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**PERRY COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**King CPA, PLLC**

**PERRY COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

PERRY COUNTY SCHOOL DISTRICT  
NEW AUGUSTA, MISSISSIPPI

BOARD OF TRUSTEES

Elaine Hartfield  
Fredrick Jackson  
Lavelle Parker  
Terry Shoemake  
Marion Yonce

SUPERINTENDENT

Scott Dearman, Ed. D.

Business Manager

Evelyn Garner

# PERRY COUNTY SCHOOL DISTRICT

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

November 30, 2005

Superintendent and School Board  
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2005, which collectively comprise the Perry County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Perry County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2005 on our consideration of the Perry County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Independent Auditor's Report

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The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on page 44 through 45 are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Perry County School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*King CPA, PLLC*

KING CPA, PLLC  
Petal, Mississippi  
November 30, 2005

**PERRY COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)**

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of the Perry County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$344,513, which represents a 9% increase from fiscal year 2004. This increase is due primarily to the increase in capital assets during the year and the decrease in long-term debt related to those capital assets.
- General revenues accounted for \$8,400,550 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,641,479, or 31% of total revenues.
- The District had \$11,697,516 in expenses; only \$3,641,479 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,400,550 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,090,903 in revenues and \$8,027,712 in expenditures. The General Fund's fund balance increased \$242,325 from the prior year due primarily to transfers from the 16<sup>th</sup> Section Interest Fund to the General Fund.
- Capital assets, net of accumulated depreciation, increased by \$420,743. This increase is due to the purchase of a school bus, computer equipment and the increase in construction in progress related to a cafeteria addition and a new classroom building.
- Long-term debt decreased by \$185,531. During the fiscal year, the district had proceeds of loans of \$300,000. The district also made principal payments on long-term debt during the fiscal year in the amount of \$499,000, including the repayment of the \$300,000 loan.

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation 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* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

**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.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is provided in this report.

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,070,737 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,418,269 of the District's net assets (35%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$1,856,141 of the District's net assets (46%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$796,327 of the District's net assets (19%) reflects its unrestricted net assets.

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 depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 2,163,377	\$ 2,169,444
Other assets	1,120,285	1,312,353
Capital assets, net	<u>4,578,269</u>	<u>4,157,526</u>
<b>Total assets</b>	<u>7,861,931</u>	<u>7,639,323</u>
Current liabilities	559,224	452,930
Long-term debt outstanding	<u>3,231,970</u>	<u>3,417,501</u>
<b>Total liabilities</b>	<u>3,791,194</u>	<u>3,870,431</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,418,269	1,260,337
Restricted	1,856,141	2,031,884
Unrestricted	<u>796,327</u>	<u>476,671</u>
<b>Total net assets</b>	<u>\$ 4,070,737</u>	<u>\$ 3,768,892</u>

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

- Capital assets increased from the previous fiscal year due primarily to the purchase of a school bus, several items of computer equipment and the increase in construction in progress related to a cafeteria addition and a new classroom building.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to the principal payments made during the fiscal year.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the increase in capital assets and the decrease in long-term debt related to those capital assets.
- Restricted net assets decreased from the previous fiscal year due primarily to a decrease in amounts restricted for school based activities (expendable) and sixteenth section purposes (non-expendable).
- Unrestricted net assets increased from the previous fiscal year due to the increase in fund balance in the General Fund.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$12,042,029. The total cost of all programs and services was \$11,697,516. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Revenues:</b>		
Program revenues	\$ 3,641,479	\$ 2,907,906
General revenues	<u>8,400,550</u>	<u>7,573,285</u>
<b>Total revenues</b>	<u>12,042,029</u>	<u>10,481,191</u>
<b>Expenses:</b>		
Instruction	7,031,055	6,363,051
Support services	3,822,359	3,114,746
Non-instructional	707,618	702,808
Sixteenth section	644	26,421
Interest and other expenses on long-term liabilities	<u>135,840</u>	<u>161,082</u>
<b>Total expenses</b>	<u>11,697,516</u>	<u>10,368,108</u>
<b>Increase in net assets</b>	<u>\$ 344,513</u>	<u>\$ 113,083</u>

