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**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2005**

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

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**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**



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Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Philadelphia Public School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Philadelphia Public 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 15, 2005, on our consideration of the Philadelphia Public 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.

The Management's Discussion and Analysis on pages 4 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Philadelphia Public 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. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Philadelphia, Mississippi  
November 15, 2005



**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Philadelphia Public School District**  
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Mrs. Sandra Martin, Director of Business Affairs  
Mrs. Denise Butler, Purchasing Officer  
Mrs. Brenda Nowell, Executive Secretary/Payroll  
Mrs. Paula Anderson, Technology Coordinator

The discussion and analysis of Philadelphia Public 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.

#### **FINANCIAL HIGHLIGHTS**

- Total net assets increased \$787,430, which represents a 22% increase from fiscal year 2004.
- General revenues account for \$7,491,098 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,215,504 or 23% of total revenues.
- The District had \$8,919,172 in expenses; only \$2,215,504 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,491,098 were adequate to provide for these programs.
- Among major funds, the General Fund had \$6,963,174 in revenues and \$6,435,075 in expenditures. The General Fund's fund balance increased by \$192,652 over the prior year. The increase was a result of total revenues increasing slightly faster than total expenses.
- Capital assets, net of accumulated depreciation, increased by \$333,466. Depreciation expense for the year was \$222,376.
- Long-term debt decreased by \$322,507. The District incurred no new debt during the fiscal year ending 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 comprise 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 on long-term liabilities.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. 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 and each additional major fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133.

## **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 \$4,373,814 as of June 30, 2005.

By far the largest portion of the District's net assets \$3,067,914 (70%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, 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.

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

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

	<u>June 30</u> <u>2005</u>	<u>June 30</u> <u>2004</u>
Current and other assets	\$ 1,822,347	1,328,489
Capital assets, net	<u>7,489,449</u>	<u>7,155,983</u>
<b>Total assets</b>	<b>\$ <u>9,311,796</u></b>	<b><u>8,484,472</u></b>
Current and other liabilities	\$ 479,304	116,903
Long-term debt outstanding	<u>4,458,678</u>	<u>4,781,185</u>
<b>Total liabilities</b>	<b>\$ <u>4,937,982</u></b>	<b><u>4,898,088</u></b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 3,067,914	2,408,368
Restricted	242,493	303,688
Unrestricted	<u>1,063,407</u>	<u>874,328</u>
<b>Total net assets</b>	<b>\$ <u>4,373,814</u></b>	<b><u>3,586,384</u></b>

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005, were \$9,706,602. The total cost of all programs and services was \$8,919,172. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and June 30, 2004.

	<u>June 30</u> <u>2005</u>	<u>June 30</u> <u>2004</u>
<b>Revenues:</b>		
Program revenues	\$ 2,215,504	1,978,716
General revenues	<u>7,491,098</u>	<u>6,489,709</u>
<b>Total revenues</b>	<b><u>9,706,602</u></b>	<b><u>8,468,425</u></b>
<b>Expenses:</b>		
Instruction	5,305,278	5,078,082
Support services	2,743,665	2,277,905
Non-instructional	642,957	552,637
Interest and other expenses on Long-term liabilities	<u>227,272</u>	<u>247,319</u>
<b>Total expenses</b>	<b><u>8,919,172</u></b>	<b><u>8,155,943</u></b>
<b>Increase in net assets</b>	<b>\$ <u>787,430</u></b>	<b><u>312,482</u></b>

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

	<u>Total Expenses</u>		<u>Total Net</u>	
	<u>June 30</u>	<u>June 30</u>	<u>(Expense) Revenue</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Instruction	\$ 5,305,278	5,078,082	(4,411,191)	(4,020,876)
Support service	2,743,665	2,277,905	(2,082,629)	(1,910,570)
Non-instructional	642,957	552,637	17,424	1,538
Interest on long-term liabilities	<u>227,272</u>	<u>247,319</u>	<u>( 227,272)</u>	<u>( 247,319)</u>
<b>Total expenses</b>	<b>\$ <u>8,919,172</u></b>	<b><u>8,155,943</u></b>	<b><u>(6,703,668)</u></b>	<b><u>(6,177,227)</u></b>

- Net cost of governmental activities (\$6,703,668) was financed by general revenue, which is made up of primarily property taxes (\$2,524,264) and state revenue (\$4,800,346).

