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**PRENTISS COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

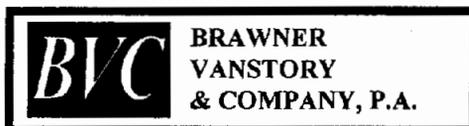
**YEAR ENDED JUNE 30, 2007**



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

Superintendent and School Board  
Prentiss County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2007, which collectively comprise the Prentiss County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Prentiss 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Prentiss County School District at 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 a report dated January 26, 2009, on our consideration of the Prentiss 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 and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedules and corresponding notes on pages 34 through 39 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Prentiss 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Bramer, Vansteyn & Co P.A.*

January 26, 2009  
Booneville, Mississippi

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

The discussion and analysis of Prentiss 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 notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### **FINANCIAL HIGHLIGHTS**

Total net assets increased by \$1,849,001, which represents 43% increase from fiscal year 2006. We stopped all the repair and maintenance unless it was an emergency. We met the needs of the students, but tried to be conservative with our spending.

General revenues account for \$14,727,619 in revenue, or 71.98% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,732,089 or 23.12% of total revenues and extraordinary revenues for \$1,000,000 or 4.90% of all revenues.

The District had \$18,610,707 in expenses; only \$4,732,089 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$14,727,619 were adequate to provide for these programs.

Among major funds, the General Fund had \$14,649,728 in revenues and \$14,183,873 in expenditures. The General Fund's fund balance increased \$481,870 over the prior year which included a prior period adjustment of \$20,956.

Capital assets, net of accumulated depreciation, decreased by \$178,262.

Long-term debt decreased by \$513,411.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 10-11 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 13 and 15, respectively.

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

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 16.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-33 of this report.

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 34-38 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 40 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$6,150,238 as of June 30, 2007.

By far the largest portion of the District's net assets, reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007, compared to 2006.

Table 1  
Condensed Statement of Net Assets

	2007 Amount	2006 Amount	Total Percentage Change 2006-2007
Current and other assets	\$ 3,371,627	\$ 1,837,151	83.5%
Capital assets, net	10,197,535	10,375,797	-1.7%
<b>Total assets</b>	<b>13,569,162</b>	<b>12,212,948</b>	<b>11.1%</b>
Current liabilities	250,966	251,431	-0.1%
Long-term debt outstanding	7,167,958	7,681,369	-6.7%
<b>Total liabilities</b>	<b>7,418,924</b>	<b>7,932,800</b>	<b>-6.5%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,697,535	3,324,797	11.2%
Restricted	774,578	698,705	10.9%
Unrestricted	1,678,125	256,646	553.8%
<b>Total net assets</b>	<b>\$ 6,150,238</b>	<b>\$ 4,280,148</b>	<b>43.7%</b>

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

- The principal retirement of \$652,153 of long-term debt
- The addition of \$352,112 of depreciation

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

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 were \$20,459,708. The total cost of all programs and services was \$18,610,707. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007.

Table 2  
Changes in Net Assets

	2007 Amount	2006 Amount	Total Percentage Change 2006-2007
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 1,334,675	\$ 1,359,388	-1.8%
Operating grants & contributions	3,397,414	3,965,165	-14.3%
Capital grants & contributions		2,075	-100.0%
General revenues			
Tax levies	2,747,525	2,620,774	4.8%
Federal & state grants unrestricted	11,840,671	10,699,844	10.7%
Other	139,423	77,922	78.9%
Extraordinary income	1,000,000	-	100.0%
<b>Total revenues</b>	<u>20,459,708</u>	<u>18,725,168</u>	<u>9.3%</u>
<b>Expenses:</b>			
Instruction	11,876,207	11,889,652	-0.1%
Support services	4,951,903	4,587,070	8.0%
Non-instructional	1,454,801	1,409,839	3.2%
Interest on long-term liabilities	327,796	348,517	-5.9%
<b>Total expenses</b>	<u>18,610,707</u>	<u>18,235,078</u>	<u>2.1%</u>
<b>Increase in net assets</b>	<u>\$ 1,849,001</u>	<u>\$ 490,090</u>	<u>277.3%</u>

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

Table 3  
Net Cost of Governmental Activities

	Total Expenses		Total Percentage 2006-2007	Net (Expenses) Revenue		Total Percentage 2006-2007
	2007	2006		2007	2006	
Instruction	\$ 11,876,207	\$ 11,889,652	-0.1%	(9,825,599)	(9,241,816)	6.3%
Support services	4,951,903	4,587,070	8.0%	(3,562,733)	(3,102,638)	14.8%
Non-instructional	1,454,801	1,409,839	3.2%	(162,490)	(215,479)	-24.6%
Interest on long-term liabilities	327,796	348,517	-5.9%	(327,796)	(348,517)	-5.9%
<b>Total expenses</b>	<u>\$ 18,610,707</u>	<u>\$ 18,235,078</u>	<u>2.1%</u>	<u>\$ (13,878,618)</u>	<u>\$ (12,908,450)</u>	<u>7.5%</u>

Net cost of governmental activities \$13,878,618 was financed by general revenue, which is made up of primarily property taxes \$2,747,525, state revenue \$11,659,061, and federal revenue of \$181,610. Extraordinary revenue of \$1,000,000 is from a settled lawsuit (Note 3).

Investment earnings accounted for \$137,993.

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

**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, outflow and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,093,656, an increase of \$543,973 over the 2006 year, which includes an increase to fund balance of \$21,089 for prior period adjustments. The fund balance constitutes reserved fund balance of \$ 323,209 and unreserved fund balance of \$1,770,447, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$481,870, including a prior period adjustment of \$20,956, over the 2006 year. The fund balance of all remaining Governmental Funds was \$752,500, an increase of \$53,661 over the 2006 year.