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state and federal grants and contributions and sixteenth section sources.
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits related to the 8% teacher pay raise.
- Support services expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits related to the 8% teacher pay raise, an increase in property insurance and an increase in fuel costs.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional services, sixteenth section and interest and other expenses on long-term liabilities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 7,031,055	\$ (4,668,714)	\$ 6,363,051	\$ (4,516,779)
Support services	3,822,359	(3,276,707)	3,114,746	(2,687,245)
Non-instructional	707,618	(1,896)	702,808	(68,675)
Sixteenth section	644	27,120	26,421	(26,421)
Interest on long-term liabilities	135,840	(135,840)	161,082	(161,082)
<b>Total expenses</b>	<b>\$ 11,697,516</b>	<b>\$ (8,056,037)</b>	<b>\$ 10,368,108</b>	<b>\$ (7,460,202)</b>

- The net cost of governmental activities for fiscal year 2005 in the amount of \$8,056,037 was financed by general revenue, which is made up of primarily property taxes of \$1,982,919 and state revenue of \$5,109,140.
- Investment earnings accounted for \$91,262 of funding.
- During the fiscal year, the district sold timber that generated sixteenth section revenue in the amount of \$185,096.

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$2,767,401. The net change in fund balance for the fiscal year was a decrease of \$263,908 due primarily to expenditures related to the renovation and construction of new school facilities. \$1,335,864, or 48%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from the General Fund and will be used for capital improvements. The remaining fund balance of \$1,431,537, or 52%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$242,325 due primarily to the transfer of funds from the 16<sup>th</sup> Section Interest Fund to the General Fund. The net change in fund balance for the 16<sup>th</sup> Section Principal Fund for the fiscal year was a decrease of \$226,379 due primarily to the transfer of funds to the 16<sup>th</sup> Section Interest Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$279,854 due primarily to expenditures related to the renovation and construction of new school facilities.

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased to reflect the increase in ad valorem receipts during the fiscal year.
- Budgeted amounts for revenue from state sources in the General Fund were increased to reflect the increase in Mississippi Adequate Education Program (MAEP) funds received during the fiscal year. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for revenue from federal sources in the General Fund were increased to reflect the E-rate revenue received during the fiscal year. The original budget did not include the credits toward purchases of equipment during the fiscal year as federal sources.
- Budgeted amounts for instructional expenditures in the General Fund were decreased primarily because teachers that retired during the fiscal year whose salaries were included in the original budget were replaced with teachers with less years of experience.
- Budgeted amounts for support services expenditures in the General Fund were increased due primarily to an increase in insurance costs, an increase in fuel costs and an increase in expenditures related to equipment purchases.
- Budgeted amounts for debt service principal expenditures in the General Fund were increased due primarily to the repayment of a loan that was not originally budgeted.
- Budgeted amounts for proceeds of loans in the General Fund were decreased to reflect the actual proceeds received during the fiscal year.
- Budgeted amounts for transfers into the General Fund were increased primarily to reflect the transfer of funds from the 16<sup>th</sup> Section Interest Fund to the General Fund.
- Budgeted amounts for transfers out of the General Fund were decreased. The original budget included a transfer of funds from the General Fund to a Capital Projects Fund. However, the transfer was not made during the fiscal year.

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

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets, before depreciation, were \$7,434,566, including land, construction in progress, buildings, building improvements, mobile equipment and furniture and equipment. This amount represents a gross increase of \$661,139 from the previous year. During the fiscal year, the district incurred expenditures related to the purchase of a school bus, the purchase of several items of computer equipment and the construction of a cafeteria addition and a new classroom building. Total depreciation expense for the year was \$240,396. Total accumulated depreciation as of June 30, 2005 was \$2,856,297, resulting in total net assets of \$4,578,269.

