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PERRY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2007

PERRY COUNTY SCHOOL DISTRICT
NEW AUGUSTA, MISSISSIPPI

BOARD OF TRUSTEES

Elaine Hartfield
Fredrick Jackson
Lavelle Parker
Terry Shoemake
Cecilia Weathersby

SUPERINTENDENT

Scott Dearman, Ed. D.

Business Manager

Evelyn Garner

PERRY COUNTY SCHOOL DISTRICT

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

May 6, 2008

Superintendent and School Board
Perry 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 Perry County School District as of and for the year ended June 30, 2007, which collectively comprise the Perry County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Perry County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of June 30, 2007, 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 May 6, 2008 on our consideration of the Perry County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on page 43 through 45 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the Perry 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
May 6, 2008

PERRY COUNTY SCHOOL DISTRICT

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

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Perry County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. 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 decreased \$448,530, which represents a 9% decrease from fiscal year 2006. This decrease is due primarily to the deficiency of revenues and other financing sources over expenditures and other financing uses during the fiscal year. The decrease is also a result of the issuance of new long-term debt and the depreciation of capital assets during the fiscal year.
- General revenues accounted for \$9,796,924 in revenue, or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,238,280, or 25% of total revenues.
- The District had \$13,483,734 in expenses; only \$3,238,280 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,796,924 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,757,473 in revenues and \$9,112,542 in expenditures. After net other financing sources of \$247,563, the net change in fund balance for the General Fund was a decrease of \$107,506 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$113,525.
- Long-term debt increased by \$108,331.

OVERVIEW OF FINANCIAL STATEMENTS

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

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

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

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

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

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

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

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 is also included in this report.

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,380,540 as of June 30, 2007.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,568,975 of the District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$2,439,593 of the District's net assets reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. The unrestricted portion of the District's net assets is a negative \$628,028 due primarily to an advance made in the previous fiscal year from the Sixteenth Section Principal Fund to the General Fund. The advance is reported as a liability at year-end in the General Fund, causing the fund balance to be negative.

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 for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	<u>Net Assets</u>		Percentage
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>
Current assets	\$ 1,878,479	\$ 2,543,822	(26.2) %
Other assets	372,336	228,919	62.6 %
Capital assets, net	<u>5,295,975</u>	<u>5,409,500</u>	(2.1) %
Total assets	<u>7,546,790</u>	<u>8,182,241</u>	(7.8) %
Current liabilities	41,107	336,359	(87.8) %
Long-term debt outstanding	<u>3,125,143</u>	<u>3,016,812</u>	3.6 %
Total liabilities	<u>3,166,250</u>	<u>3,353,171</u>	(5.6) %
Net assets:			
Invested in capital assets, net of related debt	2,568,975	2,460,500	4.4 %
Restricted	2,439,593	2,590,518	(5.8) %
Unrestricted	<u>(628,028)</u>	<u>(221,948)</u>	(183.0) %
Total net assets	<u>\$ 4,380,540</u>	<u>4,829,070</u>	(9.3) %