**BUDGETARY HIGHLIGHTS**

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

**General Fund**

Revenue: More revenue from local sources on gate receipts and concessions were anticipated than received. Tuition was budgeted in general fund but placed in a special revenue fund. Revenues were overestimated for activity funds. State and federal revenues were underestimated due to grants received after the original budget.

Expenditures: Instructional expenditures were slightly more than original budget because of changes in staff. Expenditures for support services were more than budgeted because of increases in salaries. Non-instructional expenditures were less due to decreases in fund raising activities. Facilities acquisition and construction expenditures were more than original budget due to cost for architectural fees not expected. Debt service budget for interest was reduced because the original budget was overstated.

Other Financing Sources: More was originally budgeted than was expended because the transfers to other funds were less than anticipated.

**School Food Service**

Revenues: Due to less participation in extra sales, local sources decreased. Federal sources increased due to an increase in meal prices.

Expenditures: Expenditures were less than original budget due to reduction in cost of maintenance services. We had more non-instructional costs due to increase in food prices.

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

**BUDGETARY HIGHLIGHTS (Continued)**

**Vocational Education Fund**

Revenues: Revenues were over budgeted initially because the revenue allocations were not known at the time of the original budget.

Expenditures: We budgeted less in instructional areas than we spent due to changes in personnel. We spent more in supplies than originally budgeted. Support services was less than original budget due to changes in personnel.

Other Financing Sources and Uses: Less was budgeted originally in transfers in, more was required to be transferred in to cover expenditures.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major 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 were \$10,197,535, a decrease of \$178,262. Total accumulated depreciation as of June 30, 2007 was \$3,945,452 and total depreciation expense for the year was \$352,112 resulting in total net assets of \$10,197,535.

Additional information of the District's capital assets can be found in Note 5 on page 26 of this report.

**Debt Administration.** At June 30, 2007, the District had \$7,167,958 in limited obligation bonds and other long-term debt outstanding, of which \$670,797 is due within one year.

Additional information of the District's long-term debt can be found in Note 6 on page 27 of this report.

**CURRENT ISSUES**

The Prentiss County School District has extended programs for the 21<sup>st</sup> Century Grant at Hills Chapel to provide art, music and tutorial programs to the students. The program has been so effective that we plan to get other schools involved with additional grants. We added computers and updated computers at Wheeler, New Site and Hills Chapel. We have continued the class size reduction program. We sent teachers to various programs for advanced placement classes. We are offering an advanced placement English class at New Site. We provide full time counselors at all high schools. We are also offering a foreign language at all high schools. Additionally, we are offering Art to our students. Some of our students are dually enrolled with Northeast Mississippi Community College while in high school to receive extra credit.

We started a Junior High School Football Program this year and plan to add this at all county schools. The Marietta community built a softball field for Marietta School. Additionally, new bathrooms were constructed at Marietta.

The school board took action to not grant student releases to other school districts in order to bring our enrollment to where it should be.

Our administration is proud of our students and teachers. They are constantly looking for new ideas to promote the education of our students and to make a good environment for them.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Prentiss County School District, P.O. Box 179, Booneville, MS 38829.

Exhibit A

**PRENTISS COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS**

June 30, 2007

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 1,622,213
Investments	25,636
Due from other governments	617,827
Inventories and prepaid items	105,951
Other receivable (Note 3)	
Due within one year	400,000
Due after one year	600,000
Capital assets, non-depreciable (Note 5)	
Land	183,425
Capital assets, net of accumulated depreciation (Note 5)	
Buildings	8,995,059
Building improvements	307,417
Improvements other than buildings	99,944
Mobile equipment	422,098
Furniture and equipment	117,294
Leased property under capital leases	72,298
<b>Total Assets</b>	<u>13,569,162</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	127,480
Interest payable on long term liabilities	57,296
Deferred revenue	66,190
Long term liabilities (due within one year) (Note 6)	
Capital related liabilities	565,000
Non-capital liabilities	105,797
Long term liabilities (due after one year) (Note 6)	
Capital related liabilities	5,935,000
Non-capital liabilities	562,161
<b>Total Liabilities</b>	<u>7,418,924</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,697,535
Restricted net assets:	
Expendable:	
Schoolbased activities	473,019
Ad valorem tax	22,079
Debt service	237,327
Capital projects	59
Unemployment	42,094
Unrestricted	1,678,125
<b>Total Net Assets</b>	<u>6,150,238</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 13,569,162</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities</b>						
Instruction	\$ 11,876,207	940,928	1,109,680	-	(9,825,599)	
Support services	4,951,903	-	1,389,170	-	(3,562,733)	
Noninstructional services	1,454,801	393,747	898,564	-	(162,490)	
Interest on long-term liabilities	327,796	-	-	-	(327,796)	
<b>Total Governmental Activities</b>	<b>18,610,707</b>	<b>1,334,675</b>	<b>3,397,414</b>	<b>-</b>	<b>(13,878,618)</b>	

General Revenues:

Taxes:	
General Purpose levies	2,545,040
Debt service levies	202,485
Unrestricted grants and contributions	
State	11,659,061
Federal	181,610
Unrestricted investment earnings	137,993
Other	1,430
<b>Total General Revenues</b>	<b>14,727,619</b>
Extraordinary income (Note 3)	1,000,000
<b>Change in Net Assets</b>	<b>1,849,001</b>
Net Assets-Beginning	4,280,148
Prior period adjustment	21,089
Net Assets-Beginning as Restated	4,301,237
<b>Net Assets-Ending</b>	<b>\$ 6,150,238</b>