**Debt Administration.** At June 30, 2005, the District had \$3,231,970 in general and limited obligation bonds and other long-term debt outstanding, of which \$213,879 is due within one year. During the fiscal year, the district had proceeds of loans of \$300,000. The district also made principal payments on long-term debt during the fiscal year in the amount of \$499,000, including the repayment of the \$300,000 loan.

**CURRENT ISSUES**

The Perry County 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 millage rate has not increased or decreased significantly over the past several years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Perry County School District, P. O. Box 137, New Augusta, MS 39462.

**PERRY COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**PERRY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

**EXHIBIT A**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,392,840
Investments	349,222
Due from other governments	408,280
Inventories and prepaid items	13,035
Restricted assets	1,120,285
Capital assets, net	<u>4,578,269</u>
Total Assets	<u>7,861,931</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	156,519
Due to other governments	359,742
Interest payable on long-term debt	42,963
Long-term liabilities (due within one year)	
Capital-related liabilities	211,000
Non-capital related liabilities	2,879
Long-term liabilities (due beyond one year)	
Capital-related liabilities	2,949,000
Non-capital related liabilities	<u>69,091</u>
Total Liabilities	<u>3,791,194</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,418,269
Restricted net assets	
Expendable:	
School-based activities	296,094
Debt service	251,094
Capital improvements	184,508
Forestry improvements	46,420
Unemployment benefits	31,268
Non-expendable:	
Sixteenth section	1,046,757
Unrestricted	<u>796,327</u>
Total Net Assets	<u>\$ 4,070,737</u>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 7,031,055	\$ 235,288	\$ 2,127,053	\$ -	\$ (4,668,714)
Support services	3,822,359	-	545,652	-	(3,276,707)
Non-instructional services	707,618	140,445	565,277	-	(1,896)
Sixteenth section	644	27,764	-	-	27,120
Interest and other charges related to long-term liabilities	135,840	-	-	-	(135,840)
<b>Total Governmental Activities</b>	<b>\$ 11,697,516</b>	<b>\$ 403,497</b>	<b>\$ 3,237,982</b>	<b>\$ -</b>	<b>\$ (8,056,037)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
General purpose levies					1,874,510
Debt purpose levies					108,409
<b>Unrestricted grants and contributions:</b>					
State					5,109,140
Federal					970,235
Unrestricted investment earnings					91,262
Sixteenth section sources					225,529
Other					21,465
<b>Total General Revenues</b>					<b>8,400,550</b>
Change in Net Assets					344,513
Net Assets - Beginning					3,768,892
Prior period adjustments					(42,668)
Net Assets - Beginning - Restated					3,726,224
Net Assets - Ending					<b>\$ 4,070,737</b>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

**EXHIBIT C**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Sixteenth Section Principal Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 706,686	\$ 52,672	\$ 686,154	\$ 1,445,512
Cash with fiscal agent	-	-	267	267
Investments	349,222	912,423	154,923	1,416,568
Due from other governments	82,523	-	321,604	404,127
Due from other funds	145,297	-	4,153	149,450
Advances to other funds	-	81,662	-	81,662
Inventories and prepaid items	-	-	13,035	13,035
<b>Total Assets</b>	<b><u>\$ 1,283,728</u></b>	<b><u>\$ 1,046,757</u></b>	<b><u>\$ 1,180,136</u></b>	<b><u>\$ 3,510,621</u></b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 72,060	\$ -	\$ 84,459	\$ 156,519
Due to other funds	261,709	-	243,330	505,039
Advances from other funds	81,662	-	-	81,662
<b>Total Liabilities</b>	<b><u>415,431</u></b>	<b><u>-</u></b>	<b><u>327,789</u></b>	<b><u>743,220</u></b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Advances	-	81,662	-	81,662
Inventory	-	-	13,035	13,035
Unemployment benefits	-	-	31,268	31,268
Forestry improvement	-	-	46,420	46,420
Debt service purposes	-	-	294,057	294,057
Permanent fund purposes	-	965,095	-	965,095
<b>Unreserved, undesignated, reported in:</b>				
General fund	868,297	-	-	868,297
Special revenue funds	-	-	283,059	283,059
Capital project funds	-	-	184,508	184,508
<b>Total Fund Balances</b>	<b><u>868,297</u></b>	<b><u>1,046,757</u></b>	<b><u>852,347</u></b>	<b><u>2,767,401</u></b>
<b>Total Liabilities &amp; Fund Balances</b>	<b><u>\$ 1,283,728</u></b>	<b><u>\$ 1,046,757</u></b>	<b><u>\$ 1,180,136</u></b>	<b><u>\$ 3,510,621</u></b>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

