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PEARL RIVER COUNTY SCHOOL DISTRICT

Audited Financial Statements

For the Year Ended June 30, 2006

WHITFIELD & COMPANY P.C.
Certified Public Accountants

PEARL RIVER COUNTY SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
FINANCIAL AUDIT REPORT	
Independent Auditor's Report on The Basic Financial Statements and Supplemental Information	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Fiduciary Net Assets	18
Statement of Changes in Fiduciary Net Assets	19
Notes to Financial Statements	20 - 39
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	40
Notes to the Required Supplementary Information	41
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	42
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	43

PEARL RIVER COUNTY SCHOOL DISTRICT

Table of Contents

Page 2

	<u>Page</u>
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	44 -45
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	46 - 47
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
Independent Auditor's Report on Compliance with State Laws and Regulations	48 - 51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	52 - 60
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	61 - 66

WHITFIELD & COMPANY P.C.

Certified Public Accountants

PEARL RIVER COUNTY SCHOOL DISTRICT
FINANCIAL AUDIT REPORT

WHITFIELD & COMPANY P.C.
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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

January 23, 2008

Superintendent and School Board
Pearl River County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2006, which collectively comprise the Pearl River County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pearl River County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Pearl River County School District, as of June 30, 2006, 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 January 23, 2008, on our consideration of the Pearl River 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 42 through 43 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 Pearl River County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Whitfield & Company P. C.
Certified Public Accountants

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

WHITFIELD & COMPANY P.C.
Certified Public Accountants

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of the Pearl River School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic 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, including the effect of prior period adjustments, increased \$5,903,711, which represents a 61% increase from fiscal year 2005. This increase is due primarily to additional funding as a result of Hurricane Katrina and insurance loss recoveries.
- General revenues account for \$17,701,081 in revenue, or 71% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,279,286 or 29% of total revenues.
- The District had \$19,366,885 in expenses; only \$7,279,286 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$17,701,081 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,971,834 in revenues and \$11,599,501 in expenditures. After net other financing sources of \$469,087, the General Fund's fund balance increased \$4,841,420 over the prior year. This increase is due primarily to additional funding as a result of Hurricane Katrina that offset salaries and benefits normally funded through the General Fund.
- Capital assets, net of accumulated depreciation, increased by \$570,583.
- Long-term debt decreased by \$639,319.

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.

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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.

The government-wide financial statements can be found on pages 12 and 3 of this report.

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-

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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. These reconciliations are on pages 15 and 17, respectively, of this report.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund 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.

The basic governmental fund financial statements can be found on pages 14 – 17 of this report.

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. The School District's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 18.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 39 of this report.

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 special revenue fund. This required supplementary information can be found on pages 40 and 41 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 42 and 43, respectively, of this report.

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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 \$15,614,606 as of June 30, 2006.

Of the District's net assets, \$5,313,690 or 34% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment, leased property under capital leases and construction in progress), 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, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets as of June 30, 2006 and June 30, 2005, respectively.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Current assets	\$ 12,024,832	\$ 7,289,120	64.97%
Capital assets, net	14,306,690	13,736,107	4.15%
Total assets	<u>26,331,522</u>	<u>21,025,227</u>	25.24%
Current liabilities	1,649,833	1,607,590	2.63%
Other liabilities	4,417	4,757	(7.15)%
Long-term debt outstanding	9,062,666	9,701,985	(6.59)%
Total liabilities	<u>10,716,916</u>	<u>11,314,332</u>	(5.28)%
Net assets:			
Invested in capital assets, net of related debt	5,313,690	4,046,578	31.31%
Restricted	2,457,839	2,845,815	(13.63)%
Unrestricted	7,843,077	2,818,502	178.27%
Total net assets	<u>\$ 15,614,606</u>	<u>9,710,895</u>	60.79%

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

- Current assets increased from the previous fiscal year due primarily to an increase in amounts due from other governments and cash and other deposits. These increases were

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

related to additional federal funding and insurance loss recoveries as a result of Hurricane Katrina.

- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of capital assets and the decrease in long-term debt related to those capital assets.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in funding resulting from Hurricane Katrina.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$24,980,367. The total cost of all programs and services was \$19,366,885. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and June 30, 2005, respectively.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 998,509	\$ 686,474	45.45%
Operating grants and contributions	6,280,777	2,550,441	146.26%
General revenues:			
Property taxes	4,506,223	4,007,409	12.45%
Grants and contributions not restricted	12,145,484	10,557,680	15.04%
Other	<u>1,049,374</u>	<u>307,601</u>	241.15%
Total revenues	<u>24,980,367</u>	<u>18,109,605</u>	37.94%
Expenses:			
Instruction	11,857,323	10,475,057	13.20%
Support services	6,014,746	4,937,019	21.83%
Non-instructional	1,127,128	1,177,456	(4.27)%
Sixteenth section	14,593	18,274	(20.14)%
Interest and other expense on long-term liabilities	<u>353,095</u>	<u>364,142</u>	(3.03)%
Total expenses	<u>19,366,885</u>	<u>16,971,948</u>	14.11%
Increase (Decrease) in net assets	5,613,482	1,137,657	393.42%
Net Assets, July 1	9,710,895	8,577,338	13.22%
Prior Period Adjustments	<u>290,229</u>	<u>(4,100)</u>	
Net Assets, June 30	<u>\$15,614,606</u>	<u>\$ 9,710,895</u>	60.79%

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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

- Program revenues: Operating grants and contributions increased from the previous fiscal year due primarily to an increase in federal funding, specifically the Hurricane Education Recovery grants and disaster assistance grants.
- General revenues: Other increased from the previous fiscal year due primarily to insurance loss recoveries.
- Instruction and support services expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. 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.

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$11,857,323	\$ (6,760,796)	\$10,475,057	\$(8,751,074)
Support services	6,014,746	(4,968,430)	4,937,019	(4,540,365)
Non-instructional	1,127,128	8,960	1,177,456	(66,991)
Sixteenth section	14,593	(14,238)	18,274	(12,461)
Interest and other expenses on long-term liabilities	<u>353,095</u>	<u>(353,095)</u>	<u>364,142</u>	<u>(364,142)</u>
Total expenses	<u>\$19,366,885</u>	<u>\$ (12,087,599)</u>	<u>\$16,971,948</u>	<u>\$(13,735,033)</u>

- Net cost of governmental activities in the amount of \$12,087,599, was financed by general revenue, which is made up of primarily property taxes \$4,506,223 and state revenue \$11,515,413.
- Investment earnings accounted for \$221,115 of funding.

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.

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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 \$10,173,944, an increase of \$4,430,044 due primarily to additional funding as a result of Hurricane Katrina. \$7,176,284 or 71% 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 \$2,997,660 or 29% 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 \$4,841,420 a result of the additional funding due to Hurricane Katrina. The fund balance of Other Governmental Funds showed a decrease of \$411,376 due primarily to completed construction projects.