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

PRETISS COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2007

EXHIBIT C

	Major Funds					Other Governmental Funds	Total (Memorandum Only)
	General Funds	School Food Service Fund	Title I Fund	Improving Teacher Quality Fund	Vocational Fund		
<b>ASSETS</b>							
Cash and cash equivalents (Note 2)	\$ 1,091,196	369,125	-	37,612	-	124,280	1,622,213
Investments (Note 2)	-	-	-	-	-	25,636	25,636
Due from other governments	258,418	-	34,287	-	29,444	294,451	616,600
Due from other funds (Note 4)	119,022	-	-	-	-	-	119,022
Inventories & Prepaid Items	-	21,650	-	-	-	-	21,650
<b>Total Assets</b>	<b>1,468,636</b>	<b>390,775</b>	<b>34,287</b>	<b>37,612</b>	<b>29,444</b>	<b>444,367</b>	<b>2,405,121</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	127,480	-	-	-	-	-	127,480
Due to other funds (Note 4)	-	-	34,287	37,612	29,444	16,452	117,795
Deferred revenue	-	-	-	-	-	66,190	66,190
<b>Total Liabilities</b>	<b>127,480</b>	<b>-</b>	<b>34,287</b>	<b>37,612</b>	<b>29,444</b>	<b>82,642</b>	<b>311,465</b>
<b>Fund Equity</b>							
<b>Reserved for</b>							
Inventory	-	21,650	-	-	-	-	21,650
Ad valorem taxes	22,079	-	-	-	-	-	22,079
Debt Service	-	-	-	-	-	237,327	237,327
Capital Projects	-	-	-	-	-	59	59
Unemployment benefits	-	-	-	-	-	42,094	42,094
<b>Unreserved and undesignated:</b>							
Reported in General Funds	1,319,077	-	-	-	-	-	1,319,077
Special Revenue Funds	-	369,125	-	-	-	82,245	451,370
<b>Total Fund Balances</b>	<b>1,341,156</b>	<b>390,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361,725</b>	<b>2,093,656</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,468,636</b>	<b>390,775</b>	<b>34,287</b>	<b>37,612</b>	<b>29,444</b>	<b>444,367</b>	<b>2,405,121</b>

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

Prentiss County School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Government Funds	\$ 2,093,656
Amounts reported for governmental activities in the Statement of Net Assets	
1 Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,945,452. (Note 5)	10,197,535
2 Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 6)	(7,167,958)
3 Accrued interest on debt not due and payable in the current period and therefore, not reported in the funds.	(57,296)
4 Debt issuance costs are reported as expenditures in the governmental funds, but are capitalized and amortized over the life of the debt in the statement of net assets.	84,301
5 Receivable for settlement of lawsuit, not recognized in governmental funds. (Note 3)	<u>1,000,000</u>
Total Net Assets - Governmental Activities	<u>\$ 6,150,238</u>

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

PRENTISS COUNTY SCHOOL DISTRICT  
Statement of Revenue, Expenditures, and Changes in Fund Balance -  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds					Other Governmental Funds	Total (Memorandum Only)
	General Fund	School Food Service Fund	Title I Fund	Improving Teacher Quality Fund	Vocational Fund		
<b>Revenues</b>							
Local sources	\$ 3,513,181	413,412	-	-	79,443	274,660	4,280,696
State sources	10,954,937	5,936	-	-	1,253,996	559,808	12,774,677
Federal sources	181,610	888,578	513,648	203,794	54,835	561,426	2,403,891
<b>Total Revenues</b>	<b>14,649,728</b>	<b>1,307,926</b>	<b>513,648</b>	<b>203,794</b>	<b>1,388,274</b>	<b>1,395,894</b>	<b>19,459,264</b>
<b>Expenditures</b>							
Instruction	9,306,407	-	391,311	201,730	1,287,367	457,245	11,644,060
Support services	4,264,855	62,226	120,837	1,030	271,210	275,622	4,973,508
Noninstructional services	294,408	1,163,008	-	-	-	-	1,457,416
Principal	269,605	-	-	-	-	382,548	652,153
Interest	48,598	-	-	-	-	289,665	338,263
<b>Total Expenditures</b>	<b>14,183,873</b>	<b>1,225,234</b>	<b>512,148</b>	<b>202,760</b>	<b>1,558,577</b>	<b>1,405,080</b>	<b>19,065,400</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>465,855</b>	<b>82,692</b>	<b>1,500</b>	<b>1,034</b>	<b>(170,303)</b>	<b>(9,186)</b>	<b>371,592</b>
<b>Other Financing Sources (Uses)</b>							
Loan Proceeds	150,150	-	-	-	-	-	150,150
Insurance Loss Recoveries	-	342	-	-	-	-	342
Sale of capital assets	800	-	-	-	-	-	800
Operating transfers in	26,195	-	-	-	168,593	16,493	211,281
Operating transfers out	(182,086)	(25,000)	(1,500)	(1,500)	-	(1,195)	(211,281)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,941)</b>	<b>(24,658)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>168,593</b>	<b>15,298</b>	<b>151,292</b>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<b>460,914</b>	<b>58,034</b>	<b>-</b>	<b>(466)</b>	<b>(1,710)</b>	<b>6,112</b>	<b>522,884</b>
Fund Balances, June 30, 2006	859,286	341,049	-	466	1,710	355,480	1,557,991
Prior Period Adjustments	20,956	-	-	-	-	133	21,089
Fund Balances, June 30, 2006, Restated	880,242	341,049	-	466	1,710	355,613	1,579,080
Decrease in reserve for inventory	-	(8,308)	-	-	-	-	(8,308)
<b>Fund Balances, June 30, 2007</b>	<b>\$ 1,341,156</b>	<b>390,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361,725</b>	<b>2,093,656</b>