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,397,233, an increase of \$128,624 due primarily to expenditures during the fiscal year being held below normal revenues. \$1,170,534 or 84% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$226,699 or 16% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$192,652. This increase was a result of ordinary General Fund revenues being sufficient to meet ordinary expenses and the fact that no major unexpected expenditures were incurred.

Among other major funds, fund balances for the Teaching American History Fund and the Capital Building Fund remained unchanged. The fund balance of Other Governmental Funds showed a decrease of \$64,028.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget.

- Budgeted amounts for operating transfers out in the General fund were increased primarily due to the transfer of funds to the Capital building fund.
- The Teaching American history fund was not originally budgeted because the district had not yet applied for the grant. Revisions to the original budget were made when the grant was approved.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$10,388,190, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$531,726 from the previous year. Total accumulated depreciation as of June 30, 2005, was \$2,898,741 and total depreciation expense for the year was \$222,376, resulting in total net assets of \$7,489,449.

**Debt Administration.** At June 30, 2005, the District had \$4,458,678 in general obligation bonds and other long-term debt outstanding, of which \$273,535 is due within one year. Principal payments on this debt during the year amounted to \$326,080. The District incurred no new debt during the year ending June 30, 2005.

The District maintains an AA bond rating.

## **CURRENT ISSUES**

The Philadelphia Public 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 remained unchanged from the 2003-2004 year to the 2004-2005 year. In addition, the District 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 will decrease by 14 students during the 2005-2006 fiscal year. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Philadelphia Public School District, 248 Byrd Avenue, Philadelphia, Mississippi 39350.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2 )	\$ 1,358,314
Due from other governments	377,001
Accrued interest receivable	13
Other receivables, net	21,508
Inventories and prepaid items	6,819
Restricted assets	58,692
Capital assets, net (Note 4 )	<u>7,489,449</u>
 Total Assets	 \$ <u><u>9,311,796</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 425,114
Interest payable on long-term liabilities	54,190
Long-term liabilities, due within one year (Note 5)	
Capital related liabilities	273,535
Long-term liabilities, due beyond one year (Note 5)	
Capital related liabilities	4,148,000
Non-capital related liabilities	<u>37,143</u>
 Total Liabilities	 \$ <u><u>4,937,982</u></u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 3,067,914
Restricted net assets:	
Expendable:	
School - based activities	122,123
Debt service	95,303
Unemployment benefits	25,067
Unrestricted	<u>1,063,407</u>
 Total Net Assets	 \$ <u><u>4,373,814</u></u>

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



**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Teaching American History Fund</u>	<u>Capital Building Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 818,860	24	348,645	190,785	1,358,314
Cash with fiscal agents				58,692	58,692
Due from other governments	127,546	61,412		188,043	377,001
Accrued interest receivable	13				13
Other receivable, net	21,508				21,508
Due from other funds (Note 3)	180,809				180,809
Inventories and prepaid items				6,819	6,819
	<u>1,148,736</u>	<u>61,436</u>	<u>348,645</u>	<u>444,339</u>	<u>2,003,156</u>
Total Assets	\$ 1,148,736	61,436	348,645	444,339	2,003,156
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 48,186	24	348,645	28,259	425,114
Due to other funds (Note 3)		61,412		119,397	180,809
	<u>48,186</u>	<u>61,436</u>	<u>348,645</u>	<u>147,656</u>	<u>605,923</u>
Total Liabilities	48,186	61,436	348,645	147,656	605,923
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Ad valorem	219,880				219,880
Inventory				6,819	6,819
<b>Unreserved:</b>					
<b>Undesignated, reported in:</b>					
General fund	880,670				880,670
Special Revenue funds				140,371	140,371
Debt Service funds				149,493	149,493
	<u>1,100,550</u>			<u>296,683</u>	<u>1,397,233</u>
Total Fund Balances	1,100,550			296,683	1,397,233
Total Liabilities and Fund Balances	\$ 1,148,736	61,436	348,645	444,339	2,003,156