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents. Cash and cash equivalents decreased in the Disaster Relief Funds due to repair and maintenance expenditures incurred during the fiscal year. Cash and cash equivalents decreased in the Runnelstown Classroom Fund due to the completion of the construction project at the end of the previous fiscal year. Cash and cash equivalents also decreased in the General Fund from the previous fiscal year.
- Other assets increased from the previous fiscal year due primarily to the increase in cash and cash equivalents in the Sixteenth Section Principal Fund. Cash and cash equivalents in the Sixteenth Section Principal Fund is included in the Restricted Assets (other assets) in the Statement of Net Assets.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities. At the end of the previous fiscal year, payables related to construction contracts were reported on the Statement of Net Assets. There were no such payables at the end of the current fiscal year.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the issuance of non-capital debt during the fiscal year. On the Statement of Net Assets, the unrestricted portion of net assets consists of the fund balance in the General Fund and any other unrestricted funds less any outstanding non-capital debt at the end of the fiscal year. Therefore, the increase in the balance of non-capital debt from the previous fiscal year caused the unrestricted net assets to decrease.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$13,035,204. The total cost of all programs and services was \$13,483,734. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 381,992	\$ 445,798	(14.3) %
Operating grants and contributions	2,856,288	3,194,100	(10.6) %
General revenues:			
Property taxes	2,135,347	2,167,093	(1.5) %
Grants and contributions not restricted	6,655,804	6,177,980	7.7 %
Other	<u>1,005,773</u>	<u>796,308</u>	26.3 %
Total revenues	<u>13,035,204</u>	<u>12,781,279</u>	2.0 %
Expenses:			
Instruction	7,945,498	7,344,470	8.2 %
Support services	4,508,729	3,854,670	17.0 %
Non-instructional	820,713	695,757	18.0 %
Sixteenth section	16,429	0	
Interest and other expenses on long-term liabilities	<u>192,365</u>	<u>123,896</u>	55.3 %
Total expenses	<u>13,483,734</u>	<u>12,018,793</u>	12.2 %
Increase (Decrease) in net assets	(448,530)	762,486	(158.8) %
Net Assets, July 1	4,829,070	4,070,737	18.6 %
Prior Period Adjustments	<u>0</u>	<u>(4,153)</u>	(100.0) %
Net Assets, Restated, July 1	<u>4,829,070</u>	<u>4,066,584</u>	18.8 %
Net Assets, June 30	<u>\$ 4,380,540</u>	<u>\$ 4,829,070</u>	(9.3) %

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions. During the previous fiscal year, the District received federal revenue related to the Displaced Students Grant, Restart School Grant and Other Disaster Relief Grants resulting from Hurricane Katrina.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in Mississippi Adequate Education Program (MAEP) funds.

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits and the increase in the retirement contribution and the cost of insurance. The District also purchased Fast Forward software during the fiscal year.
- Support services expenses increased from the previous fiscal year due primarily to an increase in operation and maintenance expenditures due to several renovation projects and a lighting project during the fiscal year. Expenditures related to custodial services also increased.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>2007</u>		<u>2006</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 7,945,498	\$ (5,805,115)	\$ 7,344,470	\$ (4,997,506)
Support services	4,508,729	(4,181,187)	3,854,670	(3,283,589)
Non-instructional	820,713	(54,524)	695,757	(11,497)
Sixteenth section	16,429	(12,263)	0	37,593
Interest and other expenses on long-term liabilities	<u>192,365</u>	<u>(192,365)</u>	<u>123,896</u>	<u>(123,896)</u>
Total expenses	<u>\$13,483,734</u>	<u>\$ (10,245,454)</u>	<u>\$ 12,018,793</u>	<u>\$ (8,378,895)</u>

- The net cost of governmental activities for fiscal year 2007 in the amount of \$10,245,454 was financed by beginning net assets and current year general revenue, which is made up of primarily property taxes of \$2,135,347 and state revenue of \$6,014,444.
- Investment earnings accounted for \$168,484 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.

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.

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2007, its governmental funds reported a combined fund balance of \$2,250,815. The net change in fund balance for the fiscal year was a decrease of \$225,762. A portion of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. Included in the unreserved, undesignated section of the balance sheet is a negative fund balance reported in the General Fund in the amount of \$261,642, which is primarily a result of an advance from the Sixteenth Section Principal Fund during the previous fiscal year. The advance is reported as a liability in the General Fund at year-end resulting in a negative fund balance in the General Fund. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from the General Fund and will be used for capital improvements. The remaining fund balance is reported in the reserved, or designated, section of the governmental funds balance sheet to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$107,506 due primarily to the increase in salaries and benefits and the purchase of Fast Forward software during the fiscal year. The net change in fund balance for the Sixteenth Section Principal Fund for the fiscal year was an increase of \$25,639. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$143,895.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from state sources in the General Fund were increased to reflect the increase in Mississippi Adequate Education Program funds received during the fiscal year.
- Budgeted amounts for instructional expenditures in the General Fund were increased to reflect the increase in salaries and benefits, the cost of insurance and the purchase of Fast Forward software during the fiscal year. The original budgeted amounts were understated.
- Budgeted amounts for support services expenditures in the General Fund were increased to reflect an increase in expenditures related to several renovation projects and a lighting project and to reflect an increase in custodial service expenditures. The original budgeted amounts were understated.

