 and special items of $5,149,420 for 2012 were adequate to provide for these programs.

- Among major funds, the General Fund had $16,007,700 in revenues and $16,214,328 in expenditures for 2013, and $15,623,580 in revenues and $15,200,782 in expenditures in 2012. The General Fund's fund balance decreased by $488,048 from 2012 to 2013, and decreased by $7,933,753, including a prior period adjustment of $126, from 2011 to 2012.

- Capital assets, net of accumulated depreciation, increased by $171,770 for 2013 and increased by $931,800 for 2012. The increase for 2013 was due primarily to land improvements, the completion of buildings and building improvements and other improvements, and the purchase of various items of furniture and equipment.

- Long-term debt decreased by $770,153 for 2013 and decreased by $5,224,459 for 2012. The decrease for 2013 was due to principal payments on outstanding long-term debt during the fiscal year. The liability for compensated absences increased by $7,480 for 2013 and increased by $4,245 for 2012.

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary 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.

Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $46,760,456 as of June 30, 2013.

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

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 16,831,910	$ 18,019,995	(6.59) %
Restricted assets	632,084	633,027	(0.15) %
Capital assets, net	40,057,310	39,885,540	0.43 %
Total assets	**57,521,304**	**58,538,562**	**(1.74) %**
Current liabilities	809,040	1,537,689	(47.39) %
Long-term debt outstanding	9,951,808	10,714,481	(7.12) %
Total liabilities	**10,760,848**	**12,252,170**	**(12.17) %**
Net position:			
Net investment in capital assets	33,839,394	32,948,567	2.70 %
Restricted	3,199,030	1,970,715	62.33 %
Unrestricted	9,722,032	11,367,110	(14.47) %
Total net position	**$ 46,760,456**	**$ 46,286,392**	**1.02 %**

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

- Increase in net capital assets in the amount of $171,770.
- The principal retirement of $770,153 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were $21,939,356 and $26,852,194, respectively. The total cost of all programs and services was $21,503,677 for 2013 and $25,011,131 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 486,028	$ 531,374	(8.53) %
Operating grants and contributions	4,546,951	9,795,908	(53.58) %
General revenues:			
Property taxes	8,070,879	8,031,674	0.49 %
Gaming/donations	290,763	425,556	(31.67) %
Grants and contributions not restricted	8,344,467	7,707,001	8.27 %
Investment earnings	56,413	216,090	(73.89) %
Sixteenth section sources	6,628	4,800	38.08 %
Other	137,227	139,791	(1.83) %
Total revenues	**21,939,356**	**26,852,194**	**(18.30) %**
Expenses:			
Instruction	10,974,884	11,535,206	(4.86) %
Support services	8,673,439	11,048,558	(21.50) %
Non-instructional	1,472,835	1,598,780	(7.88) %
Sixteenth section	1,252	4,002	(68.72) %
Interest on long-term liabilities	381,267	824,585	(53.76) %
Total expenses	**21,503,677**	**25,011,131**	**(14.02) %**
Special items	-	5,149,420	(100.00) %
Increase (Decrease) in net position	**435,679**	**6,990,483**	**(93.77) %**
Net Position, July 1, as previously reported	**46,286,392**	**39,274,326**	17.85 %
Prior Period Adjustment	**38,385**	**21,583**	77.85 %
Net Position, July 1, as restated	**46,324,777**	**39,295,909**	**17.89 %**
Net Position, June 30	**$ 46,760,456**	**$ 46,286,392**	**1.02 %**

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

	Total Expenses		Percentage
	2013	2012	Change
Instruction	$ 10,974,884	$ 11,535,206	(4.86) %
Support services	8,673,439	11,048,558	(21.50) %
Non-instructional	1,472,835	1,598,780	(7.88) %
Sixteenth section	1,252	4,002	(68.72) %
Interest on long-term liabilities	381,267	824,585	(53.76) %
Total expenses	**$ 21,503,677**	**$ 25,011,131**	**(14.02) %**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (9,136,842)	$ (8,114,676)	12.60 %
Support services	(6,819,245)	(5,807,606)	17.42 %
Non-instructional	(132,092)	67,020	(297.09) %
Sixteenth section	(1,252)	(4,002)	(68.72) %
Interest on long-term liabilities	(381,267)	(824,585)	(53.76) %
Total net (expense) revenue	**$ (16,470,698)**	**$ (14,683,849)**	**12.17 %**

- Net cost of governmental activities ($16,470,698 for 2013 and $14,683,849 for 2012) was financed by general revenue, which is primarily made up of property and gaming/donations taxes ($8,361,642 for 2013 and $8,457,230 for 2012) and state and federal revenues ($8,344,467 for 2013 and $7,707,001 for 2012). In addition, there was $6,628 and $4,800 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to $56,413 for 2013 and $216,090 for 2012.