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:

- Revenues and expenditures related to Displaced Students Fund and Restart Program were not included in the original budget. The funds were received due to Hurricane Katrina.
- Budgeted amounts for instructional and support expenditures in the General Fund were decreased primarily to reflect a decrease in salaries and benefits that were funded through grants received as a result of Hurricane Katrina.
- Budgeted amounts for other financing sources in the General Fund were increased primarily to reflect proceeds from insurance loss recoveries resulting from Hurricane Katrina.

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

PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$18,649,187, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,025,007 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$4,342,497 and total depreciation expense for the year was \$548,106, resulting in total net assets of \$14,306,690.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Land	\$ 359,361	\$ 359,361	-
Construction in progress	0	2,661,259	-
Buildings	10,661,303	8,289,809	28.61%
Building improvements	1,833,569	1,006,655	82.14%
Improvements other than buildings	529,572	523,667	1.13%
Mobile equipment	773,128	757,989	2.0%
Furniture and equipment	149,757	137,367	9.02%
Total	<u>\$14,306,690</u>	<u>\$ 13,736,107</u>	4.15%

Additional information of the District's capital assets can be found in Note 5 on page 32 of this report.

Debt Administration. At June 30, 2006, the District had \$9,062,666 in general obligation bonds and other long-term debt outstanding, of which \$672,090 is due within one year.

	<u>Outstanding Debt</u>		Percentage
	<u>2006</u>	<u>2005</u>	<u>Change</u>
General obligation bonds payable	\$ 3,895,000	\$ 4,170,000	(6.9%)
Limited obligation bonds payable	2,515,000	2,680,000	(6.16%)
Three mill notes payable	1,583,000	1,794,000	(11.76%)
Qualified zone academy bonds	1,000,000	1,000,000	
Compensated absences payable	69,666	57,985	20.14%
Total	<u>\$ 9,062,666</u>	<u>\$ 9,701,985</u>	(6.59%)

The District does not have a bond rating. The firm which assisted the District in financing issues does not feel it is necessary to obtain.

Additional information of the District's long-term debt can be found in Note 6 on page 33 of this report.

**PEARL RIVER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT ISSUES

The Pearl River 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 did not change significantly from the previous fiscal 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 has increased by 141 students. The budget for the next fiscal year has taken into account this increase 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 Pearl River County School District, 7441 Highway 11, Carriere, MS 39426.

PEARL RIVER COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS

WHITFIELD & COMPANY P.C.
Certified Public Accountants

Statement of Net Assets

June 30, 2006

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,437,878
Due from other governments	2,994,426
Other receivables, net	371,714
Inventories	48,206
Deferred charges	269,499
Restricted assets	903,109
Capital assets, not being depreciated:	
Land	359,361
Capital assets, net of accumulated depreciation:	
Buildings	10,661,303
Building improvements	1,833,569
Improvements other than buildings	529,572
Mobile equipment	773,128
Furniture and equipment	149,757
Total Assets	<u>26,331,522</u>
Liabilities	
Accounts payable and accrued liabilities	1,581,389
Interest payable on long-term liabilities	68,444
Long-term liabilities, due within one year	
Capital related liabilities	670,000
Non-capital related liabilities	2,090
Long-term liabilities, due beyond one year	
Capital related liabilities	8,323,000
Non-capital related liabilities	67,576
Other liabilities	
Deferred revenue - bond premium	4,417
Total Liabilities	<u>10,716,916</u>
Net Assets	
Invested in capital assets, net of related debt	5,313,690
Restricted net assets:	
Expendable:	
School - based activities	583,812
Debt service	1,033,775
Capital improvements	396,416
Forestry improvements	65,300
Unemployment benefits	51,481
Non-expendable:	
Sixteenth section	327,055
Unrestricted	7,843,077
Total Net Assets	<u>\$ 15,614,606</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$11,857,323	\$ 724,880	\$4,371,647	\$ -	\$ (6,760,796)
Support services	6,014,746	-	1,046,316	-	(4,968,430)
Non-instructional	1,127,128	273,274	862,814	-	8,960
Sixteenth section	14,593	355	-	-	(14,238)
Interest and other expenses on long-term liabilities	353,095	-	-	-	(353,095)
Total Governmental Activities	\$19,366,885	\$ 998,509	\$6,280,777	\$ -	(12,087,599)

General Revenues:

Taxes:

General purpose levies 3,822,246

Debt purpose levies 683,977

Unrestricted grants and contributions:

State 11,515,413

Federal 630,071

Unrestricted investment earnings:

Sixteenth section sources 221,115

Other 772,548

Total General Revenues 17,701,081

Change in Net Assets 5,613,482

Net Assets - Beginning 9,710,895

Prior Period Adjustments 290,229

Net Assets - Beginning - Restated 10,001,124

Net Assets - Ending \$ 15,614,606

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

PEARL RIVER COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2006

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Displaced Students Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 5,975,418	\$ -	\$ 1,789,988	\$ 7,765,406
Cash with fiscal agents	-	-	126,835	126,835
Investments	-	-	448,746	448,746
Due from other governments	621,832	1,712,533	660,061	2,994,426
Due from other funds	2,425,706	-	143,170	2,568,876
Advance to other funds	220,507	-	-	220,507
Inventories and prepaid items	-	-	48,206	48,206
Total Assets	9,243,463	1,712,533	3,217,006	14,173,002
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	1,220,211	-	340,739	1,560,950
Due to other funds	107,635	1,712,533	397,433	2,217,601
Advances from other funds	-	-	220,507	220,507
Total Liabilities	1,327,846	1,712,533	958,679	3,999,058
Fund Balances:				
Reserved for:				
Advances	220,507	-	-	220,507
Inventory	-	-	48,206	48,206
Advalorem	51,558	-	-	51,558
Capital projects	-	-	396,416	396,416
Debt service	-	-	837,137	837,137
Unemployment benefits	-	-	51,481	51,481
Forestry improvements purposes	-	-	65,300	65,300
Permanent fund purposes	-	-	327,055	327,055
Unreserved:				
Designated for:				
Capital Improvements	1,000,000	-	-	1,000,000
Undesignated, reported in:				
General fund	6,643,552	-	-	6,643,552
Special Revenue funds	-	-	532,732	532,732
Total Fund Balances	7,915,617	-	2,258,327	10,173,944
Total Liabilities and Fund Balances	\$ 9,243,463	\$ 1,712,533	\$ 3,217,006	\$ 14,173,002