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

- Budgeted amounts for proceeds of loans and debt service - principal expenditures in the General Fund were increased to reflect the proceeds received and the repayment of a short-term loan acquired during the fiscal year.
- Budgeted amounts for transfers in and out of the General Fund were increased to reflect actual transfers received/made during the fiscal year.
- Budgeted amounts for federal sources and instructional expenditures in the Reading First Grant Fund were increased during the fiscal year to reflect actual federal revenue received and actual expenditures incurred.

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 funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets, before depreciation, were \$8,676,273, including land, buildings, building improvements, mobile equipment and furniture and equipment. This amount represents a gross increase of \$146,956 from the previous year, due primarily to the purchase of three new school buses and a copier. Total depreciation expense for the year was \$288,735. Total accumulated depreciation as of June 30, 2007 was \$3,380,298, resulting in total net capital assets of \$5,295,975.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 58,108	\$ 58,108	0.0 %
Buildings	4,366,434	4,481,499	(2.6) %
Building improvements	294,503	308,077	(4.4) %
Mobile equipment	542,628	459,764	18.0 %
Furniture and equipment	34,302	102,052	(66.4) %
Total	<u>\$ 5,295,975</u>	<u>\$ 5,409,500</u>	(2.1) %

Debt Administration. At June 30, 2007, the District had \$3,125,143 in general and limited obligation bonds and other long-term debt outstanding, of which \$362,982 is due within one year. During the fiscal year, the District acquired a short term loan, a limited tax note and entered into an equipment lease purchase. The District made principal payments in the amount of \$572,000 during the fiscal year.

**PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
General obligation bonds payable	\$ 342,000	\$ 384,000	(10.9) %
Limited obligation bonds payable	1,870,000	1,990,000	(6.0) %
Three mill notes payable	215,000	275,000	(21.8) %
Limited tax notes payable	125,000	0	
Equipment lease purchase	204,000	0	
Qualified zone academy bonds payable	300,000	300,000	0.0 %
Compensated absences payable	69,143	67,812	2.0 %
Total	\$ 3,125,143	\$ 3,016,812	3.6 %

CURRENT ISSUES

The Perry County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PERRY COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

EXHIBIT A

ASSETS	
Cash and cash equivalents	\$ 979,289
Investments	380,000
Due from other governments	501,629
Inventories	17,561
Restricted assets	372,336
Capital assets, not being depreciated	
Land	58,108
Capital assets, net of accumulated depreciation	
Buildings	4,366,434
Building improvements	294,503
Mobile equipment	542,628
Furniture and equipment	34,302
Total Assets	<u>\$ 7,546,790</u>
LIABILITIES	
Interest payable on long-term debt	\$ 41,107
Long-term liabilities (due within one year)	
Capital-related liabilities	233,000
Non-capital related liabilities	129,982
Long-term liabilities (due beyond one year)	
Capital-related liabilities	2,494,000
Non-capital related liabilities	268,161
Total Liabilities	<u>3,166,250</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,568,975
Restricted net assets	
Expendable:	
School-based activities	526,617
Debt service	429,337
Forestry improvements	155,268
Unemployment benefits	31,421
Non-expendable:	
Sixteenth section	1,296,950
Unrestricted	<u>(628,028)</u>
Total Net Assets	<u>4,380,540</u>
Total Liabilities and Net Assets	<u>\$ 7,546,790</u>

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

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					<u>Total</u>
Primary Government:					
Governmental Activities:					
Instruction	\$ 7,945,498	\$ 216,048	\$ 1,924,335	\$ -	\$ (5,805,115)
Support services	4,508,729	-	327,542	-	(4,181,187)
Non-instructional services	820,713	161,778	604,411	-	(54,524)
Sixteenth section	16,429	4,166	-	-	(12,263)
Interest and other charges related to long-term liabilities	192,365	-	-	-	(192,365)
Total Governmental Activities	<u>\$ 13,483,734</u>	<u>\$ 381,992</u>	<u>\$ 2,856,288</u>	<u>\$ -</u>	<u>(10,245,454)</u>
General Revenues:					
Taxes:					
Property taxes - General purpose					1,965,918
Property taxes - Debt purpose					169,429
Unrestricted grants and contributions:					
State					6,014,444
Federal					641,360
Unrestricted investment earnings					168,484
Sixteenth section sources					132,409
Other					704,880
Total General Revenues					<u>9,796,924</u>
Change in Net Assets					(448,530)
Net Assets - Beginning					<u>4,829,070</u>
Net Assets - Ending					<u>\$ 4,380,540</u>