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2005**

	<u>Amount</u>
<b>Total Fund Balance - Governmental Funds</b>	\$ 1,397,233
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,898,741	7,489,449
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 5 )	(4,458,678)
3. Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.	<u>(54,190)</u>
<b>Total Net Assets - Governmental Activities</b>	<b>\$ <u><u>4,373,814</u></u></b>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Teaching American History Fund</u>	<u>Capital Building Fund</u>	<u>Other Governmental Funds</u>	
<b>Revenues:</b>					
Local sources	\$ 2,356,728			519,866	2,876,594
State sources	4,550,788			391,921	4,942,709
Federal sources	55,658	185,185		1,626,253	1,867,096
Sixteenth section sources				5,105	5,105
Total Revenues	<u>6,963,174</u>	<u>185,185</u>	<u>0</u>	<u>2,543,145</u>	<u>9,691,504</u>
<b>Expenditures:</b>					
Instruction	4,142,578	27,281		1,005,666	5,175,525
Support services	2,154,702	5,885		605,226	2,765,813
Noninstructional services	315	134,769		489,104	624,188
Facilities acquisition and construction	107,500		348,645		456,145
Debt service:					
Principal	27,080			299,000	326,080
Interest	2,900			224,384	227,284
Other				2,821	2,821
Total Expenditures	<u>6,435,075</u>	<u>167,935</u>	<u>348,645</u>	<u>2,626,201</u>	<u>9,577,856</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>528,099</u>	<u>17,250</u>	<u>(348,645)</u>	<u>(83,056)</u>	<u>113,648</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	2,744				2,744
Sale of other property	13,505				13,505
Operating transfers in	125,017		348,645	74,119	547,781
Operating transfers out	(476,713)	(17,250)		(53,818)	(547,781)
Total Other Financing Sources (Uses)	<u>(335,447)</u>	<u>(17,250)</u>	<u>348,645</u>	<u>20,301</u>	<u>16,249</u>
Net Change in Fund Balances	<u>192,652</u>	<u>0</u>	<u>0</u>	<u>(62,755)</u>	<u>129,897</u>
<b>Fund Balances:</b>					
July 1, 2004	907,898			360,711	1,268,609
Decrease in reserve for inventory				(1,273)	(1,273)
June 30, 2005	<u>\$ 1,100,550</u>	<u>0</u>	<u>0</u>	<u>296,683</u>	<u>1,397,233</u>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2005**

		<u>Amount</u>
<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>129,897</b>
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$556,992 and the depreciation expense amounted to \$222,376. (Note 4)		334,616
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. (Note 5)		326,080
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		2,834
4. In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the following items:		
Proceeds from sales of capital assets		(16,249)
Losses on sales of capital assets		15,098
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Decrease in accrued compensated absences		(3,573)
6. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.		<u>(1,273)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u><u>787,430</u></u></b>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**June 30, 2005**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ <u>344,692</u>
Total Assets	\$ <u><u>344,692</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 315,991
Due to student clubs	<u>28,701</u>
Total Liabilities	\$ <u><u>344,692</u></u>
<b>Net Assets</b>	
Total Net Assets	\$ <u><u>-</u></u>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Notes to 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Philadelphia since the governing authority of the city select a majority of the school district's board but does not have financial accountability for the school district.

**B. Basis of Presentation.**

The school district's basic financial statement consists 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

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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.

### **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 60 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:

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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.

Teaching American History Fund – This fund accounts for the federal grant money received and expenditures made in accordance with the “Teaching American History Grant” program. The purpose of this grant is to promote the teaching of traditional American history in elementary and secondary schools as a separate academic subject by supporting professional development for teachers of American history.

Capital Building Fund - This fund is used to account for financial resources to be used for the purchase, construction and/or major renovation of the school district’s facilities.

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.

### 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.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

**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 Sections 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).

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

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.

**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.

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

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

**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.

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, constructions 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.

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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 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.

### **M. Property Taxes.**

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

### **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.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

**(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 now 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 was \$1,703,006, and the bank balance was \$2,198,097.

**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 financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**Cash with Fiscal Agents.**

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$58,692.