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,173,944
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,342,497.	14,306,690
2. Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	269,499
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,062,666)
4. Remaining amortization on refunding bond premium is not due and payable in the current period and, therefore, is not reported in the funds.	(4,417)
5. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(68,444)</u>
Total Net Assets - Governmental Activities	<u>\$ 15,614,606</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Displaced Students Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 4,524,251	\$ -	\$ 1,182,471	\$ 5,706,722
Intermediate sources	-	-	-	-
State sources	11,394,497	-	565,308	11,959,805
Federal sources	53,086	1,712,533	4,700,835	6,466,454
Sixteenth section sources	-	-	74,838	74,838
Total Revenues	15,971,834	1,712,533	6,523,452	24,207,819
Expenditures:				
Instruction	6,984,968	1,606,397	2,955,289	11,546,654
Support services	4,595,757	106,136	1,357,087	6,058,980
Noninstructional services	18,776	-	1,089,410	1,108,186
Sixteenth section	-	-	14,593	14,593
Facilities acquisition and construction	-	-	871,221	871,221
Debt service:				
Principal	-	-	651,000	651,000
Interest	-	-	300,878	300,878
Other	-	-	3,791	3,791
Total Expenditures	11,599,501	1,712,533	7,243,269	20,555,303
Excess (Deficiency) of Revenues Over Expenditures	4,372,333	-	(719,817)	3,652,516
Other Financing Sources (Uses):				
Insurance loss recoveries	772,548	-	-	772,548
Sale of transportation equipment	4,330	-	-	4,330
Operating transfers in	322,940	-	630,731	953,671
Payments held by escrow agents	-	-	63,575	63,575
Operating transfers out	(630,731)	-	(322,940)	(953,671)
Payment to QZAB debt escrow agent	-	-	(62,925)	(62,925)
Total Other Financing Sources (Uses)	469,087	-	308,441	777,528
Net Change in Fund Balances	4,841,420	-	(411,376)	4,430,044
Fund Balances:				
July 1, 2005	2,818,502	-	2,612,556	5,431,058
Prior period adjustments	255,695	-	34,534	290,229
July 1, 2005, as restated	3,074,197	-	2,647,090	5,721,287
Increase in reserve for inventory	-	-	22,613	22,613
June 30, 2006	\$ 7,915,617	\$ -	\$ 2,258,327	\$ 10,173,944

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

PEARL RIVER COUNTY 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, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 4,430,044
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 asset purchases amounted to \$1,131,451 and the depreciation expense amounted to \$548,106.	583,345
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.	651,000
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 dues.	(27,672)
4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(12,762)
5. In the Statement of Activities, revenue is recorded when earned, whereas in governmental funds, revenue is recorded when measurable and available to pay current liabilities at the end of the period. Revenue that is measurable but not available is deferred in governmental funds.	340
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	22,613
7. Issuance cost of long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the Statement of Activities.	(21,745)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(11,681)</u>
Change in Net Assets of Governmental Activities	<u>\$ 5,613,482</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets and Liabilities
June 30, 2006

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 2,800	\$ 368,589
Other receivables	-	443
Due from other funds	-	<u>20,439</u>
Total Assets	<u>2,800</u>	<u>389,471</u>
Liabilities		
Accounts payable and accrued liabilities	-	4,718
Due to other funds	-	371,714
Due to student clubs	-	<u>13,039</u>
Total Liabilities	<u>-</u>	<u>\$ 389,471</u>
Net Assets		
Held in trust	<u>2,800</u>	
Total Net Assets	<u>\$ 2,800</u>	

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
June 30, 2006

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 129
Contributions and donations from private sources	<u>3,800</u>
Total Additions	<u>3,929</u>
Deductions	
Scholarships awarded	<u>4,703</u>
Total Deductions	<u>4,703</u>
Change in Net Assets	<u>(774)</u>
Net Assets	
July 1, 2005	<u>3,574</u>
June 30, 2006	<u>\$ 2,800</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(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 to which each member was elected by the citizens of each defined county district.

The Pearl River County School District's Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

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. 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 as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. 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 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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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.

Displaced Students Fund – This is a special revenue fund that is used to insure proper disbursement of and accounting for Displaced Students revenues received by the district

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

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.

FIDUCIARY FUNDS

Private-purpose Trust Funds – Private-purpose trust funds are used to report all trust

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2006

arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

D. Account Classifications.

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

E. Encumbrances.

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

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 consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of three 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 three months when acquired.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

Investments are reported at fair value.

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.

I. Capital Assets.

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

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</u> <u>Policy</u>	<u>Estimated</u> <u>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	*	*

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 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. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 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.

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 4 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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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 and are not 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 ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2006

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

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

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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(2) Changes in Accounting Standards.

As required, the Pearl River County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,765,406 and \$371,389, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$7,437,878 and a portion of restricted assets in the amount of \$327,055. The portion of restricted assets in the amount of \$327,055 represents the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$8,808,290.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$8,808,290 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$126,835. The cash with fiscal agents is reported in the QZAB Bond Fund and the MAEP Debt Retirement Fund and is legally restricted and may not be used for purposes that support the district's programs. Therefore, the carrying amount of cash with fiscal agents for these funds is included as a portion of Restricted Assets in the government-wide financial statements.

Investments.

As of June 30, 2006, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan Mtg Corp DTD	less than 1	\$ 448,746	AAA
Total Investments		\$ 448,746	

Investments reported in the QZAB Bond Fund are legally restricted and may not be used for purposes that support the district's programs. Therefore, the carrying amount of investments in this fund in the amount of \$448,746 is included as a portion of Restricted Assets in the government-wide financial statements.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2006

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

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

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. As of June 30, 2006, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district did not have any investments to which this would apply.

(4) 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>
Governmental Funds:		
General fund	\$2,425,706	\$ 107,635
Displaced Students Fund	--	1,712,533
Other Governmental funds	143,170	397,433
Fiduciary Funds	<u>20,439</u>	<u>371,714</u>
Total	<u>\$2,589,315</u>	<u>\$2,589,315</u>

The primary purpose of the interfund loans was to cover federal funds not received prior to year-end and to report excess funds due back to the governmental funds.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General fund	\$ 220,507	\$ --
Other governmental funds	<u> --</u>	<u>220,507</u>
Total	<u>\$ 220,507</u>	<u>\$ 220,507</u>

The advances shown represent a transfer from the general fund to the debt service fund to cover debt payments until the debt service fund collects revenues sufficient to pay the debt.

C. Transfers In/Out. Transfers

	<u>Transfer In</u>	<u>Out</u>
Governmental Funds:		
General fund	\$ 322,940	\$ 630,731
Other Governmental Funds	<u>630,731</u>	<u>322,940</u>
Total	<u>\$ 953,671</u>	<u>\$ 953,671</u>

The transfers were all routine transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

(5) Capital Assets.