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 $11,453,039, an increase of $618,813, which includes a decrease in inventory of $190. $2,011,625, or 18%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $9,441,414, or 82% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $488,048. The fund balance of Other Governmental Funds showed an increase in the amount of $91,160, which includes a decrease in inventory of $190. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
FEMA/MEMA Fund	$	1,015,701

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. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $48,707,892, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of $1,293,973 from 2012 due primarily to land improvements, the completion of buildings and building improvements and other improvements, and the purchase of various items of furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2013, was $8,650,582, and total depreciation expense for the year was $1,178,021, resulting in total net capital assets of $40,057,310.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 634,475	$ 413,523	53.43 %
Construction in Progress	175,157	1,257,850	(86.07) %
Buildings	36,902,124	36,974,440	(0.20) %
Building improvements	1,171,357	-	
Improvements other than buildings	406,345	335,119	21.25 %
Mobile equipment	186,856	232,326	(19.57) %
Furniture and equipment	580,996	672,282	(13.58) %
Total	**$ 40,057,310**	**$ 39,885,540**	**0.43 %**

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

Debt Administration. At June 30, 2013, the District had $9,951,808 in outstanding long-term debt, of which $810,664 is due within one year. During the fiscal year, the District made principal payments totaling $770,153 on outstanding long-term debt. The liability for compensated absences increased $7,480 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
General obligation bonds payable	$ 3,290,000	$ 3,860,000	(14.77) %
Three mill notes payable	3,560,000	3,710,000	(4.04) %
Shortfall notes payable - CDL	2,509,421	2,509,421	0.00 %
Shortfall notes payable	437,236	487,389	(10.29) %
Compensated absences payable	155,151	147,671	5.07 %
Total	**$ 9,951,808**	**$ 10,714,481**	**(7.12) %**

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

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.

FINANCIAL STATEMENTS

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Statement of Net Position **Exhibit A**
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	$ 7,048,611
Due from other governments	9,281,232
Other receivables, net	7,138
Inventories	16,960
Prepaid items	477,969
Restricted assets	632,084
Capital assets, non-depreciable:	
Land	634,475
Construction in progress	175,157
Capital assets, net of accumulated depreciation:	
Buildings	36,902,124
Building improvements	1,171,357
Improvements other than buildings	406,345
Mobile equipment	186,856
Furniture and equipment	580,996
Total Assets	57,521,304
Liabilities	
Accounts payable and accrued liabilities	431,378
Unearned revenue	4,145
Interest payable on long-term liabilities	373,517
Long-term liabilities, due within one year:	
Capital related liabilities	750,000
Non-capital related liabilities	60,664
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,100,000
Non-capital related liabilities	3,041,144
Total Liabilities	10,760,848
Net Position	
Net investment in capital assets	33,839,394
Restricted for:	
Expendable:	
School-based activities	2,260,618
Debt service	880,514
Unemployment benefits	57,898
Unrestricted	9,722,032
Total Net Position	$ 46,760,456

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 10,974,884	$ 150,445	$ 1,687,597	$ (9,136,842)
Support services	8,673,439	85,318	1,768,876	(6,819,245)
Non-instructional	1,472,835	250,265	1,090,478	(132,092)
Sixteenth section	1,252	-	-	(1,252)
Interest on long-term liabilities	381,267	-	-	(381,267)
Total Governmental Activities	$ 21,503,677	$ 486,028	$ 4,546,951	$ (16,470,698)

General Revenues:	
Taxes:	
General purpose levies	7,031,985
Debt purpose levies	1,038,894
Gaming/donations	290,763
Unrestricted grants and contributions:	
State	8,225,757
Federal	118,710
Unrestricted investment earnings	56,413
Sixteenth section sources	6,628
Other	137,227
Total General Revenues	16,906,377
Change in Net Position	435,679
Net Position - Beginning, as previously reported	46,286,392
Prior Period Adjustments	38,385
Net Position - Beginning, as restated	46,324,777
Net Position - Ending	$ 46,760,456