**(3) Interfund Transactions and Balances.**

The following is a summary interfund transactions and balances:

**A. Due from/To Other Funds:**

	<b><u>Due From</u></b>	<b><u>Due To</u></b>
Governmental Funds:		
General Fund	\$ 180,809	
Teaching American History Fund		61,412
Other governmental funds	_____	<u>119,397</u>
Total	\$ <u>180,809</u>	<u>180,809</u>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

The purpose of the interfund receivables and payables are to close out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

**B. Transfers In/Out**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 125,017	476,713
Teaching American History Fund	-	17,250
Capital Building Fund	348,645	-
Other governmental funds	<u>74,119</u>	<u>53,818</u>
 Total	 \$ <u>547,781</u>	 <u>547,781</u>

The purpose of interfund transfers are to transfer federal program indirect cost to the General Fund and to close-out federal program funds at year end. The Capital Building Fund had a transfer for construction costs. These transfers are consistent with the activities of the fund making the transfer.

**(4) Capital Assets.**

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

	<u>Balance</u>		<u>Retire-</u>		<u>Balance</u>
	<u>7/1/04</u>	<u>Additions</u>	<u>ments</u>	<u>Adjustments</u>	<u>6/30/05</u>
<b>Non-depreciable capital assets:</b>					
Land	\$ 100,383	43,800			144,183
Construction in progress	-	<u>412,345</u>	-	-	<u>412,345</u>
Total non-depreciable capital assets	<u>100,383</u>	<u>456,145</u>	-	-	<u>556,528</u>
 <b>Depreciable capital assets:</b>					
Buildings	8,562,678				8,562,678
Improvements other than buildings	400,627				400,627
Mobile equipment	591,128	94,250	( 9,977)		675,401
Furniture and equipment	<u>201,648</u>	<u>6,597</u>	(15,289)	-	<u>192,956</u>
Total depreciable capital assets	<u>9,756,081</u>	<u>100,847</u>	<u>(25,266)</u>	-	<u>9,831,662</u>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

	<u>Balance</u> <u>7/1/04</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/05</u>
<u>Less accumulated depreciation for:</u>					
Buildings	\$ 1,888,886	155,391			2,044,277
Improvements other than buildings	277,165	14,998			292,163
Mobile equipment	352,792	43,123	( 8,980)		386,935
Furniture and equipment	<u>181,638</u>	<u>8,864</u>	<u>(15,136)</u>	-	<u>175,366</u>
Total accumulated depreciation	<u>2,700,481</u>	<u>222,376</u>	<u>(24,116)</u>	-	<u>2,898,741</u>
 Total depreciable capital assets, net	 <u>7,055,600</u>	 <u>(121,529)</u>	 <u>(1,150)</u>	 -	 <u>6,932,921</u>
 Governmental activities capital assets, net	 <u>\$ 7,155,983</u>	 <u>334,616</u>	 <u>(1,150)</u>	 -	 <u>7,489,449</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 127,002
Support services	78,700
Non-instructional	<u>16,674</u>
 Total Depreciation Expense	 <u>\$ 222,376</u>

**(5) Long-term Liabilities.**

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

	<u>Balance</u> <u>7/1/04</u>	<u>Additions</u>	<u>Re-</u> <u>ductions</u>	<u>Adjust-</u> <u>ments</u>	<u>Balance</u> <u>6/30/05</u>	<u>Due Within</u> <u>One Year</u>
A. General obligation bonds payable	\$ 2,380,000		125,000		2,255,000	130,000
B. Limited obligation bonds payable	1,920,000		85,000		1,835,000	95,000
C. Certificates of participation payable	322,000		19,000		303,000	20,000
D. Three mill notes payable	70,000		70,000			
E. Other loans payable	55,615		27,080		28,535	28,535
F. Compensated absences payable	<u>33,570</u>	<u>3,573</u>			<u>37,143</u>	
Total	<u>\$ 4,781,185</u>	<u>3,573</u>	<u>326,080</u>		<u>4,458,678</u>	<u>273,535</u>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Notes to 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 Out-standing</u>
General obligation bonds, Series 1998	Varies	6/1/1998	6/1/2018	\$ 3,000,000	2,255,000
Total				\$ 3,000,000	2,255,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 130,000	104,050	234,050
2007	140,000	98,363	238,363
2008	145,000	92,202	237,202
2009	150,000	85,822	235,822
2010	160,000	79,073	239,073
2011-2015	925,000	277,490	1,202,490
2016-2018	<u>605,000</u>	<u>54,025</u>	<u>659,025</u>
Total	\$ 2,255,000	<u>791,025</u>	<u>3,046,025</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 5% of property assessments as of October 1, 2004. This debt will be retired from the Debt Service General Obligation Fund.