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

Exhibit D-1

**Prentiss County School District  
Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the year ended June 30, 2007**

	<u>Amount</u>
Amounts reported for governmental activities in the statement of activities are different because:	\$ 522,884
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$176,274 and the depreciation expense amounted to \$352,112. (Note 5)	(175,838)
2. Loan proceeds are reported as revenue in the governmental funds, but as increases to long-term debt in the statement of activities.	(150,150)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 6)	652,153
4. Premium on debt is amortized over the life of the debt.	(11,191)
5. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activities.	10,467
6. Decrease in compensated absences is reported as an adjustment to support services and noninstructional services.	11,408
7. Reduction of cost basis on disposal of capital assets	(2,424)
8. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds but noninstructional expenditures are increased in the statement of activities.	(8,308)
9. Receivable for settlement of a lawsuit, not recognized in governmental funds. (Note 3)	<u>1,000,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,849,001</u>

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

**PRETISS COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS**  
**June 30, 2007**

	<u>Fiduciary Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 1,119,710</u>
<b>TOTAL ASSETS</b>	<u>1,119,710</u>
<b>LIABILITIES</b>	
Accounts payable & accrued liabilities	1,036,019
Due to other Funds	1,227
Due to student clubs	<u>82,464</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,119,710</u>

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

**PRENTISS COUNTY SCHOOL DISTRICT**

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**PRETISS 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 service offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

**Fund Financial Statements:**

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

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses,

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

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so 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 is 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.

School Food Service Fund – This fund accounts for local and federal revenue and pays the cost of providing lunch and breakfast meals to students.

Vocational Education Fund – This fund accounts for revenues collected and used to provide education to vocational education students.

Title I Fund – This fund accounts for the revenues and expenditures of providing this program of learning.

Title II Fund- Improving Teacher Quality – This fund accounts for federal revenues and expenditures of providing improvement in teaching skills for teachers.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

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 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.

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

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**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 encumbrances 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 other deposits consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and other deposits 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 inventories 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.

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

**(1) Summary of Significant Accounting Policies (Continued)**

**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 statement.

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 and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
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.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

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

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

**(1) Summary of Significant Accounting Policies (Continued)**

**L. Equity Classifications**

**Government-Wide Financial Statements:**

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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.

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

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

Reserved for ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

**M. Property Taxes**

Ad valorem property taxes are levied by the governing authorities 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.

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

**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 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:

**Deposits.** The school board must advertise and accept bids for depositories no less than every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral 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 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those deemed securities enumerated in (b) and (c) above; (e) direct obligations issued by the U.S. of America that are 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.

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

**(2) Cash and Cash Equivalents and Investments (continued)**

**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 \$1,622,213 and \$1,119,710, respectively. The carrying amount of deposits reported in the government wide statements was cash and cash equivalents of \$1,622,513, and the bank balance was \$3,719,266.

*Custodial Credit Risk- Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$3,719,266 was exposed to custodial credit risk.

**Investments**

As of June 30, 2007, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Maturities (in years)	Fair Market Value	Rating
Hancock Horizon Treasury Sec Mmkt CL A	Less than 1	\$ 25,636	AAA
<b>Total</b>		<u>\$ 25,636</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 a financial institution's failure, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, none of the district's investment balance was exposed to custodial credit risk.

*Concentration of Credit Risk* - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2007, the district had no investments requiring such disclosure.

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

**(3) Other Receivable**

Prentiss County School District has a receivable as a result of a settled lawsuit with Booneville School District for students in the annexed area of the City of Booneville to attend Booneville Schools.

The following is a schedule by years of the total receivable by the school district:

Year ending June 30	Amount
2008	\$ 400,000
2009	300,000
2010	200,000
2011	100,000
	\$ 1,000,000

**(4) Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

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

	Due From	Due To	Reason
Governmental funds			
General fund	\$ 119,022	-	Loans to funds awaiting reimbursement
Title I	-	34,287	
Title II - Improving Teacher Quality	-	37,612	
Vocational Education Fund	-	29,444	Loans to funds awaiting reimbursement
Other governmental	-	16,452	Loans to funds awaiting reimbursement
Total Governmental Fund	-	117,795	
Fiduciary Funds	-	1,227	Interest earned not yet paid to General Fund
Total Due From/Due To	\$ 119,022	\$ 119,022	

**B. Transfers In/Out**

	Transfer In	Transfers Out	
Governmental funds			
General fund	\$ 26,195		Indirect costs
General fund	-	182,086	Support to other funds
School Food Service Fund	-	25,000	Indirect costs
Title I	-	1,500	Reimbursement unemployment fund
Title II - Improving Teacher Quality	-	1,500	Reimbursement unemployment fund
Vocational Education Fund	168,593	-	Support from general fund
Other governmental funds	-	1,195	Indirect costs
Other governmental funds	16,493	-	Support from general fund
Total Transfers In/Out	\$ 211,281	\$ 211,281	