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

Balance Sheet **Exhibit C**

June 30, 2013

	Major Funds			
	General Fund	FEMA/MEMA Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 5,230,356	$ -	$ 2,450,339	$ 7,680,695
Due from other governments	334,596	8,669,498	277,038	9,281,132
Other receivables, net	7,138	-	-	7,138
Due from other funds	658,325	-	232,790	891,115
Inventories	-	-	16,960	16,960
Prepaid items	477,969	-	-	477,969
Total assets	$ 6,708,384	$ 8,669,498	$ 2,977,127	$ 18,355,009
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	$ 264,375	$ 52,043	$ 114,960	$ 431,378
Due to other funds	-	447,925	443,090	891,015
Unearned revenue	-	5,575,432	4,145	5,579,577
Total Liabilities	264,375	6,075,400	562,195	6,901,970
Fund Balances:				
Nonspendable:				
Inventory	-	-	16,960	16,960
Prepaid items	477,969	-	-	477,969
Restricted:				
Debt service	-	-	958,002	958,002
Capital projects	-	-	632,084	632,084
Unemployment benefits	-	-	57,898	57,898
Food service	-	-	369,920	369,920
Sixteenth section	-	-	122,174	122,174
FEMA	-	1,015,701	-	1,015,701
Other purposes	-	-	257,894	257,894
Committed:				
FEMA Reserve	-	1,578,397	-	1,578,397
Assigned:				
Capital improvements	3,801,207	-	-	3,801,207
Activity funds	153,208	-	-	153,208
Unassigned	2,011,625	-	-	2,011,625
Total Fund Balances	6,444,009	2,594,098	2,414,932	11,453,039
Total Liabilities and Fund Balances	$ 6,708,384	$ 8,669,498	$ 2,977,127	$ 18,355,009

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Positic **Exhibit C-1**

June 30, 2013

Total fund balances for governmental funds		$ 11,453,039
Amounts reported for governmental activities in the statement of Net Position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 634,475	
Construction in progress	175,157	
Buildings	43,718,454	
Building improvements	1,220,164	
Improvements other than buildings	666,654	
Mobile equipment	563,463	
Furniture and equipment	1,729,525	
Accumulated depreciation	(8,650,582)	40,057,310
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 Position.		5,575,432
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	(3,290,000)	
Notes payable	(6,506,657)	
Compensated absences	(155,151)	
Accrued interest payable	(373,517)	(10,325,325)
Net Position of governmental activities		$ 46,760,456

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2013

	Major Funds			
	General Fund	FEMA/MEMA Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	$ 7,575,387	$ -	$ 1,352,432	$ 8,927,819
State sources	8,290,282	-	280,705	8,570,987
Federal sources	142,031	2,245,109	2,948,992	5,336,132
Sixteenth section sources	-	-	6,628	6,628
Total Revenues	16,007,700	2,245,109	4,588,757	22,841,566
Expenditures:				
Instruction	8,397,376	269,743	1,656,356	10,323,475
Support services	7,120,295	442,956	896,682	8,459,933
Noninstructional services	1,635	71,709	1,176,125	1,249,469
Sixteenth section	-	-	1,252	1,252
Facilities acquisition and construction	695,022	445,000	-	1,140,022
Debt service:				
Principal	-	-	770,153	770,153
Interest	-	-	315,226	315,226
Other	-	-	2,550	2,550
Total Expenditures	16,214,328	1,229,408	4,818,344	22,262,080
Excess (Deficiency) of Revenues over (under) Expenditures	(206,628)	1,015,701	(229,587)	579,486
Other Financing Sources (Uses):				
Insurance recovery	58,417	-	-	58,417
Operating transfers in	37,762	-	367,596	405,358
Other financing sources	31,100	-	-	31,100
Operating transfers out	(358,699)	-	(46,659)	(405,358)
Other financing uses	(50,000)	-	-	(50,000)
Total Other Financing Sources (Uses)	(281,420)	-	320,937	39,517
Net Change in Fund Balances	(488,048)	1,015,701	91,350	619,003
Fund Balances:				
July 1, 2012	6,932,057	1,578,397	2,323,772	10,834,226
Increase (Decrease) in inventory	-	-	(190)	(190)
June 30, 2013	$ 6,444,009	$ 2,594,098	$ 2,414,932	$ 11,453,039