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

	Balance <u>07/01/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	Balance <u>06/30/06</u>
Non-depreciable capital assets:						
Land	\$ 359,361	\$ -	\$ -	\$ -	\$ -	\$ 359,361
Construction in progress	<u>2,661,259</u>	<u>362,925</u>	-	<u>(3,024,184)</u>	-	-
Total non-depreciable capital assets	<u>3,020,620</u>	<u>362,925</u>	-	<u>(3,024,184)</u>	-	<u>359,361</u>
Depreciable capital assets:						
Buildings	10,377,123	508,296	-	2,110,296	-	12,995,715
Building improvements	1,299,635	-	-	913,888	-	2,213,523
Improvements other than buildings	694,281	35,079	-	-	-	729,360
Mobile equipment	1,722,181	155,925	100,110	-	-	1,777,996
Furniture and equipment	<u>510,340</u>	<u>69,226</u>	<u>6,334</u>	-	-	<u>573,232</u>
Total depreciable capital assets	<u>14,603,560</u>	<u>768,526</u>	<u>106,444</u>	<u>3,024,184</u>	-	<u>18,289,826</u>
Less accumulated depreciation:						
Buildings	2,087,314	247,098	-	-	-	2,334,412
Building improvements	292,980	86,974	-	-	-	379,954
Improvements other than buildings	170,614	29,174	-	-	-	199,788
Mobile equipment	964,192	130,775	90,099	-	-	1,004,868
Furniture and equipment	<u>372,973</u>	<u>54,085</u>	<u>3,583</u>	-	-	<u>423,475</u>
Total accumulated depreciation	<u>3,888,073</u>	<u>548,106</u>	<u>93,682</u>	-	-	<u>4,342,497</u>
Total depreciable capital assets, net	<u>10,715,487</u>	<u>220,420</u>	<u>12,762</u>	<u>3,024,184</u>	-	<u>13,947,329</u>
Governmental activities capital assets, net	<u>\$ 13,736,107</u>	<u>\$ 583,345</u>	<u>\$ 12,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,306,690</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 321,593
Support services	172,463
Non-instructional	<u>54,050</u>
Total depreciation expense	<u>\$ 548,106</u>

WHITFIELD & COMPANY P.C.
Certified Public Accountants

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

(6) Long-term liabilities.

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

	Balance 7-1-2005	Addition	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. General obligation bonds payable	\$4,170,000	\$ -	\$ 275,000	\$ -	\$3,895,000	\$ 285,000
B. Limited obligation bonds payable	2,680,000	-	165,000	-	2,515,000	170,000
C. Three mill notes payable	1,794,000	-	211,000	-	1,583,000	215,000
D. Qualified zone academy bonds	1,000,000	-	-	-	1,000,000	-
E. Compensated absences payable	<u>57,985</u>	<u>11,681</u>	<u>-</u>	<u>-</u>	<u>69,666</u>	<u>2,090</u>
Total	<u>\$9,701,985</u>	<u>\$11,681</u>	<u>\$651,000</u>	<u>\$ -</u>	<u>\$9,062,666</u>	<u>\$672,090</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds, Series 2003	2.0-3.85%	8/19/2003	8/15/2018	<u>\$ 4,475,000</u>	<u>\$ 3,895,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 285,000	\$ 124,852	\$ 409,852
2008	290,000	119,152	409,152
2009	300,000	111,902	411,902
2010	305,000	103,652	408,652
2011	305,000	94,503	399,503
2012-2016	1,675,000	320,058	1,995,058
2017-2018	<u>735,000</u>	<u>41,781</u>	<u>776,781</u>
Total	<u>\$ 3,895,000</u>	<u>\$ 915,900</u>	<u>\$ 4,810,900</u>

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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, 2006, the amount of outstanding bonded indebtedness was equal to 4.85% of property assessment as of October 1, 2005. This debt will be retired from the 2003 Bond Retirement Fund.

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	4.25 - 6.0%	5/01/98	2000-2018	<u>\$3,450,000</u>	<u>\$ 2,515,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 170,000	\$ 109,472	\$ 279,472
2008	180,000	101,990	281,990
2009	190,000	94,035	284,035
2010	200,000	85,550	285,550
2011	210,000	76,425	286,425
2012-2016	1,205,000	224,485	1,429,485
2017-2018	<u>360,000</u>	<u>11,700</u>	<u>371,700</u>
Total	<u>\$2,515,000</u>	<u>\$ 703,657</u>	<u>\$3,218,657</u>

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 1998 Bond Retirement Fund.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2004	1.4-4.05%	4/1/2004	4/1/2017	<u>\$2,000,000</u>	<u>\$1,583,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 215,000	\$ 48,798	\$ 263,798
2008	218,000	44,390	262,390
2009	200,000	39,158	239,158
2010	122,000	33,858	155,858
2011	125,000	30,321	155,321
2012-2016	578,000	92,262	670,262
2017	<u>125,000</u>	<u>5,062</u>	<u>130,062</u>
Total	<u>\$1,583,000</u>	<u>\$ 293,849</u>	<u>\$1,876,849</u>

This debt will be retired from the Three Mill Retirement Fund.

D. Qualified Zone Academy Bonds Payable

As more fully explained in Note 13, 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
Limited tax note, Certificates of participation, Series 2004	4.65%	1/15/2005	11/14/2014	<u>\$1,000,000</u>	<u>\$ 1,000,000</u>

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

E. 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.

(7) 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 10.75% 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, 2006, 2005 and 2004 were \$1,088,822, \$907,191 and \$830,275, respectively, which equaled the required contributions for each year.

(8) 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.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2006

Year Ending <u>June 30</u>	<u>Amount</u>
2007	\$ 40,760
2008	38,865
2009	35,786
2010	35,786
2011	35,786
2012-2016	171,586
2017-2021	157,053
2022-2026	145,530
2027-2031	137,496
Thereafter	<u>143,513</u>
 Total	 <u>\$ 942,161</u>

(9) Deficit Fund Balance of Individual Funds.

A generic fund type listing of the individual fund that has a deficit fund balance, including the amount of the deficit, is as follows:

<u>Fund</u>	<u>Fund Balance</u>
Three mills note retirement fund	\$ 19,492

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

(10) Prior Period Adjustments/Exhibits.

A summary of fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanations</u>	<u>Amount</u>
To correct a prior year error in recording an asset or liability	<u>\$ 290,229</u>

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

Major Fund	Explanation	Amount
General Fund	To correct a prior year error in recording an asset or liability.	\$ 255,695
Other governmental funds	To correct a prior year error in recording as asset or liability.	<u>34,534</u>
	Total	<u>\$ 290,229</u>

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(11) 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.

(12) Trust Certificates.

A trust agreement dated June 1, 1994, was executed by and between the school district and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$700,000. Approximately \$665,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$35,000 was used to pay the cost of issuance.

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.

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.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2006

(13) 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 sedentary school, in partnership with the business community. The school district, in agreement with various individuals and other entities, has entered into such an arrangement dated November 18, 2004.

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 November 5 of each year through 2009. 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:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2005	\$ 360,000
2006	62,925
2007	62,925
2008	62,925
2009	62,925
2010	<u>62,925</u>
Total	<u>\$ 674,625</u>

(14) Investigations

During the June 30, 2003 year end, The District identified several unusual transactions and missing documents and assets. These matters have been referred to the Investigative Division of the Office of the State Auditor. The ongoing investigations should have no effect on the June 30, 2006 financial statements.