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

**(5) Capital Assets**

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

	Balance 6/30/2006	Additions	Retirements	Adjustments	Balance 6/30/2007
<b>Non-Depreciable Assets</b>					
Land	\$ 183,425	-	-	-	183,425
Total Non-Depreciable Assets:	183,425	-	-	-	183,425
<b>Depreciable Capital Assets:</b>					
Buildings	11,525,536	-	-	-	11,525,536
Building improvements	375,330	-	-	-	375,330
Improvements other than Buildings	116,215	-	-	-	116,215
Mobile equipment	1,139,718	138,196	(23,551)	-	1,254,363
Furniture	507,954	38,078	(6,764)	-	539,268
Leased Equipment	148,850	-	-	-	148,850
Total Depreciable Capital Assets	13,813,603	176,274	(30,315)	-	13,959,562
<b>Less: Accumulated Depreciation for:</b>					
Buildings	2,310,682	219,795	-	-	2,530,477
Building Improvements	52,900	15,013	-	-	67,913
Improvements other than Buildings	11,622	4,649	-	-	16,271
Mobile Equipment	795,932	57,528	(21,195)	-	832,265
Furniture	392,681	35,989	(6,696)	-	421,974
Leased Equipment	57,414	19,138	-	-	76,552
Total Accumulated Depreciation	3,621,231	352,112	(27,891)	-	3,945,452
Total Depreciable Capital Assets (Net)	10,192,372	(175,838)	(2,424)	-	10,014,110
Governmental Activities Capital Assets	\$ 10,375,797	(175,838)	(2,424)	-	10,197,535

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 232,076
Support services	93,737
Non-instructional	26,299
Total Depreciation Expense	\$ 352,112

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

**(6) Long-term liabilities**

The following is a summary of changes in general long-term debt and other obligations:

	Balance 6/30/2006	Additions	Reductions	Balance 6/30/2007	Amounts due within one year
A. General Obligation Refunding Bonds	\$ 1,080,000	-	200,000	880,000	210,000
B. Limited obligation bonds payable	3,545,000	-	230,000	3,315,000	240,000
C. Three mill notes payable	2,426,000	-	121,000	2,305,000	115,000
D. Ad Valorem Shortfall Note	-	150,150	47,548	102,602	49,939
E. Obligation under energy efficiency lease	467,370	-	53,605	413,765	55,858
F. Compensated absences	162,999	-	11,408	151,591	-
	<u>\$ 7,681,369</u>	<u>150,150</u>	<u>663,561</u>	<u>7,167,958</u>	<u>670,797</u>

**A. General obligation refunding bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation School Refunding Bonds - Series 2004	Varies	2/1/2004	3/1/2011	<u>\$ 1,465,000</u>	<u>\$ 880,000</u>
Total				<u>\$ 1,465,000</u>	<u>\$ 880,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 210,000	25,035	235,035
2009	215,000	19,785	234,785
2010	225,000	13,765	238,765
2011	230,000	7,015	237,015
Total	<u>\$ 880,000</u>	<u>65,600</u>	<u>945,600</u>

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

**(6) Long-term liabilities (Continued)**

**A. General obligation bonds (continued)**

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 statute, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 1.94% of property assessments as of October 1, 2006. This debt will be retired from the District Maintenance Fund.

**B. Limited obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement	Varies	4/1/1998	4/1/2018	\$ 4,615,000	3,315,000
<b>Total</b>				<u>\$ 4,615,000</u>	<u>\$ 3,315,000</u>

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	\$ 240,000	154,650	394,650
2009	250,000	144,090	394,090
2010	260,000	132,840	392,840
2011	270,000	121,140	391,140
2012	285,000	108,720	393,720
2013-2017	1,635,000	329,025	1,964,025
2018	375,000	17,813	392,813
<b>Total</b>	<u>\$ 3,315,000</u>	<u>1,008,278</u>	<u>4,323,278</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 improvements bonds are not included in the computation of the debt-limited percentage. This debt will be retired from the MAEP Debt Retirement Fund.

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

**(6) Long-Term Liabilities (Continued)**

C. Three-mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Loan	5.00%	8/1/2002	6/1/2012	\$ 400,000	335,000
Building Loan	4.00-4.50%	8/1/2002	6/1/2010	770,000	315,000
Building Loan	4.75-5.10%	8/1/2002	8/1/2022	1,655,000	1,655,000
				<u>\$ 2,825,000</u>	<u>2,305,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 115,000	108,188	223,188
2009	120,000	103,553	223,553
2010	125,000	99,105	224,105
2011	140,000	94,343	234,343
2012	150,000	87,703	237,703
2013-2016	725,000	337,753	1,062,753
2018-2022	930,000	145,068	1,075,068
Total	<u>\$ 2,305,000</u>	<u>975,713</u>	<u>3,280,713</u>

This debt will be retired from the Three Mill Debt Retirement Fund and EEF Buildings and Bus Fund. For the year ended June 30, 2007, \$16,000 was paid out of District Maintenance.

D. Ad valorem tax shortfall note

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ad Valorem Tax Shortfall Note	5.45%	7/5/2006	6/25/2009	\$ 150,150	102,602
				<u>\$ 150,150</u>	<u>102,602</u>

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

**(6) Long-Term Liabilities (Continued)**

D. Ad valorem tax shortfall note (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 49,939	5,591	55,530
2009	52,663	2,869	55,532
Total	<u>\$ 102,602</u>	<u>8,460</u>	<u>111,062</u>

This debt is to be retired from the Ad Valorem Tax Shortfall Note Fund .

E. Obligation under energy efficiency lease

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligation Under Energy Efficiency Lease	4.125%	2/26/2003	1/1/2014	572,348	413,765
				<u>\$ 572,348</u>	<u>413,765</u>

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 55,858	16,020	71,878
2009	58,206	13,671	71,877
2010	60,653	11,224	71,877
2011	63,203	8,675	71,878
2012	65,860	6,018	71,878
2013-2014	109,985	3,820	113,805
Total	<u>\$ 413,765</u>	<u>59,428</u>	<u>473,193</u>

An energy efficiency lease agreement dated March 4, 2003, was executed by and between the district, the lessee, and The Renasant Bank lessor.