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

PERRY COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

EXHIBIT C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Reading First Grant Fund	Sixteenth Section Principal Fund		
ASSETS					
Cash and cash equivalents	\$ 147,020	\$ -	\$ 123,558	\$ 832,269	\$ 1,102,847
Cash with fiscal agent	-	-	-	414	414
Investments	380,000	-	1,482	246,882	628,364
Due from other governments	104,983	146,676	-	244,016	495,675
Due from other funds	278,265	-	-	-	278,265
Advances to other funds	-	-	1,171,910	-	1,171,910
Inventories	-	-	-	17,561	17,561
Total Assets	<u>\$ 910,268</u>	<u>\$ 146,676</u>	<u>\$ 1,296,950</u>	<u>\$ 1,341,142</u>	<u>\$ 3,695,036</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	146,676	-	125,635	272,311
Advances from other funds	1,171,910	-	-	-	1,171,910
Total Liabilities	<u>1,171,910</u>	<u>146,676</u>	<u>-</u>	<u>125,635</u>	<u>1,444,221</u>
Fund balances:					
Reserved for:					
Advances	-	-	1,171,910	-	1,171,910
Inventory	-	-	-	17,561	17,561
Unemployment benefits	-	-	-	31,421	31,421
Forestry improvement	-	-	-	155,268	155,268
Debt service purposes	-	-	-	470,444	470,444
Permanent fund purposes	-	-	125,040	-	125,040
Unreserved, undesignated, reported in:					
General fund	(261,642)	-	-	-	(261,642)
Special revenue funds	-	-	-	509,056	509,056
Capital project funds	-	-	-	31,757	31,757
Total Fund Balances	<u>(261,642)</u>	<u>-</u>	<u>1,296,950</u>	<u>1,215,507</u>	<u>2,250,815</u>
Total Liabilities & Fund Balances	<u>\$ 910,268</u>	<u>\$ 146,676</u>	<u>\$ 1,296,950</u>	<u>\$ 1,341,142</u>	<u>\$ 3,695,036</u>

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

PERRY COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

EXHIBIT C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,250,815
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital Assets	8,876,273
Less Accumulated Depreciation	<u>(3,360,298)</u>
	5,295,975
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term liabilities	(3,125,143)
Accrued interest on debt	<u>(41,107)</u>
	(3,166,250)
Total Net Assets	<u>\$ 4,380,540</u>

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

PERRY COUNTY SCHOOL DISTRICT

EXHIBIT D

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Reading First Grant Fund	Sixteenth Section Principal Fund		
REVENUES					
Local sources	\$ 2,274,582	\$ -	\$ -	\$ 369,112	\$ 2,643,694
State sources	5,837,850	-	-	626,320	6,464,170
Federal sources	645,041	735,076	-	1,667,805	3,047,922
Sixteenth section sources	-	-	76,319	149,943	226,262
Total Revenues	<u>8,757,473</u>	<u>735,076</u>	<u>76,319</u>	<u>2,813,180</u>	<u>12,382,048</u>
EXPENDITURES					
Instruction	5,423,022	723,926	-	1,666,496	7,813,444
Support services	3,261,818	-	-	1,232,144	4,493,962
Non-instructional services	-	-	-	814,860	814,860
Sixteenth section	-	-	-	16,429	16,429
Facilities acquisition and construction	-	-	-	39,841	39,841
Debt Service:	-	-	-	-	-
Principal	350,000	-	-	222,000	572,000
Interest	77,702	-	-	112,291	189,993
Other	-	-	-	1,068	1,068
Total Expenditures	<u>9,112,542</u>	<u>723,926</u>	<u>-</u>	<u>4,105,129</u>	<u>13,941,597</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(355,069)</u>	<u>11,150</u>	<u>76,319</u>	<u>(1,291,949)</u>	<u>(1,559,549)</u>
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	-	-	-	653,156	653,156
Proceeds of loans	350,000	-	-	329,000	679,000
Sale of transportation equipment	1,631	-	-	-	1,631
Transfers in	698,933	-	-	814,151	1,513,084
Payments held by escrow agents	-	-	-	30,000	30,000
Transfers out	(814,150)	-	(50,680)	(648,254)	(1,513,084)
Payment to QZAB debt escrow agent	-	-	-	(30,000)	(30,000)
Total Other Financing Sources (Uses)	<u>236,414</u>	<u>-</u>	<u>(50,680)</u>	<u>1,148,053</u>	<u>1,333,787</u>
Net change in fund balances	<u>(118,655)</u>	<u>11,150</u>	<u>25,639</u>	<u>(143,896)</u>	<u>(225,762)</u>
Fund Balances—July 1, 2006	(154,136)	-	1,271,311	1,359,010	2,476,185
Increase in reserve for inventory	-	-	-	392	392
Fund Balances—June 30, 2007	<u>\$ (272,791)</u>	<u>\$ 11,150</u>	<u>\$ 1,296,950</u>	<u>\$ 1,215,506</u>	<u>\$ 2,250,815</u>