(15) Other Matters

On August 29, 2005, Hurricane Katrina passed through the State of Mississippi. The School District suffered significant damages to many of its facilities during the hurricane. As of the date of this report the dollar amount of damage sustained is being negotiated with insurance carriers.

PEARL RIVER COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

WHITFIELD & COMPANY P.C.
Certified Public Accountants

PEARL RIVER SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,921,513	\$ 4,382,621	\$ 4,524,251	\$ 461,108	\$ 141,630
State sources	10,930,442	11,387,674	11,394,497	457,232	6,823
Federal sources	75,050	53,086	53,086	(21,964)	-
Total Revenues	14,927,005	15,823,381	15,971,834	896,376	148,453
Expenditures:					
Instruction	9,534,278	6,856,519	6,984,968	2,677,759	(128,449)
Support services	5,066,085	4,613,391	4,595,757	452,694	17,634
Noninstructional services	49,600	13,710	18,776	35,890	(5,066)
Debt service:					
Principal	-	62,925	-	(62,925)	62,925
Total Expenditures	14,649,963	11,546,545	11,599,501	3,103,418	(52,956)
Excess (Deficiency) of Revenues Over Expenditures	277,042	4,276,836	4,372,333	3,999,794	95,497
Other Financing Sources (Uses):					
Insurance loss recoveries	7,000	772,548	772,548	765,548	-
Sale of transportation equipment	1,500	4,330	4,330	2,830	-
Sale of other property	1,000	-	-	(1,000)	-
Operating transfers in	980,038	1,251,234	1,156,491	271,196	(94,743)
Operating transfers out	(1,285,305)	(1,562,792)	(1,464,282)	(277,487)	98,510
Other financing uses	-	(5,066)	-	(5,066)	5,066
Total Other Financing Sources (Uses)	(295,767)	460,254	469,087	756,021	8,833
Net Change in Fund Balances	(18,725)	4,737,090	4,841,420	4,755,815	104,330
Fund Balances:					
July 1, 2005	3,183,269	2,818,502	2,818,502	(364,767)	-
Prior period adjustments	-	-	255,695	-	255,695
July 1, 2005, as restated	3,183,269	2,818,502	3,074,197	(364,767)	255,695
June 30, 2006	\$ 3,164,544	\$ 7,555,592	\$ 7,915,617	\$ 4,391,048	\$ 360,025

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

Note 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.

Note 2 - Budget Amendments and Revisions

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

PEARL RIVER COUNTY SCHOOL DISTRICT
SUPPLEMENTAL INFORMATION

WHITFIELD & COMPANY P.C.
Certified Public Accountants

PEARL RIVER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Fed. Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 59,463
Child nutrition cluster:		
School breakfast program	10.553	188,159
National school lunch program	10.555	626,444
Summer food service program for children	10.559	16,540
Total child nutrition cluster		<u>831,143</u>
Total U.S. Department of Agriculture		<u>890,606</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	56,227
Total U.S. Department of Defense		<u>56,227</u>
<u>U.S. Department of Homeland Security</u>		
Direct program:		
Disaster grants - public assistance (Presidentially declared disasters)	97.036	573,701
Total U.S. Department of Homeland Security		<u>573,701</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	671,019
Vocational education - basic grants to states	84.048	30,786
Safe and drug-free schools and communities national program	84.184	51,854
Safe and drug-free schools and communities - state grants	84.186	22,064
Eisenhower professional development state grants	84.281	147,385
State grants for innovative programs	84.298	9,288
Education technology state grants	84.318	12,541
Rural education	84.358	72,612
Improving teacher quality state grants	84.367	27,661
Grants for state assessments and related activities	84.369	17,359
Hurricane education recovery	84.938	3,261,755
Total		<u>4,324,324</u>
Special education cluster:		
Special education - grants to states	84.027	543,430
Special education - preschool grants	84.173	29,727
Total special education cluster		<u>573,157</u>
Total passed-through Mississippi Department of Education		<u>4,897,481</u>
Total U.S. Department of Education		<u>4,897,481</u>
Total for All Federal Awards		<u>\$ 6,418,015</u>

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.

PEARL RIVER SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,647,175	\$ 10,952,447	\$ 593,859	\$ 1,028,761	\$ 1,072,108
Other	<u>6,908,128</u>	<u>1,975,508</u>	<u>304,166</u>	<u>105,699</u>	<u>4,522,755</u>
Total	<u>\$ 20,555,303</u>	<u>\$ 12,927,955</u>	<u>\$ 898,025</u>	<u>\$ 1,134,460</u>	<u>\$ 5,594,863</u>
Total number of students	<u>2,747</u>				
Cost per student	<u>\$ 7,483</u>	<u>\$ 4,706</u>	<u>\$ 327</u>	<u>\$ 413</u>	<u>\$ 2,037</u>

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

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

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

January 23, 2008

Superintendent and School Board
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 23, 2008. 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 an opinion on the internal control over financial reporting. However, we noted a certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 06-01, 06-02, 06-03, 06-04, 06-05, 06-06, 06-07 and 06-08

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions described in the findings referred to above are considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated January 23, 2008, 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.



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

January 23, 2008

Superintendent and School Board
Pearl River County School District

Compliance

We have audited the compliance of the Pearl River 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, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the 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, Pearl River 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, 2006.

Internal Control Over Compliance

The management of the Pearl River 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our opinion, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 06-09, 06-10, 06-11, 06-12, 06-13, 06-14, 06-15 and 06-16.

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 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider Findings 06-09, 06-10, 06-11, 06-12, 06-13, 06-14, 06-15 and 06-16 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.


Whitfield and Company P.C.
Certified Public Accountants

PEARL RIVER COUNTY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

WHITFIELD & COMPANY P.C.
Certified Public Accountants

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

January 23, 2008

Superintendent and School Board
Pearl River County School District

We have audited the financial statements of governmental activities, each major fund and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 23, 2008. 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 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 one instance of noncompliance. The noncompliance is reported in findings number one below. The district reported \$ 105 of classroom supply funds carried over from previous years.

State Compliance

1. Finding:

In our test of Education Enhancement Funds, we noted that the records maintained at the Middle School and High School to track these funds were inadequate.

Recommendation:

We recommend the district follow the State Board Policy regarding the information pertaining to Education Enhancement Funds that is required to be maintained at the schools.

School District's Response:

The District agrees and will comply with this recommendation.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations our findings and your responses are as follows.

2 Finding:

Section 37-57-107 Miss. Code Ann. (1972), states that if ad valorem and homestead receipts exceed the amount allowable, the excess should be placed in escrow.

During our test of limitations of ad valorem taxes and homestead exemption payments, we noted the District collected more than the amount allowable under the above referenced section. An audit adjustment was proposed to properly record this escrow.