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013

Exhibit D-1

Net change in fund balances - total governmental funds		$ 619,003
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	$ 1,336,050	
Depreciation expense	(1,178,021)	158,029
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 Position differs from the change in fund balance by the cost of the assets sold.		(24,644)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. 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	770,153	
Accrued interest payable	(63,491)	706,662
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(7,480)	
Change in inventory	(190)	(7,670)
5. Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		(1,015,701)
Change in Net Position of governmental activities		$ 435,679

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2013

	Agency Funds
Assets	
Cash and cash equivalents	$ 794,189
Total Assets	$ 794,189
Liabilities	
Accounts payable and accrued liabilities	$ 730,632
Due to other funds	100
Due to student clubs	63,457
Total Liabilities	$ 794,189

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

Bay St. Louis - Waveland School District

Notes to the Financial Statements
June 30, 2013

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. 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.

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 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 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 is used 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 is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position 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. One exception to this 60 day rule is the period of availability related to FEMA revenue, in which the period of availability is 7 months. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting,* issued in 2012 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.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. 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 Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for 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 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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of actual revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities

pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $7,680,695 and $794,189, respectively. The bank balance was $9,020,063.

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, 2013, none of the district's bank balance of $9,020,063 was exposed to custodial credit risk.

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	$	447,925
	Other governmental funds		210,300
	Fiduciary funds		100
Other governmental funds	Other governmental funds		232,790
Total		$	891,115

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
General Fund	Other governmental funds	$	358,699
Other governmental funds	General Fund		37,762
	Other governmental funds		8,897
Total		$	405,358

Inter-fund transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, unemployment compensation transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent unspent proceeds from long-term debt in the amount of $632,084 that remained on hand in a Capital Projects Fund at fiscal year end.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2013
Governmental Activities:						
Non-depreciable capital assets:						
Land	$ 413,523	$ 209,396	$	$	$ 11,556	$ 634,475
Construction-in-progress	1,257,850	247,471		(1,330,164)		175,157
Total non-depreciable capital assets	1,671,373	456,867	-	(1,330,164)	11,556	809,632
Depreciable capital assets:						
Buildings	42,917,719	690,735		110,000		43,718,454
Building improvements				1,220,164		1,220,164
Improvements other than buildings	568,762	71,063			26,829	666,654
Mobile equipment	563,463					563,463
Furniture and equipment	1,692,602	117,385	80,462			1,729,525
Total depreciable capital assets	45,742,546	879,183	80,462	1,330,164	26,829	47,898,260
Less accumulated depreciation for:						
Buildings	5,943,279	873,051				6,816,330
Building improvements		48,807				48,807
Improvements other than buildings	233,643	26,666				260,309
Mobile equipment	331,137	45,470				376,607
Furniture and equipment	1,020,320	184,027	55,818			1,148,529
Total accumulated depreciation	7,528,379	1,178,021	55,818	-	-	8,650,582
Total depreciable capital assets, net	38,214,167	(298,838)	24,644	1,330,164	26,829	39,247,678
Governmental activities capital assets, net	$ 39,885,540	$ 158,029	$ 24,644	$ -	$ 38,385	$ 40,057,310

Adjustments were needed to properly report architect fees paid in prior year that were related to the land improvements capitalized in the current fiscal year and to properly report the cost of an improvement that was paid for at the end of the prior fiscal year but was added to capital assets in the current fiscal year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 662,759
Support services	297,581
Non-instructional	217,681
Total depreciation expense - Governmental activities	$ 1,178,021

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Central Office Project	$ 175,157	$ 4,239,537

Construction projects included in governmental activities are funded with General Funds and FEMA/MEMA funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	$ 3,860,000	$	$ 570,000	$ 3,290,000	$ 595,000
B. Three mill notes payable	3,710,000		150,000	3,560,000	155,000
C. Shortfall notes payable - CDL	2,509,421			2,509,421	-
D. Shortfall notes payable	487,389		50,153	437,236	52,906
E. Compensated absences payable	147,671	7,480		155,151	7,758
Total	$ 10,714,481	$ 7,480	$ 770,153	$ 9,951,808	$ 810,664

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	$ 3,290,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 595,000	$ 119,700	$ 714,700
2015	625,000	95,300	720,300
2016	655,000	69,700	724,700
2017	690,000	42,800	732,800
2018	725,000	14,500	739,500
Total	$ 3,290,000	$ 342,000	$ 3,632,000

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within

such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2012.