**EXHIBIT C-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit C)	\$ 2,767,401
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,856,297.	4,578,269
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(3,160,000)
Compensated Absences	(71,970)
Interest payable on long-term debt	<u>(42,963)</u>
Total Net Assets - Governmental Activities (Exhibit A)	<u>\$ 4,070,737</u>

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

**PERRY COUNTY SCHOOL DISTRICT**

**EXHIBIT D**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>REVENUES</b>				
Local sources	\$ 2,163,469	\$ -	\$ 262,329	\$ 2,425,798
State sources	4,934,902	-	740,637	5,675,539
Federal sources	992,532	-	2,624,111	3,616,643
Sixteenth section sources	-	42,621	256,253	298,874
Total Revenues	<u>8,090,903</u>	<u>42,621</u>	<u>3,883,330</u>	<u>12,016,854</u>
<b>EXPENDITURES</b>				
Instruction	4,445,529	-	2,483,236	6,928,765
Support services	3,277,411	-	663,890	3,941,301
Non-instructional services	-	-	679,914	679,914
Sixteenth section	-	-	644	644
Facilities acquisition and construction	291	-	389,872	390,163
Debt Service:				
Principal	300,000	-	199,000	499,000
Interest	4,481	-	133,287	137,768
Other	-	-	1,089	1,089
Total Expenditures	<u>8,027,712</u>	<u>-</u>	<u>4,550,932</u>	<u>12,578,644</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>63,191</u>	<u>42,621</u>	<u>(667,602)</u>	<u>(561,790)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of loans	300,000	-	-	300,000
Operating transfers in	1,093,740	-	1,136,400	2,230,140
Payments held by escrow agents	-	-	33,000	33,000
Operating transfers out	(1,214,606)	(269,000)	(746,534)	(2,230,140)
Payment to QZAB debt escrow agent	-	-	(33,000)	(33,000)
Other financing uses	-	-	(2,118)	(2,118)
Total Other Financing Sources (Uses)	<u>179,134</u>	<u>(269,000)</u>	<u>387,748</u>	<u>297,882</u>
Net change in fund balances	242,325	(226,379)	(279,854)	(263,908)
Fund Balances--July 1, 2004	535,172	1,273,165	1,220,530	3,028,867
Prior period adjustment	90,800	(29)	(87,459)	3,312
Fund Balances--As restated July 1, 2004	<u>625,972</u>	<u>1,273,136</u>	<u>1,133,071</u>	<u>3,032,179</u>
Increase in reserve for inventory	-	-	(870)	(870)
Fund Balances--June 30, 2005	<u>\$ 868,297</u>	<u>\$ 1,046,757</u>	<u>\$ 852,347</u>	<u>\$ 2,767,401</u>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT D-1**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (263,908)
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets.	661,139
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(240,396)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(300,000)
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	499,000
 Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	(13,469)
Accrued interest on bonds	3,017
 In the governmental funds, the change in reserve for inventory is disclosed as a separate item affecting fund balance; however, in the statement of activities it is adjusted against non-instructional expenses.	 (870)
Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 344,513</u>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2005**

**EXHIBIT E**

	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 33,354
Due from other funds	359,742
Total Assets	<hr/> <b>\$ 393,096</b> <hr/>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 359,742
Due to student clubs	29,201
Due to other funds	4,153
Total Liabilities	<hr/> <b>\$ 393,096</b> <hr/>

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

**PERRY COUNTY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

### (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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board of which each member was elected by the citizens of each defined county district.