Recommendation:

We recommend that the District comply with the above referenced Mississippi Code Section.

School Districts Response

The District will comply with the requirement of the above referenced Mississippi Code Section.

3. Finding:

Section 29-3-119 Miss. Code Ann. (1972) requires that revenue from shared townships must be shared based on applicable percentages derived from the appropriate list of children.

In our test related to this area it was determined that the incorrect number of children were used and that the revenue actually allocated did not agree with the actual revenue of the District.

Recommendation:

We recommend the District use correct child counts and financial information when making the allocation of shared revenues.

School Districts Response

The District agrees and will comply as recommended.

4. Finding:

Section 29-3-117 Miss Code Ann. (1972) requires transfers from the Sixteenth Section funds be Board Approved In the Course of our work in this area we noted, one transfer which was made for a different amount than the amount which was approved by the Board.

Recommendation:

We recommend the District comply with State law and only make transfers only for the amount which has been approved by the Board.

School Districts Response:

The District agrees and will comply as recommended.

5. Finding

Section 29-3-47 Miss Code Ann. (1972) required that 15% of the revenue from the sale of forest products be credited to the Forestry Escrow Fund.

In our test related to this area it appears the District transferred less than the required 15%

Recommendation

We Recommend the District comply with State law and transfer the required amount to the Forestry Escrow Fund.

School Districts Response

The District agrees and will comply as recommended.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that 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.


Whitfield and Company P.C.
Certified Public Accountant

PEARL RIVER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WHITFIELD & COMPANY P.C.
Certified Public Accountants

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards

4. Type of auditor's report issued on compliance for major federal programs: unqualified opinion
5. Internal control over major programs:
 - a. Material weakness(es) identified? yes
 - 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? yes
7. Federal programs identified as major programs:
 - a. Cluster: Child Nutrition Cluster
CFDA #: 10.553
CFDA #: 10.555
CFDA # 10.559
 - b. Cluster: Special Education Cluster
CFDA#: 84.027
CFDA#: 84.173
 - c. Title I grants to local educational agencies - CFDA # 84.010

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results (Continued)

- d. Hurricane education recovery-CFDA # 84.938
 - e. Disaster Grants-public assistance (Presidentially declared disasters)-CFDA # 97.036
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? no
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____, 315(b) of OMB Circular A-133? yes

Section 2: Financial Statement Findings

Reportable Conditions considered to be material weaknesses

06-01 Finding:

In our work on cash balances, it was noted that four District bank accounts had not been reconciled to the financial records of the District. We also noted numerous bank transfers which had been booked on the Districts financial records which were never made, we noted bank activity related to a manual payroll following hurricane Katrina which had not been recorded by the District in the financial records. In addition, we noted numerous old outstanding items.

Recommendation:

We recommend that all cash accounts be reconciled to the bank on a timely basis, we recommend that transfers not be booked unless they are actually approved and made in a timely period, we recommend that all financial activity of the District be properly recorded in the Districts records and we recommend that outstanding bank reconciling items be reviewed at least annually to determine if the items should be voided.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

06-02

Finding:

During the course of the Audit it came to our attention that under the tenure of the previous business manager there were segregation of duties problems noted. Segregation of duties within accounting functions is a basic internal control. We noted the previous business manager reconciled bank accounts, acted as purchasing agent, had access to and the ability to make general ledger entries, had access to the check signing machine and had the ability to make bank transfers.

Recommendation:

We recommend the District review all staff assignments to ensure proper segregation of duties. Without proper segregation of duties fraudulent acts could occur and not be detected in a timely manner. Duties should be assigned in such a way as to limit the ability of any individual to conceal a fraudulent act that may have occurred.

06-03

Finding:

In the process of our work related to cash disbursements, we noted one item with no date on the purchase order, one item where the invoice amount did not agree with the check amount, and several invoices where the invoice was not cancelled. We also noted a large number of voided checks, and that the District was not able to account for all checks which had been voided. We noted on some check runs the preprinted check number did not agree with the check number generated by the computer system.

Recommendation:

We recommend all purchase orders be complete including the date, we recommend no checks be issued which are not in agreement with a supporting invoice, we recommend all invoices be cancelled upon payment, we recommend the District attempt to limit the number of voided checks and retain all voided checks on file. In addition we recommend that check runs be set to insure the preprinted numbers on the checks agree with the numbers generated by the accounting system.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

.06-04

Finding:

During the course of our work related to payroll, we noted certain amounts had been posted to payroll general ledger accounts which were not payroll. We noted some employees who had been terminated or had resigned that had no termination date noted in their file, we noted some employees health insurance premiums were incorrectly paid after their termination date, we noted one previously retired employee who did not have Form 4B on file and two where Form 4B was incorrect. In addition we noted that employee health insurance had been accrued twice and workmans compensation insurance had been over accrued. We noted that accrued payroll and related liabilities were accrued in the incorrect funds. We noted the liability for compensated absences was over accrued by \$4,057. We noted inconsistent numbering occurring in payroll direct deposits. We also noted that insurance billings had not been reconciled to employee deductions during the year.

Recommendation:

We recommend only payroll be posted to payroll general ledger accounts, we recommend termination dates be documented for all employees, we recommend that health insurance not be improperly paid for retirees, we recommend the Form 4B be properly completed and maintained for all previously retired employees . We recommend all payroll and related liability accruals be properly recorded and we recommend that insurance billings be reconciled to employee deductions on a monthly basis.

06-05

Finding:

In the course of our work related to accounts receivable and cash receipts we noted the following. One accounts receivable balance was accrued twice in two different funds. We noted that various tax revenue amounts were posted to incorrect general ledger accounts. We noted numerous problems related to activity fund receipts including, amounts reflected on the activity fund form did not agree with the amount actually deposited. The District was not able to locate the receipt books supporting two activity fund items selected for testing. One of the items selected for testing was turned in incomplete and we noted one set of receipts dated January 2006 which was not deposited until April 2006.

Recommendation:

We recommend that accounts receivable be accrued in only the correct fund. We recommend that all tax revenue be posted to the correct general ledger accounts. With regard to activity fund receipts, we recommend that activity fund and event forms be reconciled to the actual bank deposit, we recommend all supporting documentation be maintained by the District, we recommend all activity fund forms be complete when turned in and we recommend all bank deposits be made in a timely manner.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

06-06

Finding

In the course of our work related to fixed assets it was noted that numerous items had been omitted from the original fixed asset listing we were provided.

Recommendation:

We recommend all fixed assets required to be capitalized be recorded by the District when purchased.

06-07

Finding:

In the course of the audit we were provided several versions of detail general ledgers, state reports and GASB 34 financial statements which did not agree. We noted individual account balances which did not agree, missing accounts and other unexplained differences.

Recommendation:

We recommend these problems be reviewed and if appropriate the District should contact the software vendor to have these issues resolved.