**B. Limited Obligation Bonds Payable.**

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds Series 1998	varies	2/1/1998	2/1/2018	\$ 2,215,000	1,835,000
Total				\$ 2,215,000	1,835,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 95,000	83,118	178,118
2007	105,000	77,017	182,017
2008	110,000	71,206	181,206
2009	110,000	66,225	176,225
2010	120,000	61,220	181,220
2011-2015	675,000	219,493	894,493
2016-2018	<u>620,000</u>	<u>53,735</u>	<u>673,735</u>
Total	\$ 1,835,000	632,014	2,467,014

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 Debt Service Fund.

**C. Certificates of Participation Payable.**

As more fully explained in Note 9, certificates of participation have been issued by the school district. Certificates of participation 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>
Philadelphia Public Schools trust certificates	Varies	9/1/1995	9/1/2015	\$ 433,000	303,000
Total				\$ 433,000	303,000

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 20,000	19,175	39,175
2007	21,000	17,894	38,894
2008	22,000	16,550	38,550
2009	24,000	15,082	39,082
2010	25,000	13,490	38,490
2011-2015	154,000	39,495	193,495
2016	<u>37,000</u>	<u>1,249</u>	<u>38,249</u>
Total	\$ <u>303,000</u>	<u>122,935</u>	<u>425,935</u>

This debt will be retired from the Debt Service Certificates of Participation Fund.

**D. Three Mill Notes Payable.**

Debt currently outstanding is 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>
Three mill notes payable	5.80%	7/26/1995	4/1/2005	\$ <u>377,000</u>	<u>-</u>
Total				\$ <u>377,000</u>	<u>-</u>

This debt was retired from the Debt Service Three Mill Fund.

**E. Other Loans Payable.**

The school district has issued debt instruments granted under the authority of Section 37-41-89, Miss. Code Ann. (1972).

Debt currently outstanding is as follows:

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Out-standing</u>
Notes payable - Merchants and Farmers Bank	5.22%	6/13/2001	6/13/2006	\$ 129,000	28,535
Total				\$ 129,000	28,535

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 28,535	1,445	29,980
Total	\$ 28,535	1,445	29,980

This debt will be retired from the District Maintenance Fund.

**G. 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.

**(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, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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

**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 \$476,519, \$440,246, and \$410,045, respectively, which equaled the required contributions for each year.

**(7) Other Commitments.**

Operating leases:

The school district has several operating leases for the following:

1. Postage meter
2. Duplicator
3. Drivers Ed car
4. (4) Digital copiers

Lease expenditures for the year ended June 30, 2005, amounted to \$12,485. Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 6,894
2007	2,406
2008	____150
Total	\$ <u>9,450</u>

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

### (8) Risk Management.

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

#### Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

### (9) Trust Certificates.

A trust agreement dated September 1, 1985, was executed by and between the school district and The Citizens Bank of Philadelphia, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$433,000. The amount of \$418,328 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of \$14,672 was used to pay the cost of issuance.

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for the details regarding the debt service requirements on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

### (10) Subsequent Event

On April 12, 2005, the Board adopted a certain resolution stating its intention to issue a maximum amount of One Million Five Hundred Thousand and No/1000 dollars (\$1,500,000) in notes to pay the costs of renovating, repairing and equipping school buildings and related facilities, and issuing the notes. At the report date the school's revised estimate of these notes was One Million Two Hundred Thousand and No/100 dollars (\$1,200,000).