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

PERRY COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT D-1

	<u>Amount</u>
Net Change in Fund Balances	\$ (225,762)
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets.	178,350
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(288,735)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on the sale of capital assets	(3,140)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(679,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	572,000
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences decreases	(1,331)
Accrued interest on debt decreases	(1,304)
An increase (+)/decrease (-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the statement of activities.	<u>392</u>
Change in Net Assets of Governmental Activities	<u>\$ (448,530)</u>

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

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

EXHIBIT E

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 551,142
Total Assets	<u>\$ 551,142</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 519,935
Due to other funds	5,954
Due to student clubs	25,253
Total Liabilities	<u>\$ 551,142</u>

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

PERRY COUNTY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 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.

Reading First Grant Fund - This fund is used to account for all financial resources of the Reading First State Grant funds.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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 consists of amounts on deposit in demand accounts and certificates of deposit with 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.

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.

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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 5 for details.

K. Interfund Transactions and Balances.

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 borrowing 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 unemployment benefits - An account that represents the fund that is legally restricted for the payment of unemployment benefits.

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Reserved for forestry improvements - An account that represents the fund balance that legally restricted for improving sixteenth section forestlands.

Reserved for debt service purposes - An account that represents a portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted

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

Unreserved, undesignated - An account that represents the portion of the fund balance that is expendable available financial resources.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) 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 are imposed by statutes as follows:

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Investments. Section 29-3-113 and Section 37-59-43 Miss Code Ann. (1972), authorize 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 Funds), 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.

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 \$1,102,847 and \$551,142, respectively. The carrying amount of deposits reported in the government-wide financial statement was: cash and cash equivalents of \$979,289 and restricted assets of \$372,336. Included in the restricted assets is cash and cash equivalents of \$123,558 reported in the sixteenth section principal fund, cash with fiscal agent of \$414 reported in the Other Governmental Funds (QZAB fund), investments of \$1,482 reported in the sixteenth section principal fund, and investment of \$246,882 reported in the Other Governmental funds (\$167,300 in the QZAB fund and \$79,582 in the MAEP fund). The Restricted Assets are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,295,388.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$2,295,388 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$414.

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Investments.

As of June 30, 2007, the district had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
GNMA Bond		\$ 388	AAA
GNMA II Bond		1,094	AAA
Fed Home Loan MTG Corp	less than 1 year	167,300	AAA
Horizon Treasury MMKT Class A	less than 1 year	79,582	N/A
Certificates of Deposit	1 to 5 years	<u>380,000</u>	N/A
		<u>\$ 628,364</u>	

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. The district's investment in GNMA bonds is a credit risk because the securities are uninsured, unregistered and held by the district's agent in the district's name.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 278,265	\$ -
Reading First Grant	-	146,676
Other Governmental Funds	-	125,635
Fiduciary Funds	-	5,954
	<u>\$ 278,265</u>	<u>\$ 278,265</u>

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

B. Advances To/From Other Funds:

	<u>Advances From</u>	<u>Advances To</u>
Governmental Funds:		
General Fund	\$ -	\$ 1,171,910
Sixteenth Section Principal	1,171,910	-
	\$ 1,171,910	\$ 1,171,910