06-08

Finding:

It was noted during the course of the audit that system backups were not being stored off site.

Recommendation:

We recommend a system be implemented to regularly backup District records and that these backups be stored at an off site location such as a safe deposit box.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 3: Federal Award Findings and Questioned Costs

Reportable Conditions considered to be material weaknesses

06-09

Finding:

Compliance requirement: Equipment and real property management

Program: Child Nutrition Cluster: National School Lunch Program CFDA # 10.555, School Breakfast Program CFDA # 10.553, Summer Food Service Program for Children CFDA # 10.559, U.S. Department of Agriculture; pass through the Mississippi Department of Education.

In our test of internal control over the equipment and real property management requirement, no documentation was available to indicate that fixed asset records maintained by Child Nutrition Cluster programs had been reconciled to the financial records of the District.

Recommendation:

We recommend the Nutrition Cluster equipment listing be reconciled to the fixed asset listing maintained by the District.

06-10

Finding:

Compliance requirement: Allowable Cost/Cost Principles

Program: Child Nutrition Cluster: National School Lunch Program CFDA # 10.555, School Breakfast Program CFDA # 10.553, Summer Food Service Program for Children CFDA # 10.559, U.S. Department of Agriculture; pass through the Mississippi Department of Education.

In the course of our test of Allowable Cost/Cost Principles we noted that workmans compensation had been incorrectly charged to the program due to an error in the rate used by the District. Only amounts actually incurred by the District should be charged to the program.

Recommendation:

We recommend that only amounts actually incurred by the District be charged to the program.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

06-11

Finding:

Compliance requirement: Equipment and real property management

Program: Special Education Cluster: Special Education - Grants to States
CFDA # 84.027, Special Education - Preschool Grants CFDA # 84.173; U.S. Department of
Education; pass through the Mississippi Department of Education.

In our test of internal control over the equipment and real property management requirement,
no documentation was available to indicate that fixed asset records maintained by Special
Education Cluster programs had been reconciled to the financial records of the District.

Recommendation:

We recommend the Special Education Cluster equipment listing be reconciled to the fixed
asset listing maintained by the District.

06-12

Finding:

Compliance requirement: Reporting

Program: Special Education Cluster: Special Education - Grants to States
CFDA # 84.027, Special Education - Preschool Grants CFDA # 84.173; U.S. Department of
Education; pass through the Mississippi Department of Education.

In the course of the work performed we noted the total reported on the annual expenditure
report did not agree with the Districts financial records.

Recommendation:

We recommend all financial information submitted in any required reports agree with District
records.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

06-13 Finding:

Compliance requirement: Allowable Cost/Cost Principles

Program: Special Education Cluster: Special Education - Grants to States
CFDA # 84.027, Special Education - Preschool Grants CFDA # 84.173; U.S. Department
of Education; pass through the Mississippi Department of Education

In the course of our test of Allowable Cost/Cost Principles we noted that workmans
compensation had been incorrectly charged to the program due to an error in the rate used
by the District. Only amounts actually incurred by the District should be charged to the
program.

Recommendation:

We recommend that only amounts actually incurred by the District be charged to the
program.

06-14 Finding:

Compliance requirement: Equipment and real property management

Program: Title I grants to local educational agencies CFDA # 84.010 U. S. Department of
Education; pass through the Mississippi Department of Education.

In our test of internal control over the equipment and real property management
requirement, we noted the District did not maintain an adequate equipment listing for
Title I equipment. We were unable to trace all items acquired to the fixed asset listing
maintained by Title I. In addition there was no documentation that a complete
reconciliation of Title I fixed asset records to District records was performed.

Recommendation:

We recommend all fixed assets be added to the fixed asset listing when purchased. We
also recommend that documentation supporting the reconciliation of the Title I fixed asset
records to the Districts records be maintained.

PEARL RIVER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

06-15

Finding:

Compliance requirement: Allowable Cost/Cost Principles

Program: Title I grants to local educational agencies CFDA # 84.010 U. S. Department of Education; pass through the Mississippi Department of Education.

In the course of our test of Allowable Cost/Cost Principles we noted that workmans compensation had been incorrectly charged to the program due to an error in the rate used by the District. Only amounts actually incurred by the District should be charged to the program.

Recommendation:

We recommend that only amounts actually incurred by the District be charged to the program.

06-16

Finding:

Compliance requirement: Special test and provisions-Documentation of enrollment status.

Program: Hurricane Education Recovery Act CFDA # 84.938 U. S. Department of Education; pass through the Mississippi Department of Education.

In our test of internal control over documentation of enrollment status, we noted three students where the District was unable to provide adequate documentation to establish the students residence in the disaster area on August 22, 2005.

Recommendation:

We recommend the District maintain the required documentation for all students claimed within the program.

AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY
SCHEDULE OF PRIOR AUDIT FINDINGS

Pearl River County

DENNIS PENTON
Superintendent of Education

NINA GUTHRIE
Assistant Superintendent

7441 Highway 11
Carriere, Mississippi 39426

(601) 798-7744
FAX: (601) 798-3527

MEGAN ST. CLAIR
Business Administrator

MELISSA HOLSTON
Special Services Director

As required by Section _____.315(b) of OMB Circular A-133, the Pearl River 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, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
06-01	<ul style="list-style-type: none">a. Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 29.b. All cash accounts will be reconciled to the bank on a timely basis; bank transfers will not be booked unless they are actually approved and made in a timely period; outstanding bank reconciling items will be reviewed at least annually to determine if the items should be voided; and all financial activity of the District will be properly recorded in the District records.c. Corrective action will be in place by June 30, 2008.
06-02	<ul style="list-style-type: none">a. Megan St. Clair, Business Administrator, may be contacted by dialing 601-798-7744, ext. 29.b. The Business Administrator will review all staff assignments to ensure proper segregation of duties and make any necessary changes.c. Corrective action will be in place by June 30, 2008.
06-03	<ul style="list-style-type: none">a. Mary Jensen, Purchasing/Fixed Asset Clerk, and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 25 (Jensen) or 601-798-7744, ext. 29 (St. Clair).b. All purchase orders will be completely filled out; no checks will be issued that are not in agreement with a supporting invoice; all invoices are closed upon payment; the District will attempt to limit voided checks and retain voided checks on file; and the District will insure that preprinted number on checks agree with the numbers generated by the accounting software.