The agreement authorized the borrowing of \$587,043, but only \$572,348 was drawn down, for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and shall not exceed ten (10) years.

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

**(6) Long-Term Liabilities (Continued)**

E. Obligation under energy efficiency lease (continued)

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the District Maintenance Fund.

F. Compensated absences payable.

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

**(7) Defined Benefit Pension Plan**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 11.3% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Prentiss County School District's contributions to PERS for the years ending June 30, 2007, 2006, and 2005 were \$1,225,849, \$1,163,285 and \$999,197, respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

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

**(9) Contingencies**

The school district receives Federal Grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a requirement for reimbursement by the Federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the school district, such disallowances, if any, would not be significant to the district's financial statements.

**(10) Litigation**

A lawsuit has been filed by an employee when some supplemental duties were terminated. An unfavorable outcome is not expected.

**(11) Prior Period Adjustments/Exhibits**

A summary of significant fund equity adjustments is as follows:

	Statement of Activities	Statement of Revenues, Expenditures, and Fund Balance
Adjustment to prior year accounts payable amounts recorded in error.		
Activity Funds	\$ 20,956	\$ 20,956
Safe and Drug Free School	133	133
Total	\$ 21,089	\$ 21,089

**(12) Vocational School Consortium**

The school district entered into a Vocational Education Agreement dated August 20, 1980, creating the Prentiss County Vocational Technical Center. This center was created pursuant to the provision of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Prentiss County School District and the Booneville School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operations of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Prentiss County School District has been designated as the fiscal agent for the Prentiss County Vocational Technical Center and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Prentiss County Vocational Technical Center.

**Note 10. Vocational School Consortium (continued)**  
**Prentiss County Vocational Technical Center**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2007**

**Revenues**

Local sources	
Tuition from other LEA's within the state:	
Booneville School District	\$ 79,444
State sources	1,253,996
Federal sources	54,835
<b>Total Revenues</b>	<u>1,388,275</u>

**Expenditures**

Salaries	1,236,148
Employee benefits	240,995
Purchased property services	31,708
Other purchased services	1,867
Property	27,211
Supplies	19,854
Other objects	795
<b>Total Expenditures</b>	<u>1,558,578</u>

**Excess of Revenue Over (Under) Expenditures** (170,303)

**Other Financing Sources/Uses:**

Operating transfers in	<u>168,593</u>
<b>Total Other Financing Sources/Uses</b>	<u>168,593</u>

**Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses** (1,710)

**Fund Balance:**

July 1, 2006	1,710
June 30, 2007	<u>\$ -</u>

Prentiss County School District  
 Budgetary Comparison Schedule for the General Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 3,922,651	3,511,955	3,513,181	(410,696)	1,226
State Sources	10,679,756	10,954,937	10,954,937	275,181	-
Federal Sources	129,083	125,930	181,610	(3,153)	55,680
<b>Total Revenues</b>	<b>14,731,490</b>	<b>14,592,822</b>	<b>14,649,728</b>	<b>(138,668)</b>	<b>56,906</b>
<b>Expenditures</b>					
Instruction	9,122,325	9,208,411	9,306,407	(86,086)	(97,996)
Support Services	4,154,688	4,217,423	4,264,855	(62,735)	(47,432)
Noninstructional Services	332,125	294,408	294,408	37,717	-
Facilities Acquisition and Construction	-	31,945	-	(31,945)	31,945
Debt Service:					
Principal	263,582	269,605	269,605	(6,023)	-
Interest	61,978	48,450	48,598	13,528	(148)
<b>Total Expenditures</b>	<b>13,934,698</b>	<b>14,070,242</b>	<b>14,183,873</b>	<b>(135,544)</b>	<b>(113,631)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>796,792</b>	<b>522,580</b>	<b>465,855</b>	<b>(274,212)</b>	<b>(56,725)</b>
<b>Other Financing Sources (Uses)</b>					
Loan Proceeds	-	-	150,150	-	150,150
Sale of capital assets	-	800	800	800	-
Operating Transfers In	107,677	176,360	26,195	68,683	(150,165)
Operating Transfers Out	(530,629)	(332,252)	(182,086)	198,377	150,166
<b>Total Other Financing Sources (Uses)</b>	<b>(422,952)</b>	<b>(155,092)</b>	<b>(4,941)</b>	<b>267,860</b>	<b>150,151</b>
<b>Net Change in Fund Balances</b>	<b>373,840</b>	<b>367,488</b>	<b>460,914</b>	<b>(6,352)</b>	<b>93,426</b>
<b>Fund Balances</b>					
July 1, 2006	859,286	859,285	859,286	(1)	1
Prior Period Adjustments	-	-	20,956	-	20,956
July 1, 2006, restated	859,286	859,285	880,242	(1)	20,957
June 30, 2007	\$ 1,233,126	1,226,773	1,341,156	(6,353)	114,383