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

Sixteenth section principal loans payable.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 54,859	\$ 46,684	\$ 101,543
2009	57,031	44,512	101,543
2010	59,282	42,261	101,543
2011	61,615	39,928	101,543
2012	57,409	37,510	94,919
2013-2017	287,426	154,264	441,690
2018-2022	349,452	92,336	441,788
2023-2025	244,836	21,860	266,696
	\$ 1,171,910	\$ 479,355	\$ 1,651,265

D. Transfers In/Out.

	<u>Transfer Out</u>	<u>Transfer In</u>
Governmental Funds:		
General Fund	\$ 814,150	\$ 698,933
Sixteenth Section Principal	50,680	-
Other Governmental Funds	648,254	814,151
	\$ 1,513,084	\$ 1,513,084

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
<u>Non-depreciable capital assets:</u>				
Land	\$ 58,108			\$ 58,108
Total non-depreciable capital assets	<u>\$ 58,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,108</u>
<u>Depreciable capital assets:</u>				
Buildings	\$ 6,374,283			\$ 6,374,283
Building improvements	339,372			339,372
Mobile equipment	1,413,096	169,850	31,394	1,551,552
Furniture and equipment	344,458	8,500		352,958
Total depreciable capital assets	<u>\$ 8,471,209</u>	<u>\$ 178,350</u>	<u>\$ 31,394</u>	<u>\$ 8,618,165</u>
<u>Less accumulated depreciation:</u>				
Buildings	\$ 1,892,784	\$ 115,065		\$ 2,007,849
Building improvements	31,295	13,574		44,869
Mobile equipment	953,332	83,846	28,254	1,008,924
Furniture and equipment	242,406	76,250		318,656
Total accumulated depreciation	<u>\$ 3,119,817</u>	<u>\$ 288,735</u>	<u>\$ 28,254</u>	<u>\$ 3,380,298</u>
Total depreciable capital assets, net	<u>\$ 5,351,392</u>	<u>\$ (110,385)</u>	<u>\$ 3,140</u>	<u>\$ 5,237,867</u>
Governmental activities capital assets, net	<u>\$ 5,409,500</u>	<u>\$ (110,385)</u>	<u>\$ 3,140</u>	<u>\$ 5,295,975</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 131,189
Support Services	151,368
Non-instructional	6,178
	<u>\$ 288,735</u>

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(5) Long-term liabilities.

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2007</u>	<u>Amount Due Within One Year</u>
A. General obligation bonds payable	\$ 384,000		\$ 42,000	\$ 342,000	\$ 43,000
B. Limited obligation bonds payable	1,990,000		120,000	1,870,000	125,000
C. Three mill notes payable	275,000		60,000	215,000	65,000
D. QZAB payable	300,000			300,000	
E. Limited tax notes payable	-	125,000		125,000	62,000
F. Equipment lease purchase	-	204,000		204,000	65,216
G. Compensated absences payable	67,812	1,331		69,143	2,766
Total long-term debt	\$ 3,016,812	\$ 330,331	\$ 222,000	\$ 3,125,143	\$ 362,982

A. General obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding bonds, Series 2004	3.17%	06-01-04	12-01-13	\$ 464,000	342,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 43,000	\$ 10,160	\$ 53,160
2009	46,000	8,749	54,749
2010	47,000	7,275	54,275
2011	49,000	5,754	54,754
2012	51,000	2,520	53,520
2013-2014	106,000	840	106,840
	<u>\$ 342,000</u>	<u>\$ 35,298</u>	<u>\$ 377,298</u>

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2006. This debt will be retired from the EEF Building and Buses Fund (2410).

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	Var	3-01-98	2-01-2018	\$2,475,000	\$1,870,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 125,000	\$ 10,160	\$ 135,160
2009	130,000	8,749	138,749
2010	140,000	7,275	147,275
2011	145,000	5,754	150,754
2012	150,000	2,520	152,520
2013-2017	875,000	174,034	1,049,034
2018	305,000	9,224	314,224
	<u>\$ 1,870,000</u>	<u>\$ 217,716</u>	<u>\$ 2,087,716</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 MAEP Retirement Fund (4041).