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	$ 3,560,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 155,000	$ 140,969	$ 295,969
2015	160,000	136,319	296,319
2016	165,000	131,519	296,519
2017	170,000	126,569	296,569
2018	175,000	121,043	296,043
2019 – 2023	980,000	506,805	1,486,805
2024 – 2028	1,200,000	291,722	1,491,722
2029 – 2030	555,000	38,220	593,220
Total	$ 3,560,000	$ 1,493,166	$ 5,053,166

This debt will be retired from the 2010 Three Mill/Twenty Year Fund (Debt Service Fund).

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	$ 5,106,851	$ 614,935
Community Disaster Loan	2.93%	10/21/2009	8/27/2016	1,894,486	1,894,486
Total				$ 7,001,337	$ 2,509,421

This debt is considered one loan for repayment purposes. However, there were different drawdown dates, maturity dates, and interest rates 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	$ 614,935	$ 144,502	$ 759,437
2017	1,894,486	380,197	2,274,683
Total	$ 2,509,421	$ 524,699	$ 3,034,120

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. On August 15, 2013, the application for full cancellation of the remaining balance of $2,509,421, plus forgiveness of accrued interest, was approved. (See also Note 14)

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	$ 437,236

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

Year Ending June 30	Principal	Interest	Total
2014	$ 52,906	$ 24,004	$ 76,910
2015	55,811	21,100	76,911
2016	58,875	18,036	76,911
2017	62,107	14,803	76,910
2018	65,516	11,394	76,910
2019-2020	142,021	11,799	153,820
Total	$ 437,236	$ 101,136	$ 538,372

This debt will be retired from the Shortfall 2009 Fund (Debt Service Fund).

E. Compensated absences payable

As more fully explained in Note 1(E)(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, 2013, $3,235,000 of bonds outstanding are defeased.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% 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, 2013, 2012 and 2011 were $1,478,502, $1,285,637 and $1,219,183, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2014	$	2,400
2015		2,400
2016		2,400
2017		2,400
2018		2,400
2019 – 2023		12,000
2024 – 2028		12,000
2029 – 2033		12,000
2034 – 2038		12,000
Thereafter		76,800
Total	$	136,800

Note 10 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation		Amount
1. To adjust cost of land and improvements other than buildings at year end.	$	38,385

Note 11 – Contingencies

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

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

Note 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, 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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 - Insurance loss recoveries

The Bay St. Louis/Waveland School District received $58,417 in insurance loss recoveries related to damages to roofs, fences and HVAC from Hurricane Isaac during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Bay St. Louis/Waveland School District evaluated the activity of the district through the date the financial statements were available to be issued and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On August 15, 2013, the application for full cancellation of the remaining balance of $2,509,421 of the Community Disaster Loan of the Bay St. Louis/Waveland School District, plus forgiveness of accrued interest, was approved. Accrued interest as of June 30, 2013 totaled $296,029.

On September 25, 2013, the Board signed a warranty deed and sold property to Lasalle School, LLC in the amount of $737,030.

REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 7,758,100	$ 7,575,387	$ 7,575,387	$ (182,713)	$ -
State sources	8,265,519	8,290,282	8,290,282	24,763	-
Federal sources	138,488	142,031	142,031	3,543	-
Total Revenues	16,162,107	16,007,700	16,007,700	(154,407)	-
Expenditures:					
Instruction	8,403,798	8,397,376	8,397,376	6,422	-
Support services	7,627,027	7,122,426	7,120,295	504,601	2,131
Noninstructional services	200	1,635	1,635	(1,435)	-
Facilities acquisition and construction	1,075,000	692,891	695,022	382,109	(2,131)
Total Expenditures	17,106,025	16,214,328	16,214,328	891,697	-
Excess (Deficiency) of Revenues over (under) Expenditures	(943,918)	(206,628)	(206,628)	737,290	-
Other Financing Sources (Uses):					
Insurance recovery	-	58,417	58,417	58,417	-
Operating transfers in	1,960,505	2,017,509	37,762	57,004	(1,979,747)
Other financing sources	27,650	31,100	31,100	3,450	-
Operating transfers out	(2,292,571)	(2,338,446)	(358,699)	(45,875)	1,979,747
Other financing uses	(50,000)	(50,000)	(50,000)	-	-
Total Other Financing Sources (Uses)	(354,416)	(281,420)	(281,420)	72,996	-
Net Change in Fund Balances	(1,298,334)	(488,048)	(488,048)	810,286	-
Fund Balances:					
July 1, 2012	15,101,587	15,101,587	6,932,057	-	(8,169,530)
June 30, 2013	$ 13,803,253	$ 14,613,539	$ 6,444,009	$ 810,286	$ (8,169,530)