#### B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

##### *Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

### C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

**16<sup>th</sup> Section Principal Fund** - This fund is used to account for non-expendable sixteenth section revenues for which the financing sources are earnings on investments and the sale of nonrenewable resources. Only the earnings on investments may be transferred to the district's General Fund for operational purposes.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

### FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

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

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(\* ) The threshold amount will correspond with the amounts for the asset classifications, as listed.  
See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

### L. Equity Classifications.

#### *Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by  
(1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### *Fund Financial Statements:*

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

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

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources even though they are a component of net current assets.

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

Reserved for unemployment benefits - An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents the fund balance of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

Reserved for debt service purposes - An account that represents a portion of fund balance which indicates that debt service money does not represent available spendable resources even though they are a component of net current assets.

Reserved for permanent fund purposes - An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes.

### M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the county 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.

### N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

### O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 only the compensated absence liability payable from expendable available financial resources.

## (2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

### Cash and Cash Equivalents.

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,445,512 and \$33,354, respectively. The bank balance was \$1,956,874.

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

*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 formal 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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, \$1,856,333 of the districts bank balance of \$1,956,874 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$267.

Investments.

As of June 30, 2005, the district had the following investments.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
GNMA Bond		\$ 742
GNMA II Bond		1,322
Fed Home Loan MTG Corp	less than 1 year	90,636
Horizon Treasury MMKT Class A	less than 1 year	64,287
Certificates of Deposit	1 to 5 years	<u>1,259,581</u>
		<u>\$1,416,568</u>

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The district's investment in GNMA bonds is a credit risk because the securities are uninsured, unregistered and held by the district's agent in the district's name.

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

(3) Interfund Transactions and Balances.  
The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 145,297	261,709
Other Governmental Funds	4,153	243,330
Fiduciary Funds	<u>359,742</u>	<u>4,153</u>
 Total	 <u>\$ 509,192</u>	 <u>509,192</u>

The balances between funds result mainly from the time lag between the date the expenditures are incurred and the date the reimbursement is received from the funding source. The general fund finances these expenditures until the funds are reimbursed.

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Major Funds:		
General Fund	\$	81,662
16 <sup>th</sup> Section Principal Fund	<u>81,662</u>	<u></u>
 Total	 <u>\$ 81,662</u>	 <u>81,662</u>

[Note: The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on Exhibit D-1.]

C. Sixteenth section principal loans payable.

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30				
2006	\$	16,691	3,054	19,745
2007		10,853	2,392	13,245
2008		11,273	1,972	13,245
2009		11,701	1,544	13,245
20010		12,139	1,106	13,245
2011 - 2012		19,005	861	19,866
 Total	 \$	 <u>81,662</u>	 <u>10,929</u>	 <u>92,591</u>

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

D. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 1,093,740	1,214,606
16 <sup>th</sup> Section Principal Fund		269,000
Other Governmental Funds	<u>1,136,400</u>	<u>746,534</u>
Total	<u>\$ 2,230,140</u>	<u>2,230,140</u>

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

(4) Capital Assets.

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

	<u>Balance 7-1-2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2005</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 58,108					58,108
Construction in progress	<u>13,842</u>	390,163		(235,752)		<u>168,253</u>
Total non-depreciable capital assets	<u>71,950</u>	<u>390,163</u>	0	<u>(235,752)</u>	0	<u>226,361</u>
<u>Depreciable capital assets:</u>						
Buildings	5,204,166					5,204,166
Building improvements	103,620			235,752		339,372
Improvements other than buildings						0
Mobile equipment	1,271,769	48,900				1,320,669
Furniture and equipment	<u>121,922</u>	<u>222,076</u>				<u>343,998</u>
Total depreciable capital Assets	<u>6,701,477</u>	<u>270,976</u>	0	<u>235,752</u>	0	<u>7,208,205</u>
<u>Less accumulated depreciation for:</u>						
Buildings	1,686,057	91,662				1,777,719
Building improvements	4,145	13,575				17,720
Improvements other than buildings						0
Mobile equipment	825,581	59,192				884,773
Furniture and equipment	<u>100,118</u>	<u>75,967</u>				<u>176,085</u>
Total accumulated depreciation	<u>2,615,901</u>	<u>240,396</u>	0	0	0	<u>2,856,297</u>
Total depreciable capital assets, net	4,085,576	30,580	0	235,752	0	4,351,908
Governmental activities capital assets, net	<u>\$ 4,157,526</u>	<u>420,743</u>	0	0	0	<u>4,578,269</u>