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2002	4.60%	06-15-02	06-15-10	\$ 500,000	215,000

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 65,000	\$ 9,890	\$ 74,890
2009	70,000	6,900	76,900
2010	80,000	3,680	83,680
	<u>\$ 215,000</u>	<u>\$ 20,470</u>	<u>\$ 235,470</u>

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

D. Qualified zone academy bonds payable.

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB Note	N/A	06-01-2001	05-15-2011	\$ 300,000	300,000

E. Three mil limited tax note series 2006

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mil Limited Tax Note Series 2006	3.87%	09-01-2006	09-01-2008	\$ 125,000	125,000

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 62,000	\$ 4,838	\$ 66,838
2009	63,000	2,438	65,438
	<u>\$ 125,000</u>	<u>\$ 7,276</u>	<u>\$ 132,276</u>

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

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

F. Obligations under capital lease.

The district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of computer equipment and software.

The various options available to the lessee for this lease is as follows:

The lessor's security interest in the equipment will be terminated and the agreement will terminate at the end of the lease term upon payment by the lessee of the full rental payments.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 65,216	\$ 8,588	\$ 73,804
2009	67,961	5,843	73,804
2010	70,823	2,982	73,804
	<u>\$ 204,000</u>	<u>\$ 17,413</u>	<u>\$ 221,412</u>

This debt will be retired from the District Maintenance Fund (1120).

G. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, 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 11.30% 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, 2007, 2006 and 2005 were \$717,732, \$627,385 and \$577,843, respectively, which equaled the required contributions for each year.

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(7) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Total</u>
2008	\$ 65,196
2009	36,714
2010	32,720
2011	2,615
2012	2,062
2013-2017	5,605
2018-2022	4,088
Thereafter	15,410
	<u>\$ 164,410</u>

(8) Deficit Fund Balance of Individual Funds.

The District Maintenance Fund has a deficit fund balance in the amount of \$372,446. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972). Section 37-61-19, Miss. Code Ann. (1972), imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the available resources for the fiscal year under certain circumstances.

(9) Risk Management.

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

(10) Prior Year Defeasance of Debt.

In the prior years, the Perry County School District defeased certain Trust Certificates by placing the proceeds of new bonds, less issuance costs, in an irrevocable trust to provide for all future debt service payments on the Trust Certificates. Accordingly, the trust account assets and liability for the defeased debt are not included in the district's financial statements. On June 30, 2007, \$342,000 of certificates outstanding is considered defeased.

**PERRY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(11) Qualified Zone Academy Bonds.

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 1. The payments to the sinking fund are made from the QZAB fund (4024). 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 future yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2008	\$ 30,000
2009	30,000
2010	22,000
2011	<u>9,000</u>
Total	<u>\$ 91,000</u>

(12) Short-term financing.

The school board borrowed \$350,000 under provisions of 37-59-37 to meet current year expenditures.

Description	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007
Richton Bank & Trust, 4.00%	\$ 0	\$ 350,000	\$ 350,000	\$ 0

PERRY COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 1A

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 2,281,838	\$ 2,274,582	\$ 2,274,582	\$ 12,746	\$ -
State sources	5,643,379	5,853,441	5,837,850	210,062	(15,591)
Federal sources	530,000	629,450	645,041	99,450	15,591
Total Revenues	8,435,215	8,757,473	8,757,473	322,258	-
EXPENDITURES					
Instruction	5,050,016	5,423,022	5,423,022	(373,006)	-
Support services	2,971,603	3,261,818	3,261,818	(290,215)	-
Non-instructional services	-	-	-	-	-
Debt Service:					
Principal	40,401	350,000	350,000	(309,599)	-
Interest	59,507	77,702	77,702	(18,195)	-
Total Expenditures	8,121,527	9,112,542	9,112,542	(991,015)	-
Excess (deficiency) of Revenues over (under) Expenditures	313,688	(355,069)	(355,069)	(668,757)	-
OTHER FINANCING SOURCES (USES)					
Proceeds of loans	-	350,000	350,000	350,000	-
Sale of transportation equipment	-	1,631	1,631	1,631	-
Transfers in	807,731	1,443,381	1,443,381	635,650	-
Transfers out	(1,369,197)	(1,547,449)	(1,547,449)	(178,252)	-
Total Other Financing Sources (Uses)	(561,466)	247,563	247,563	809,029	-
Net change in fund balances	(247,778)	(107,506)	(107,506)	140,272	-
Fund Balances-- July 1, 2006			(154,136)		
Fund Balances--June 30, 2007			\$ (261,642)		