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

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
FEMA/MEMA Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 4,300,000	$ 1,229,408	$ 2,245,109	$ (3,070,592)	$ 1,015,701
Total Revenues	4,300,000	1,229,408	2,245,109	(3,070,592)	1,015,701
Expenditures:					
Instruction	300,000	269,743	269,743	30,257	-
Support services	1,600,000	712,422	442,956	887,578	269,466
Noninstructional services	100,000	71,709	71,709	28,291	-
Facilities acquisition and construction	2,300,000	175,534	445,000	2,124,466	(269,466)
Total Expenditures	4,300,000	1,229,408	1,229,408	3,070,592	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	1,015,701	-	1,015,701
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	1,015,701	-	1,015,701
Fund Balances:					
July 1, 2012	-	-	1,578,397	-	1,578,397
June 30, 2013	$ -	$ -	$ 2,594,098	$ -	$ 2,594,098

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BAY ST. LOUIS/WAVELAND SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Bay St. Louis/Waveland School District **Schedule 1**
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	$ 244,489
National School Lunch Program	10.555	767,021
Summer Food Service Program for Children	10.559	25,828
Total Child Nutrition Cluster		1,037,338
Total passed-through Mississippi Department of Education		1,037,338
Total U.S. Department of Agriculture		1,037,338
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	60,066
Total U.S. Department of Defense		60,066
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Univeral Service Fund	32.xxx	64,858
Total Federal Communications Commission		64,858
U. S. Department of Education		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	788,466
Career and Technical Education - Basic Grants to States	84.048	5,757
Twenty-First Century Community Learning Centers	84.287	322,317
Improving Teacher Quality- State Grants	84.367	191,805
Subtotal		1,308,345
Special Education Cluster:		
Special Education - Grants to States	84.027	561,825
Special Education - Preschool Grants	84.173	41,590
Total Special Education Cluster		603,415
Total passed-through the Mississippi Department of Education		1,911,760
Total U.S. Department of Education		1,911,760
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education		
Medical Assistance Program	93.778	27,950
Total U.S. Department of Health and Human Services		27,950
U.S. Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,229,408
Total Department of Homeland Security		1,229,408
TOTAL FOR ALL FEDERAL AWARDS		$ 4,331,380

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 2**
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	13,660,152	10,441,178	853,092	1,020,261	1,345,621
Other		8,601,928	2,316,930	163,713	40,717	6,080,568
Total	$	22,262,080	12,758,108	1,016,805	1,060,978	7,426,189
Total number of students *		1,944				
Cost per student	$	11,452	6,563	523	546	3,820

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

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
General Administration - includes expenditures for the following functions: Support Services - General Administration and; Support Services - Business
School Administration - includes expenditures for the following functions: Support Services - School Administration
Other - includes all expenditure functions not included in Instruction or Administration categories