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

Prentiss County School District  
 Budgetary Comparison Schedule for the School Food Service Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 436,042	432,195	413,412	(3,847)	(18,783)
State Sources	6,200	5,936	5,936	(264)	-
Federal Sources	810,642	888,578	888,578	77,936	-
<b>Total Revenues</b>	<b>1,252,884</b>	<b>1,326,709</b>	<b>1,307,926</b>	<b>73,825</b>	<b>(18,783)</b>
<b>Expenditures</b>					
Support Services	69,111	62,226	62,226	6,885	-
Noninstructional Services	1,133,773	1,182,074	1,163,008	(48,301)	19,066
<b>Total Expenditures</b>	<b>1,202,884</b>	<b>1,244,300</b>	<b>1,225,234</b>	<b>(41,416)</b>	<b>19,066</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>50,000</b>	<b>82,409</b>	<b>82,692</b>	<b>32,409</b>	<b>283</b>
<b>Other Financing Sources (Uses)</b>					
Insurance Loss Recoveries	-	342	342	342	-
Other Sources	-	282	-	282	(282)
Operating Transfers Out	(50,000)	(25,000)	(25,000)	25,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(50,000)</b>	<b>(24,376)</b>	<b>(24,658)</b>	<b>25,624</b>	<b>(282)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>58,033</b>	<b>58,034</b>	<b>58,033</b>	<b>1</b>
<b>Fund Balances</b>					
July 1, 2006	340,199	341,049	341,049	850	-
Decrease in Reserve For Inventory	-	(8,308)	(8,308)	(8,308)	-
June 30, 2007	<b>\$ 340,199</b>	<b>\$ 390,774</b>	<b>\$ 390,775</b>	<b>\$ 50,575</b>	<b>\$ 1</b>

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

**Prentiss County School District  
Budgetary Comparison Schedule for the Title I Fund  
For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 4,488	-	-	(4,488)	-
Federal Sources	518,579	505,784	513,648	(12,795)	7,864
<b>Total Revenues</b>	<u>523,067</u>	<u>505,784</u>	<u>513,648</u>	<u>(17,283)</u>	<u>7,864</u>
<b>Expenditures</b>					
Instruction	398,328	391,311	391,311	7,017	-
Support Services	124,589	120,837	120,837	3,752	-
<b>Total Expenditures</b>	<u>522,917</u>	<u>512,148</u>	<u>512,148</u>	<u>10,769</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>150</u>	<u>(6,364)</u>	<u>1,500</u>	<u>(6,514)</u>	<u>7,864</u>
<b>Other Financing Sources(Uses)</b>					
Operating Transfers In (Out)	(150)	(1,500)	(1,500)	(1,350)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(150)</u>	<u>(1,500)</u>	<u>(1,500)</u>		
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(7,864)</u>	<u>-</u>	<u>(7,864)</u>	<u>7,864</u>
<b>Fund Balances</b>					
July 1, 2006	-	15,577	-	15,577	(15,577)
June 30, 2007	<u>\$ -</u>	<u>7,713</u>	<u>-</u>	<u>7,713</u>	<u>(7,713)</u>

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

Prentiss County School District  
 Budgetary Comparison Schedule for the Title II Fund - Improving Teacher Quality  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 4,035	-	-	(4,035)	-
State Sources				-	-
Federal Sources	190,260	203,794	203,794	13,534	-
<b>Total Revenues</b>	<u>194,295</u>	<u>203,794</u>	<u>203,794</u>	<u>9,499</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	194,295	203,230	201,730	(8,935)	1,500
Support Services		1,030	1,030	(1,030)	-
<b>Total Expenditures</b>	<u>194,295</u>	<u>204,260</u>	<u>202,760</u>	<u>(9,965)</u>	<u>1,500</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>(466)</u>	<u>1,034</u>	<u>(466)</u>	<u>1,500</u>
<b>Other Financing Sources(Uses)</b>					
Operating Transfers Out	-	-	(1,500)	-	(1,500)
<b>Total Other Financing Sources Uses</b>	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(466)</u>	<u>(466)</u>	<u>(466)</u>	<u>-</u>
<b>Fund Balances</b>					
July 1, 2006	-	466	466	466	-
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The notes to the supplementary information is an integral part of this statement

Prentiss County School District  
 Budgetary Comparison Schedule for the Vocational Education Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 80,000	79,443	79,443	(557)	-
State Sources	1,257,654	1,253,996	1,253,996	(3,658)	-
Federal Sources	60,000	54,835	54,835	(5,165)	-
<b>Total Revenues</b>	<u>1,397,654</u>	<u>1,388,274</u>	<u>1,388,274</u>	<u>(9,380)</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	1,251,949	1,287,367	1,287,367	(35,418)	-
Support Services	290,109	271,210	271,210	18,899	-
<b>Total Expenditures</b>	<u>1,542,058</u>	<u>1,558,577</u>	<u>1,558,577</u>	<u>(16,519)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(144,404)</u>	<u>(170,303)</u>	<u>(170,303)</u>	<u>(25,899)</u>	<u>-</u>
<b>Other Financing Sources(Uses)</b>					
Operating Transfers In	144,404	168,593	168,593	24,189	-
<b>Total Other Financing Sources Uses</b>	<u>144,404</u>	<u>168,593</u>	<u>168,593</u>	<u>24,189</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(1,710)</u>	<u>(1,710)</u>	<u>(1,710)</u>	<u>-</u>
<b>Fund Balances</b>					
July 1, 2006	<u>-</u>	<u>1,710</u>	<u>1,710</u>	<u>1,710</u>	<u>-</u>
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**PRETISS COUNTY SCHOOL DISTRICT  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