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>Revenues:</b>					
Local sources	\$ 1,813,398	2,450,808	2,356,728	637,410	(94,080)
State sources	4,492,924	4,555,011	4,550,788	62,087	(4,223)
Federal sources	40,000	57,505	55,658	17,505	(1,847)
Total Revenues	<u>6,346,322</u>	<u>7,063,324</u>	<u>6,963,174</u>	<u>717,002</u>	<u>(100,150)</u>
<b>Expenditures:</b>					
Instruction	4,291,479	4,367,012	4,142,578	(75,533)	224,434
Support services	2,136,314	2,233,878	2,154,702	(97,564)	79,176
Noninstructional services	300	500	315	(200)	185
Facilities acquisition and construction	3,000	360,500	107,500	(357,500)	253,000
Debt Service:					
Principal		29,980	27,080	(29,980)	2,900
Interest	30,100		2,900	30,100	(2,900)
Total Expenditures	<u>6,461,193</u>	<u>6,991,870</u>	<u>6,435,075</u>	<u>(530,677)</u>	<u>556,795</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(114,871)</u>	<u>71,454</u>	<u>528,099</u>	<u>186,325</u>	<u>456,645</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries		2,744	2,744	2,744	
Sale of transportation equipment					
Sale of other property		13,505	13,505	13,505	
Operating transfers in	62,554	126,674	125,017	64,120	(1,657)
Operating transfers out	(1,000)	(476,713)	(476,713)	(475,713)	
Total Other Financing Sources (Uses)	<u>61,554</u>	<u>(333,790)</u>	<u>(335,447)</u>	<u>(395,344)</u>	<u>(1,657)</u>
Net Change in Fund Balances	<u>(53,317)</u>	<u>(262,336)</u>	<u>192,652</u>	<u>(209,019)</u>	<u>454,988</u>
<b>Fund Balances:</b>					
July 1, 2004	<u>905,446</u>	<u>907,898</u>	<u>907,898</u>	<u>2,452</u>	<u>0</u>
June 30, 2005	<u>\$ 852,129</u>	<u>645,562</u>	<u>1,100,550</u>	<u>(206,567)</u>	<u>454,988</u>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Teaching American History Fund**  
**For the Year Ended June 30, 2005**

	<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	\$				
State sources					
Federal sources		333,905	185,185	333,905	(148,720)
Total Revenues	0	333,905	185,185	333,905	(148,720)
<b>Expenditures:</b>					
Instruction		47,597	27,281	(47,597)	20,316
Support services		5,898	5,885	(5,898)	13
Noninstructional services		241,968	134,769	(241,968)	107,199
Total Expenditures	0	295,463	167,935	(295,463)	127,528
Excess (Deficiency) of Revenues Over Expenditures	0	38,442	17,250	38,442	(21,192)
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries					
Sale of transportation equipment					
Sale of other property					
Operating transfers in					
Operating transfers out		(38,442)	(17,250)	(38,442)	21,192
Total Other Financing Sources (Uses)	0	(38,442)	(17,250)	(38,442)	21,192
Net Change in Fund Balances	0	0	0	0	0
<b>Fund Balances:</b>					
July 1, 2004	0	0	0	0	0
June 30, 2005	\$ 0	0	0	0	0

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

# PHILADALPHIA PUBLIC SCHOOL DISTRICT

## Note to the Required Supplementary Information For the Year Ended June 30, 2005

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before 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.

**PHILADALPHIA PUBLIC SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog Of Federal Domestic Assistance No.</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 25,597
Child nutrition cluster:		
School breakfast program	10.553	90,742
National school lunch program	10.555	310,049
Total Child Nutrition Cluster		<u>400,791</u>
Total U.S. Department of Agriculture		<u>426,388</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	506,290
Vocational Education - basic grants to states	84.048	22,175
Safe and drug-free schools and communities - state grants	84.186	12,667
Funds for improvement of education	84.215	185,185
Carol M. White physical education program	84.215F	18,768
Eisenhower professional development state grants	84.281	101,380
Twenty-first century community learning centers	84.287	35,335
Innovative education program strategies	84.298	7,196
Education technology state grants	84.318	194,734
Advanced placement program	84.330	5,054
Rural education achievement program	84.358	29,845
Improving teacher quality - state grants	84.367	22,060
Total		<u>1,140,689</u>
Special Education Cluster:		
Special education - grants to states	84.027	236,513
Special education - preschool grants	84.173	15,814
Total		<u>252,327</u>
Total passed-through Mississippi Department of Education		<u>1,393,016</u>
Total U.S. Department of Education		<u>1,393,016</u>
<b>Total for All Federal Awards</b>		<b>\$ <u>1,819,404</u></b>

**NOTES TO SCHEDULE**

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Schedule of Instructional, Administrative and Other Expenditures -**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 6,585,190	4,538,842	787,637	1,258,711
Other	<u>2,992,666</u>	<u>636,684</u>	<u>133,056</u>	<u>2,222,926</u>
Total	<u>9,577,856</u>	<u>5,175,526</u>	<u>920,693</u>	<u>3,481,637</u>
Total number of students	1,110	1,110	1,110	1,110
Cost per student	<u>\$ 8,629</u>	<u>4,663</u>	<u>829</u>	<u>3,137</u>

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

**Instruction** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aids or classroom assistants of any type - all the 1000 functional codes.