PEARL RIVER COUNTY SCHOOL DISTRICT
Corrective Action Plan - Continued
For the Year Ended June 30, 2006

- 06-04
- c. Corrective action will be in place by June 30, 2008.
 - a. Annette Brandon, Payroll Clerk and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 23 (Brandon) or 601-798-7744 ext. 29 (St. Clair).
 - b. The current Payroll Clerk will insure that only payroll will be posted to the payroll general ledger; all payroll liability accruals will be properly recorded; termination dates will be documented for all employees; and Form 4B will be properly completed and maintained for all previously retired employees. The district has corrected the Form 4Bs that were incorrectly completed in FY 2005-2006, had the retirees come in and sign them and sent the corrected 4Bs to PERS. The current Payroll Clerk is reconciling the insurance billings to the employee deductions on a monthly basis.
 - c. Corrective action is currently in place.
- 06-05
- a. Darlene Ashe, Bookkeeper, and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 24 (Ashe) and 601-798-7744 ext. 29 (St. Clair).
 - b. The Business Administrator will insure that all accounts receivable will be accrued to the correct fund. The Bookkeeper will insure all tax revenues are posted to the correct general ledger accounts. The Business Administrator will communicate to the schools that all activity fund forms must be completely filled out when turned in to District Office and that monies need to be turned in daily so that deposits can be made in a timely manner. All activity funds and event forms will be reconciled to the actual bank deposit and all supporting documentation will be maintained by the District.
 - c. Corrective action will be in place by March 31, 2008.
- 06-06
- a. Mary Jensen, Purchasing/Fixed Assets Clerk, and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 25 (Jensen) and 601-798-7744 ext. 29 (St. Clair).

PEARL RIVER COUNTY SCHOOL DISTRICT
Corrective Action Plan - Continued
For the Year Ended June 30, 2006

- b. All fixed assets required to be capitalized will be recorded by the District when purchased.
 - c. Corrective action will be in place by March 31, 2008.
- 06-07
 - a. Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 29.
 - b. The Business Administrator will work with the accounting software vendor to resolve and correct all issues with their reports to insure that all required information is reflected in the detailed general ledger, state reports and GASB 34 financial statements.
 - c. Corrective action will be in place by May 30, 2008.
- 06-08
 - a. Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 29.
 - b. A backup disk of the District records will be stored off site in a safe deposit box on a monthly basis.
 - c. Corrective action will be in place by February 29, 2008.
- 06-09
 - a. Mary Jensen, Purchasing/Fixed Asset Clerk and Sheila Amacker, Food Service Director may be contacted by dialing 601-798-7744, ext. 25 (Jensen) or 601-798-5682 (Amacker).
 - b. Food service equipment will continue to be maintained separately for each cafeteria and submit their equipment listing to the Fixed Asset Clerk to be reconciled to the district's financial records.
 - c. Corrective action will be in place by March 31, 2008.
- 06-10
 - a. Annette Brandon, Payroll Clerk and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 23 (Brandon) and ext. 29 (St. Clair).
 - b. The Business Administrator will coordinate with the Payroll Clerk to insure that the proper workers compensation rate is being charged through the payroll system to the specific program.

PEARL RIVER COUNTY SCHOOL DISTRICT
Corrective Action Plan - Continued
For the Year Ended June 30, 2006

- 06-11
- c. Corrective action will be in place by April 30, 2008.
 - a. Mary Jensen, Purchasing/Fixed Asset Clerk and Melissa Holston, Special Services Director may be contacted by dialing 601-798-7744, ext. 25 (Jensen) or 601-798-1912 (Holston).
 - b. Special Education Cluster equipment listing will be submitted to the Fixed Asset Clerk to be reconciled to the fixed asset listing maintained by the District.
 - c. Corrective action will be in place by March 31, 2008.
- 06-12
- a. Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 29.
 - b. The Business Administrator will insure that all financial information agrees with District records before any required reports are submitted to the Office of Special Education at the Mississippi Department of Education.
 - c. Corrective action will be in place by March 31, 2008.
- 06-13
- a. Annette Brandon, Payroll Clerk and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 23 (Brandon) and ext. 29 (St. Clair).
 - b. The Business Administrator will coordinate with the Payroll Clerk to insure that the proper workers compensation rate is being charged through the payroll system to the specific program.
 - c. Corrective action will be in place by April 30, 2008.
- 06-14
- a. Mary Jensen, Purchasing/Fixed Asset Clerk and Nina Guthrie, Federal Programs Director may be contacted by dialing 601-798-7744, ext. 25 (Jensen) or 601-798-7744, ext. 28 (Guthrie).
 - b. Title I equipment listing will be submitted to the Fixed Asset Clerk to be reconciled to the fixed asset listing maintained by the District. Documentation of the reconciliation of Title I fixed assets to District records will be maintained at the District Office.

PEARL RIVER COUNTY SCHOOL DISTRICT
Corrective Action Plan - Continued
For the Year Ended June 30, 2006

- 06-15
- c. Corrective action will be in place by March 31, 2008.
 - a. Annette Brandon, Payroll Clerk and Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 23 (Brandon) and ext. 29 (St. Clair).
 - b. The Business Administrator will coordinate with the Payroll Clerk to insure that the proper workers compensation rate is being charged through the payroll system to the specific program.
 - c. Corrective action will be in place by April 30, 2008.
- 06-16
- a. Megan St. Clair, Business Administrator may be contacted by dialing 601-798-7744, ext. 29.
 - b. At the time we had the required documentation in the students' cumulative folders, since then the students have transferred and their folders were forwarded to their new schools.
 - c. No corrective action needed.

Sincerely,



Dennis Penton
Superintendent of Education

Pearl River County

DENNIS PENTON
Superintendent of Education

7441 Highway 11
Carriere, Mississippi 39426

MEGAN ST. CLAIR
Business Administrator

NINA GUTHRIE
Assistant Superintendent

(601) 798-7744
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MELISSA HOLSTON
Special Services Director

Financial and Compliance Audit Division

As required by Section ___315(b) of OMB Circular A-133, the Pearl River County School District has prepared and hereby submits the following summary schedule of prior audit findings of June 30, 2005.

Finding

- 98-7 Child nutrition equipment will be reconciled to the district's financial records. A similar finding was noted in June 30, 1999 as finding 99-6; in June 30, 2000 as finding 2000-6; in June 30, 2001 as finding 2001-1; in June 30, 2002 as finding 02-2; in June 30, 2003 as finding 03-06; in June 30, 2004 as finding 04-02; in June 30, 2005 as finding 05-01; and in June 30, 2006 as finding 06-09. Corrective action will be in place by March 31, 2008.
- 02-03 Special education equipment will be reconciled to the district's financial records. A similar finding was noted in June 30, 2003 as finding 03-08; in June 30, 2004 as finding 04-03; in June 30, 2005 as finding 05-04; and in June 30, 2006 as finding 06-11. Corrective action will be in place by March 31, 2008.
- 05-02 Corrective action was taken.
- 05-03 Corrective action was taken.
- 05-05 Corrective action was taken.
- 05-06 Title I fixed asset records will be reconciled to districts records and documentation of the reconciliation will be maintained. A similar finding was noted in June 30, 2006 as finding 06-14. Corrective action will be in place by March 31, 2008.
- 05-07 Corrective action was taken.

Sincerely,



Dennis Penton
Superintendent of Education