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

OTHER INFORMATION

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	$ 7,575,387	7,816,424	7,787,069	7,475,933
State sources	8,290,282	7,510,885	6,678,360	6,562,486
Federal sources	142,031	296,271	184,422	128,593
Total Revenues	16,007,700	15,623,580	14,649,851	14,167,012
Expenditures:				
Instruction	8,397,376	7,719,967	7,172,848	7,479,971
Support services	7,120,295	7,125,812	6,703,054	7,680,875
Noninstructional services	1,635	6,771		
Facilities acquisition and construction	695,022	48,232		9,828,969
Debt Service:				
Principal				
Interest			245,859	481,773
Other		300,000	750	
Total Expenditures	16,214,328	15,200,782	14,122,511	25,471,588
Excess (Deficiency) of Revenues over (under) Expenditures	(206,628)	422,798	527,340	(11,304,576)
Other Financing Sources (Uses):				
Proceeds of loans				
Insurance recovery	58,417	133,529	9,668	
Sale of other property			127,766	555
Operating transfers in	37,762	43,337	1,054,331	128,235
Other financing sources	31,100	39,500		
Operating transfers out	(358,699)	(8,523,043)	(413,082)	(1,385,127)
Other financing uses	(50,000)	(50,000)	(4,167)	
Total Other Financing Sources (Uses)	(281,420)	(8,356,677)	774,516	(1,256,337)
Net Change in Fund Balances	(488,048)	(7,933,879)	1,301,856	(12,560,913)
Fund Balances:				
July 1, as previously reported	6,932,057	14,865,810	10,408,612	22,645,913
Prior period adjustments		126	3,155,342	323,612
July 1, as restated	6,932,057	14,865,936	13,563,954	22,969,525
June 30,	$ 6,444,009	6,932,057	14,865,810	10,408,612

*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"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	$ 8,927,819	9,171,456	9,240,439	10,586,033
State sources	8,570,987	7,802,936	7,050,011	6,979,829
Federal sources	5,336,132	9,687,001	7,010,430	10,886,048
Sixteenth section sources	6,628	4,800	5,684	3,303
Total Revenues	22,841,566	26,666,193	23,306,564	28,455,213
Expenditures:				
Instruction	10,323,475	10,923,281	10,012,228	10,318,773
Support services	8,459,933	10,843,824	8,464,280	9,379,041
Noninstructional services	1,249,469	1,409,083	1,634,910	1,135,182
Sixteenth section	1,252	4,002		1,236
Facilities acquisition and construction	1,140,022	1,865,331	548,002	18,276,299
Debt service:				
Principal	770,153	732,543	710,068	450,000
Interest	315,226	344,386	614,416	687,573
Other	2,550	302,550	9,050	73,315
Total Expenditures	22,262,080	26,425,000	21,992,954	40,321,419
Excess (Deficiency) of Revenues over (under) Expenditures	579,486	241,193	1,313,610	(11,866,206)
Other Financing Sources (Uses):				
Proceeds of loans				4,580,000
Insurance recovery	58,417	133,529	9,668	
Sale of other property			127,766	555
Operating transfers in	405,358	8,632,618	1,390,844	1,383,956
Other financing sources	31,100	39,500		
Operating transfers out	(405,358)	(8,632,618)	(1,531,420)	(1,556,444)
Other financing uses	(50,000)	(50,000)	(26,819)	
Total Other Financing Sources (Uses)	39,517	123,029	(29,961)	4,408,067
Net Change in Fund Balances	619,003	364,222	1,283,649	(7,458,139)
Fund Balances:				
July 1, as previously reported	10,834,226	10,467,001	9,154,870	23,399,091
Prior period adjustment		126	35,493	(6,788,551)
July 1, as restated	10,834,226	10,467,127	9,190,363	16,610,540
Increase (decrease) in inventory	(190)	2,877	(7,011)	2,469
June 30,	$ 11,453,039	10,834,226	10,467,001	9,154,870

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, in accordance with the 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, the financial statements of the governmental 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, 2013, and the related notes to the financial statements, which collectively comprise the Bay St. Louis/Waveland School District's basic financial statements, and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay St. Louis /Waveland School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC — Certified Public Accountants
October 22, 2013

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Bay St. Louis /Waveland School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay St. Louis/Waveland School District's major federal programs for the year ended June 30, 2013. The Bay St. Louis /Waveland School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bay St. Louis /Waveland School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Bay St. Louis /Waveland School District complied, in all material respects, with the types of 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, 2013.

Report on 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 the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bay St. Louis /Waveland School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 22, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 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, 2013, which collectively comprise the Bay St. Louis/Waveland School District's basic financial statements and have issued our report thereon dated October 22, 2013. 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $2,805 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure 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.

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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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 22, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Bay St. Louis/Waveland School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.

2. Internal control over financial reporting:
   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified? None reported.

3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified? None reported.

5. Type of auditor's report issued on compliance for major programs: Unqualified.

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

8. Dollar threshold used to distinguish between type A and type B programs: $300,000.

9. Auditee qualified as low-risk auditee? No.

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 by *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.