**(1) Basis of Presentation**

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

**(2) Budget amendments and revisions**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

**PRENTISS 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
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Non-cash Assistance:		
Food donation	10.550	\$ 62,660
Child Nutrition Cluster:		
School breakfast program	10.553	272,057
National school lunch program	10.555	499,017
Total Child Nutrition Cluster		<u>771,074</u>
Team nutrition grant	10.574	4,050
Total Passed-through MDE		<u>775,124</u>
<b>Total U.S. Department of Agriculture</b>		<u>837,784</u>
<b>Federal Communications Commission</b>		
Administered through Universal Service Administrative Company		
The schools and libraries program of the Universal Service Fund		
	32.xxx	<u>55,680</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Special Education Cluster:		
Special education - grants to states	84.027	506,054
Special education - preschool grants	84.173	16,388
Total Special Education Cluster		<u>522,442</u>
Title I grants to local educational agencies	84.010	513,648
Vocational education - basic grants to states	84.048	54,835
Safe and drug-free schools and communities - state grants	84.186	16,983
Twenty-first century community learning centers	84.287	59,516
State grants for innovative programs	84.298	3,143
Education technology state grants	84.318	14,395
Improving teacher quality state grants	84.367	203,794
Total Passed-through MDE		<u>866,314</u>
<b>Total U.S. Department of Education</b>		<u>1,388,756</u>
<b>Corporation for National and Community Service</b>		
Passed-through the Mississippi Department of Education:		
Learn and serve America-school and community based programs	94.004	10,000
<b>Total Corporation for National and Community Service</b>		<u>10,000</u>
<b>Total for All Federal Awards</b>		<u>\$ 2,292,220</u>

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,649,458	11,780,841	618,278	736,678	1,513,661
Other	4,415,942	1,073,589	173,589	21,998	3,146,766
Total	\$ 19,065,400	12,854,430	791,867	758,676	4,660,427
Total number of students *	2,127				
Cost per student \$	8,964	6,043	372	357	2,192

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

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

**Prentiss County School District**

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**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  
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2007, and have issued our report thereon dated January 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

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 the school district's internal control.

Our consideration of 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider that the significant deficiency described above to be a material weakness.

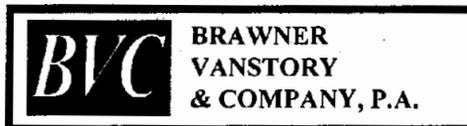
Compliance and Other Matters

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 determining of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Brauner Vanstacy & Co. P.A.*  
January 26, 2009  
Booneville, Mississippi



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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  
Prentiss County School District

Compliance

We have audited the compliance of the Prentiss 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 auditors' 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 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 Prentiss 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 Prentiss 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 the 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 federal programs 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 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, 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

*Brauner, VanStuy & Co. P.A.*  
January 26, 2009  
Booneville, Mississippi



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

Superintendent and School Board  
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2007, which collectively comprise Prentiss County School District's basic financial statements, and have issued our report thereon dated January 26, 2009. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-91-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of an audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,244 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 functional level expenditure codes in expenditures by the school district."

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

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

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

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.

*Braun, Vanstoy & Co. P.A.*

January 26, 2009  
Booneville, Mississippi

**PRENTISS COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**Financial Statements:**

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued on the financial statements:                        | Unqualified   |
| 2. | Material noncompliance relating to the financial statements?                        | No            |
| 3. | Internal control over financial reporting:  |               |
| a. | Material weakness(es) identified?   | Yes           |
| b. | Significant deficiency identified that is not considered to be material weaknesses? | None reported |

**Federal Awards:**

- |     |  |               |
|-----|--|---------------|
| 4.  | Type of auditors' report issued on compliance for major federal programs:  | Unqualified   |
| 5.  | Internal control over major programs:  |               |
| a.  | Material weakness(es) identified?  | No            |
| b.  | Significant deficiency identified that are not considered to be material weaknesses?   | None reported |
| 6.  | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:   |               |
|     | Cluster: Child Nutrition   |               |
|     | CFDA# 10.553   |               |
|     | CFDA# 10.555   |               |
|     | Title I Grants to Local Educational Agencies   |               |
|     | CFDA# 84.010   |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | No            |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No            |

**PRETISS COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Section 2: Financial Statement Findings – Internal Controls- Significant Deficiency  
Considered to be a Material Weakness**

Finding 2007-1

Finding: There were weak and/or no controls over sales of athletic event tickets.

Condition:

The following control deficiencies were noted:

1. Pre-numbered tickets were not always used for gate admissions.
2. Prescribed activity fund worksheets were not used for all athletic events.
3. There was not a separation of the duties of ticket sales and collecting tickets for admission.

Criteria:

The District is responsible for insuring all athletic sales revenue is properly collected, recorded, and safeguarded.

Cause:

School district failed to require pre-numbered tickets be used for all athletic event sales, and to require a prescribed standardized worksheet be prepared, and that sufficient personnel be assigned to gate sales to permit separation of duties.

Effect: Accurate collection, recording, and safeguarding of athletic sales revenue may be jeopardized if adequate controls are designed and implemented.

Recommendation: The district should institute training classes to insure prescribed procedures and forms are implemented for every athletic event. They should also assign sufficient personnel to insure adequate separation of duties.

Response:

We will have a training session with our principals and secretaries concerning their procedures on athletic event sales. Our objectives will be to have a uniform activity sheet, pre-numbered tickets and to require separate duty assignments for the selling and collection of tickets.

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

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

***"Students First"***

**Prentiss County School District**

PRENTISS COUNTY

Matt Smith, Superintendent

**Prior Audit Findings:**

As required by Section \_\_\_\_315(c) of OMB Circular A-133, the Prentiss County School District has prepared and hereby submits the following status of findings as of June 30, 2007:

<b>FINDING:</b>	<b>STATUS</b>
2005-1	Corrected
2006-1	Corrected