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 110,557
Support services	123,514
Non-instructional	6,325
 Total depreciation expense	 <u>\$ 240,396</u>

The capital assets above include significant amounts of land which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2005, are summarized as follows:

	Remaining Commitment	Required Future Financing
New classroom building	\$ <u>934,247</u>	<u>0</u>
Total	\$ <u>934,247</u>	<u>0</u>

(5) Long-term liabilities.

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

	Balance <u>7-1-2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance <u>6-30-2005</u>	Amounts due within one year
A. General obligation refunding bonds payable	\$ 464,000		39,000		425,000	41,000
B. Limited obligation bonds payable	2,215,000		110,000		2,105,000	115,000
C. Three mill notes payable	380,000		50,000		330,000	55,000
D. Qualified zone academy bonds payable	300,000				300,000	0
E. Other loans payable	0	300,000	300,000		0	0
F. Compensated absences payable	58,501	13,469			71,970	2,879
Total	\$ <u>3,417,501</u>	<u>313,469</u>	<u>499,000</u>	<u>0</u>	<u>3,231,970</u>	<u>213,879</u>

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding bonds, Series 2004	3.17%	06-01-04	12-01-13	\$ 464,000	425,000
<b>Total</b>				<u>\$ 464,000</u>	<u>425,000</u>

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

	<u>Year Ending</u>			
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	41,000	12,823	53,823
2007		42,000	11,507	53,507
2008		43,000	10,160	53,160
2009		46,000	8,749	54,749
2010		47,000	7,275	54,275
2011 - 2014		206,000	13,282	219,282
<b>Total</b>	<b>\$</b>	<u>425,000</u>	<u>63,796</u>	<u>488,796</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. 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 state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2004. This debt will be retired from the EEF Building and Buses Fund (2410).

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	Varies	03-01-98	02-01-18	\$ 2,475,000	2,105,000
Total				\$ 2,475,000	2,105,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 115,000	96,109	211,109
2007	120,000	89,124	209,124
2008	125,000	82,969	207,969
2009	130,000	77,375	207,375
2010	140,000	71,365	211,365
2011 - 2015	795,000	252,198	1,047,198
2016 - 2018	680,000	54,040	734,040
Total	\$ 2,105,000	723,180	2,828,180

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund (4041).

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2002	4.60%	06-15-02	06-15-10	\$ 500,000	330,000
Total				\$ 500,000	330,000

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 55,000	15,180	70,180
2007	60,000	12,650	72,650
2008	65,000	9,890	74,890
2009	70,000	6,900	76,900
2010	80,000	3,680	83,680
<b>Total</b>	<b>\$ 330,000</b>	<b>48,300</b>	<b>378,300</b>

This debt will be retired from the Three Mill Debt Service Fund (4022).

D. Qualified zone academy bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB Note	N/A	06-01-01	05-15-11	\$ 300,000	300,000
<b>Total</b>				<b>\$ 300,000</b>	<b>300,000</b>

E. Other loans payable.

Other loans payable were paid off during the fiscal year.

F. Compensated absences payable.

As more fully explained in Note 1(O), 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.

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

(6) 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 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% 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, 2005, 2004 and 2003 were \$577,843, \$526,662 and \$504,386, respectively, which equaled the required contributions for each year.

(7) 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		Amount
June 30		
2006	\$	68,553
2007		67,464
2008		35,737
2009		31,560
2010		1,400
2011 - 2015		1,734
2016 - 2020		957
Total	\$	<u>207,405</u>

**PERRY COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2005**

- (8) Prior Period Adjustments/Exhibits.  
A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To record prior year accrued interest payable	(45,980)
2. To reverse a prior year audit adjustment made in error and to correct a prior year error in recording an asset or liability in the governmental funds	3,312
Total	<u>(42,668)</u>

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

Major funds:

<u>Major funds:</u>	<u>Amount</u>
General Fund	90,800
16 <sup>th</sup> Section Principal Fund	(29)
Other Governmental Funds	(87,459)
Total	<u>\$ 3,312</u>

- 9) Risk Management.