**Administrative** - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); Support Services - Business (2500s).

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



**WATKINS, WARD AND STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Boyd M. Edwards, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA  
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Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA

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

Superintendent and School Board  
Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2005, which collectively comprise the Philadelphia Public School District basic financial statement and have issued our report thereon dated November 15, 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 reportable 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 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 and Others Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated November 15, 2005, which is included in this report.

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.

Philadelphia, Mississippi  
November 15, 2005

*Watkins, Ward and Stafford, PLLC*



**WATKINS, WARD AND STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	R. Steve Sinclair, CPA
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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  
 Philadelphia Public School District

Compliance

We have audited the compliance of the Philadelphia Public 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 its major federal program for the year ended June 30, 2005. The school district's major federal program is identified in the summary of auditors' results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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, Philadelphia Public 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 Philadelphia Public 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 reportable 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.

Philadelphia, Mississippi  
November 15, 2005

*Watkins, Ward and Stafford, PLLC*

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

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



**WATKINS, WARD AND STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA  
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 John N. Russell, CPA

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

Superintendent and School Board  
 Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2005, which collectively comprise the Philadelphia Public School District basic financial statement and have issued our report thereon dated November 15, 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.

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 other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed an instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$7,571 of classroom supply funds carried over from previous years.

1. **Finding:**

The district did not comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds. It was noted that Education Enhancement classroom supply funds were used to purchase office chairs for the Guidance counselor's office. The total ineligible amount expended was \$638.

Recommendation:

The district should comply with the State Board of Education's policy regarding Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which states that "the school district should purchase items that meet the basic needs of teachers and students, such as student desks and teacher desks and chairs, with other appropriate funds."

School District's Response:

The district will comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), for expending future amounts of Education Enhancement funds.

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

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

Philadelphia, Mississippi  
November 15, 2005

*Watkins, Ward and Stafford PLLC*

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

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

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditors' 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 Circular A-133?        | No          |
| 7. Federal programs identified as major programs:  |             |
| a. Child Nutrition Cluster:<br>CFDA #10.553<br>CFDA #10.555                              |             |
| b. Teaching American History<br>CFDA #84.215   |             |
| c. Enhancing education through technology<br>CFDA #84.318                                |             |

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2005**

- |     |  |           |
|-----|--|-----------|
| 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 costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section____.315(b) of OMB Circular A-133? | Yes       |

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**AUDITEES' CORRECTIVE ACTION PLAN**

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

Financial and Compliance Audit Division

As required by Section\_\_\_\_.315(c) of OMB Circular A-133, the Philadelphia Public 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:

There are no applicable audit findings, and therefore, no corrective action needed.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**SUMMARY OF PRIOR AUDIT FINDINGS**

**Philadelphia Public School District**  
248 Byrd Avenue  
**OFFICE OF THE SUPERINTENDENT**  
Philadelphia, Mississippi 39350  
Telephone: 601-656-2955  
Fax: 601-656-3141

BOARD OF TRUSTEES  
Joe Jordan, President  
Ronald Spamecht, Vice-President  
Ellen Prince, Secretary  
David Bailey, Member  
Harold Coburn Jr., Member  
D. Joseph Kilgore, School Board Attorney

Britt Dickens, Ph.D., Superintendent  
Mrs. Sandra Martin, Director of Business Affairs  
Mrs. Denise Butler, Purchasing Officer  
Mrs. Brenda Nowell, Executive Secretary/Payroll  
Mrs. Paula Anderson, Technology Coordinator

As required by Section \_\_\_\_315(b) of OMB Circular A-133, the Philadelphia Public School District has prepared and hereby submits the following summary schedule of prior audit findings for the year ended June 30, 2004:

Finding	Corrective Action Plan Details
04-1	<ol style="list-style-type: none"><li>Sarah Hardy, Food Service Director, (601)656-2955</li><li>The district implemented procedures that require at least two people to sign all cash collection daily reconciliation reports.</li><li>This action was taken February 1, 2005.</li></ol>

Sincerely,



Britt Dickens, Ph.D.  
Superintendent