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

PERRY COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - READING FIRST GRANT
FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 1B

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 450,000	\$ 735,076	\$ 735,076	\$ 285,076	\$ -
Total Revenues	450,000	735,076	735,076	285,076	-
EXPENDITURES					
Instruction	438,750	723,926	723,926	(285,176)	-
Total Expenditures	438,750	723,926	723,926	(285,176)	-
Excess (deficiency) of Revenues over (under) Expenditures	11,250	11,150	11,150	(100)	-
OTHER FINANCING SOURCES (USES)					
Transfers out	(11,250)	(11,150)	(11,150)	100	-
Total Other Financing Sources (Uses)	(11,250)	(11,150)	(11,150)	100	-
Net change in fund balances	-	-	-	-	-
Fund Balances-- July 1, 2006			-		
Fund Balances---June 30, 2007			\$ -		

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

PERRY COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revision

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

PERRY COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

PERRY COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 37,384
Child nutrition cluster		
School breakfast program	10.553	185,967
National school lunch program	10.555	413,069
Total child nutrition cluster		599,036
Schools and roads - grants to states	10.665	576,987
Total U.S. Department of Agriculture		1,213,407
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the universal service fund	32.XXX	49,482
Total Federal Communications Commission		49,482
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	391,403
Vocational education - basic grants to states	84.048	30,096
Safe and drug-free schools and communities - state grants	84.186	9,893
Even start - state educational agencies	84.213	51,383
Twenty-first century community learning centers	84.287	87,918
State grants for innovative programs	84.298	2,385
Reading first state grants	84.357	735,076
Rural education	84.358	26,102
Improving teacher quality - state grants	84.367	123,061
Total		1,457,317
Special education cluster:		
Special education - grants to states	84.027	333,658
Total		333,658
Total passed-through Mississippi Department of Education		1,790,975
Total U.S. Department of Education		1,790,975
<u>U.S Department of Homeland Security</u>		
Pass-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	8,053
Total Department of Homeland Security		8,053
Total for All Federal Awards		\$ 3,061,917

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The expenditure amounts include transfers out.

Perry County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

<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	\$ 9,217,177	\$ 7,033,605	\$ 473,621	\$ 649,830	\$ 1,060,121
Other	<u>4,724,420</u>	<u>1,291,881</u>	<u>182,148</u>	<u>67,129</u>	<u>3,183,262</u>
Total	<u>\$ 13,941,597</u>	<u>\$ 8,325,486</u>	<u>\$ 655,769</u>	<u>\$ 716,959</u>	<u>\$ 4,243,383</u>
Total number of students *	1,321				
Cost per student	<u>\$ 10,554</u>	<u>\$ 6,302</u>	<u>\$ 496</u>	<u>\$ 543</u>	<u>\$ 3,212</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.

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

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

PERRY COUNTY SCHOOL DISTRICT

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

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Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Perry County School District

We have audited the financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2007, which collectively comprise the Perry County School District's basic financial statements and have issued our report thereon dated May 6, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by school district's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
May 6, 2008

PERRY COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Perry County School District

Compliance

We have audited the compliance of the Perry County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Perry County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Perry County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
May 6, 2008

PERRY COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2007, which collectively comprise Perry County School District's basic financial statements and have issued our report thereon dated May 6, 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds".

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported **\$3,243** of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate function level expenditure codes in expenditures by the school district."

The results of procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
May 6, 2008

PERRY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>UNQUALIFIED</u> |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | <u>NO</u> |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>NO</u> |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | <u>NO</u> |
| 7. Federal programs identified as major programs: | |
| Child Nutrition Cluster | |
| School Breakfast Program | CFDA # <u>10.553</u> |
| National School Lunch Program | CFDA # <u>10.555</u> |
| Title I – Grants to local education agencies | CFDA # <u>84.010</u> |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>YES</u> |
| 10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? | <u>NO</u> |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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

PERRY COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2007:

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

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2007:

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