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

- (10) Prior Year Defeasance of Debt.

In the prior fiscal year, the Perry County School District defeased certain Trust Certificates by placing the proceeds of new bonds, less issuance costs, in an irrevocable trust to provide for all future debt service payments on the Trust Certificates. As a result, the Trust Certificates are considered to be defeased and the liability for those certificates has been removed from long-term liabilities.

# PERRY COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

(11) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated June 1, 2001. The district is a participant in the Mississippi School Districts Qualified Zone Academy Bond Program pursuant to Section 37-59-101, et seq., Miss Code Ann. (1972). Participation in this program is governed by the Trust Agreement.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2006	\$	33,000
2007		30,000
2008		30,000
2009		30,000
2010		22,000
2011		9,000
Total	\$	<u>154,000</u>

(12) Subsequent Event.

On August 29, 2005 Hurricane Katrina passed through the State of Mississippi. Perry County School District suffered significant damage to its property, buildings and equipment as a result of this hurricane. The estimated cost of the damage as of the date of this report is approximately \$1,200,000. To date Perry County Schools has been advanced \$400,000 from its insurance carrier. The district is currently in the process of filing claims with its insurance carrier and FEMA. The district expects its damages to be covered, however an estimate of the district's uncovered losses is not determinable at this time.

**PERRY COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**PERRY COUNTY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDING JUNE 30, 2005**

**SCHEDULE 1A**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>REVENUES</b>					
Local sources	\$ 2,041,028	\$ 2,163,469	\$ 2,163,469	\$ 122,441	\$ -
State sources	4,783,329	4,957,118	4,957,118	173,789	-
Federal sources	530,000	970,316	970,316	440,316	-
<b>Total Revenues</b>	<b>7,354,357</b>	<b>8,090,903</b>	<b>8,090,903</b>	<b>736,546</b>	<b>-</b>
<b>EXPENDITURES</b>					
Instruction	4,563,497	4,445,529	4,445,529	117,968	-
Support services	2,739,341	3,277,411	3,277,411	(538,070)	-
Non-instructional services	599	-	-	599	-
Facilities acquisition and construction	-	291	291	(291)	-
Debt Service:					
Principal	18,537	300,000	300,000	(283,463)	-
Interest	8,596	4,481	4,481	4,115	-
<b>Total Expenditures</b>	<b>7,328,570</b>	<b>8,027,712</b>	<b>8,027,712</b>	<b>(699,142)</b>	<b>-</b>
Excess (deficiency) of Revenues over (under) Expenditures	25,787	63,191	63,191	37,404	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of loans	650,000	300,000	300,000	(350,000)	-
Operating transfers in	728,514	1,093,740	1,093,740	365,226	-
Operating transfers out	(1,855,970)	(1,214,606)	(1,214,606)	641,364	-
<b>Total Other Financing Sources (Uses)</b>	<b>(477,456)</b>	<b>179,134</b>	<b>179,134</b>	<b>656,590</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(451,669)</b>	<b>242,325</b>	<b>242,325</b>	<b>693,994</b>	<b>-</b>
Fund Balances—July 1, 2004	723,922	723,922	535,172	-	188,750
Prior period adjustment	-	(97,950)	90,800	97,950	-
Fund Balances—As restated July 1, 2004	723,922	625,972	625,972	97,950	188,750
Fund Balances—June 30, 2005	\$ 272,253	\$ 868,297	\$ 868,297	\$ 596,044	\$ 188,750

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

PERRY COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2005

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 revision

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 the date established by the Mississippi Department of Education. 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.

**PERRY COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

PERRY COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 39,995
Child nutrition cluster		
School breakfast program	10.553	188,470
National school lunch program	10.555	371,246
Summer food service program for children	10.559	3,582
Total child nutrition cluster		<u>563,298</u>
Total U.S. Department of Agriculture		<u>603,293</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	465,707
Vocational education - basic grants to states	84.048	33,872
Safe and drug-free schools and communities - state grants	84.186	14,433
Even start - state educational agencies	84.213	105,877
Twenty-first century community learning centers	84.287	94,774
State grants for innovative programs	84.298	6,952
Comprehensive school reform demonstration	84.332	64,169
Class size reduction	84.340	-
Title I accountability grants	84.348	-
Reading first state grants	84.357	642,688
Rural education achievement program	84.358	-
Improving teacher quality - state grants	84.367	126,792
Total		<u>1,555,264</u>
Special education cluster:		
Special education - grants to states	84.027	332,907
Special education - preschool grants	84.173	8,854
Total		<u>341,761</u>
Total passed-through Mississippi Department of Education		<u>1,897,025</u>
Total U.S. Department of Education		<u>1,897,025</u>
Total for All Federal Awards		<u>\$ 2,500,318</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies 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.

**PERRY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE**  
**AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDEND JUNE 30, 2005**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,182,577	\$ 5,762,644	\$ 978,360	\$ 1,441,573
Other	4,457,229	1,166,127	274,853	3,016,249
Total	<u>\$ 12,639,806</u>	<u>\$ 6,928,771</u>	<u>\$ 1,253,213</u>	<u>\$ 4,457,822</u>
Total number of students *	1,351			
Cost per student	<u>\$ 9,356</u>	<u>\$ 5,129</u>	<u>\$ 928</u>	<u>\$ 3,300</u>

**PERRY COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Perry County School District

We have audited the financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards

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

*King CPA PLLC*  
KING CPA, PLLC  
Petal, Mississippi  
November 30, 2005

**PERRY COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Perry County School District

## Compliance

We have audited the compliance of the Perry County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Perry County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Perry County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

*King CPA, PLLC*

KING CPA, PLLC  
Petal, Mississippi  
November 30, 2005

**PERRY COUNTY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. 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.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with 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 one instance of noncompliance where classroom supply funds were expended for an unallowable purpose. The district purchased football helmet decals for \$145.34 from Pro Tuff Decals on 05/20/05. The amount was not material and the instance was considered an oversight. The district reported **\$4,856** of classroom supply funds carried over from previous years.

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 other instances of noncompliance with state laws and regulations.

The Office of the State Auditor or a public accounting firm will review, on the subsequent years audit engagement, the findings in this report to insure corrective action has been taken. This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*King CPA PLLC*  
KING CPA, PLLC  
Petal, Mississippi  
November 30, 2005

**PERRY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements:        | UNQUALIFIED |
| 2. Material noncompliance relating to the general purpose financial statements?        | NO          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness (es) identified?  | NO          |
| b. Reportable condition(s) identified that are not considered to be material weakness? | NO          |

**Federal Awards:**

- |   |             |
|---|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs:  | UNQUALIFIED |
| 5. Internal control over major programs:  |             |
| a. Material weakness (es) identified?   | NO          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses?  | NO          |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133?  | NO          |
| 7. Federal programs identified as major programs:   |             |
| Even Start State Edcational Agencies CFDA #   | 84.213      |
| Improving Teacher Quality State Grants CFDA #   | 84.367      |
| Special education Grants to States CFDA #   | 84.027      |
| Special education preschool grants CFDA #   | 84.173      |
| Twenty first century community learning CFDA #  | 84.287      |
| 8. The dollar threshold used to distinguish between Type A and Type B programs:   | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?   | YES         |
| 10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? | NO          |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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

**PERRY COUNTY SCHOOL DISTRICT**

**AUDITEE'S CORRECTIVE ACTION PLAN**

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

<u>Finding</u>	<u>Correction Action Plan Details</u>
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None	
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**PERRY COUNTY SCHOOL DISTRICT**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
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There are no unresolved prior audit findings.