

PEARL PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

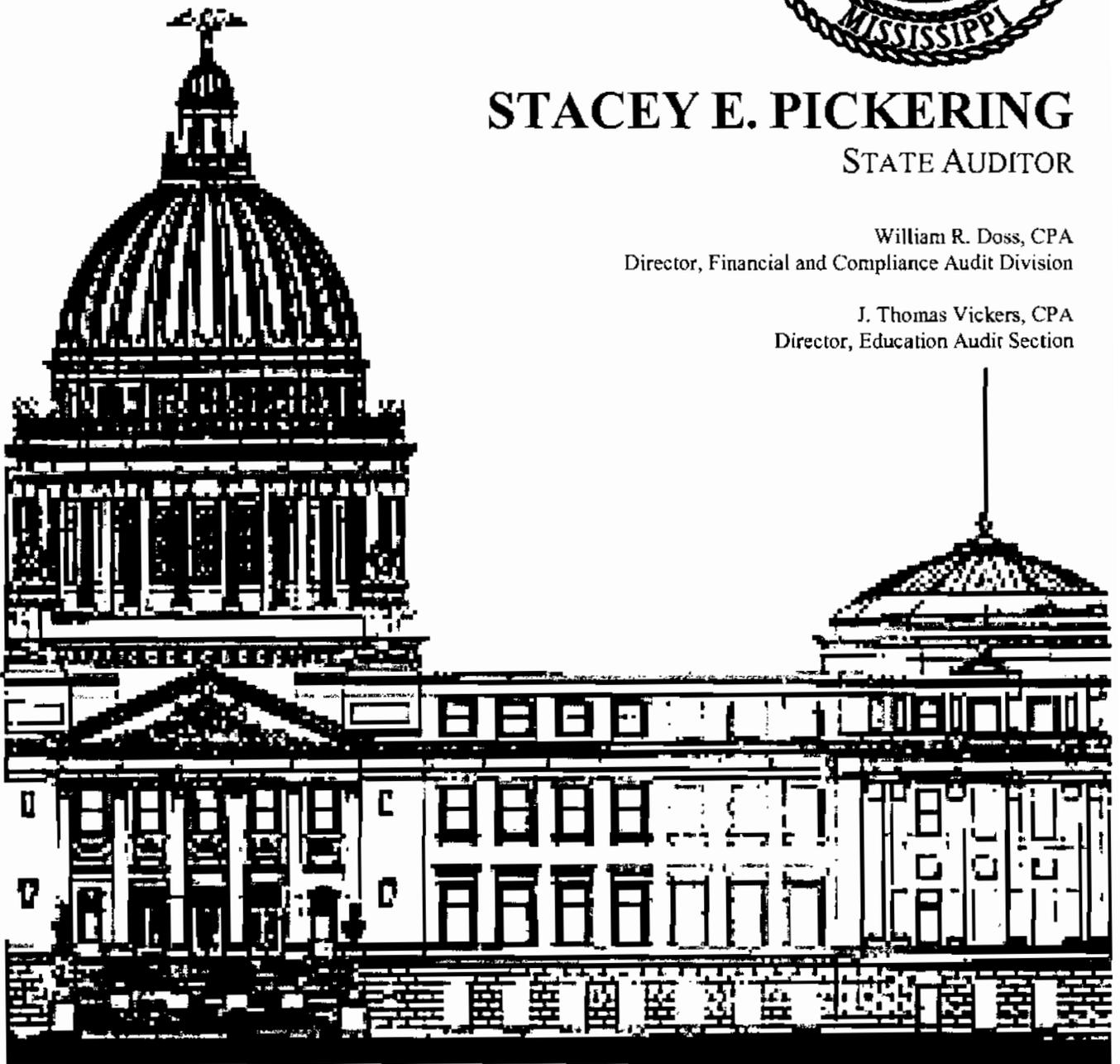


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Thomas Vickers, CPA
Director, Education Audit Section



A Report from the Education Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

August 20, 2010

Members of the School Board
Pearl Public School District

Dear Board Members:

I am pleased to submit to you the 2008 financial and compliance audit report for the Pearl Public School District. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the Superintendent and other employees of Pearl Public School District throughout the audit. Thank you for working to move Mississippi forward by serving as a board member for the Pearl Public School District. If I or this office can be of any further assistance, please contact me or Tommy Vickers of my staff at (601) 576-2666.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Superintendent and School Board
Pearl Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2008, which collectively comprise the Pearl Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pearl Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

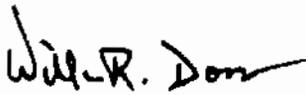
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2010, on our consideration of the Pearl Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 45 and 46 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 20, 2010

PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The discussion and analysis of Pearl Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 increased \$1,583,753, including a prior period adjustment of (\$272,756), which represents a 7.77% increase from fiscal year 2007. Total net assets for 2007 increased \$1,324,544, which represents a 7.00% increase from fiscal year 2006.
- General revenues amounted to \$27,473,868 and \$25,946,175, or 83.31% and 83.58% of all revenues for fiscal years 2008 and 2007, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,502,729, or 16.69% of total revenues for 2008, and \$5,095,601, or 16.42 % of total revenues for 2007.
- The District had \$31,120,088 and \$29,580,303 in expenses for fiscal years 2008 and 2007; only \$5,502,729 for 2008 and \$5,095,601 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$27,473,868 for 2008 and \$25,946,175 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$26,730,132 in revenues and \$24,942,536 in expenditures for 2008, and \$24,640,295 in revenues and \$23,172,442 in expenditures in 2007. The General Fund's fund balance increased by \$4,264,771 from 2007 to 2008, and increased by \$275,104 from 2006 to 2007.
- Capital assets, net of accumulated depreciation, decreased by \$649,032 for 2008 and increased by \$413,020 for 2007. The decrease for 2008 was due to the disposal of two buses, as well as the increase in accumulated depreciation.
- Long-term debt decreased by \$1,286,817 for 2008 and decreased by \$1,212,040 for 2007. This decrease was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$19,066 for 2008 and decreased by \$12,035 for 2007.

OVERVIEW OF THE 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 supplemental 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.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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

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

Additionally, a schedule of expenditures of federal awards as required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$21,972,336 as of June 30, 2008.

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.

Table 1 presents a summary of the District's net assets at June 30, 2008 and June 30, 2007.

Table 1
Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007	Percentage Change
Current assets	\$ 10,698,109	12,514,237	(14.51) %
Restricted assets	643,881	389,086	65.49 %
Capital assets, net	28,797,173	29,446,205	(2.20) %
Total assets	40,139,163	42,349,528	(5.22) %
Current liabilities	453,215	2,960,516	(84.69) %
Long-term debt outstanding	17,713,612	19,000,429	(6.77) %
Total liabilities	18,166,827	21,960,945	(17.28) %
Net assets:			
Invested in capital assets, net of related debt	11,242,292	10,623,573	5.82 %
Restricted	1,154,480	6,601,750	(82.51) %
Unrestricted	9,575,564	3,163,260	202.71 %
Total Net Assets	\$ 21,972,336	20,388,583	7.77 %

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

- Decrease in net capital assets in the amount of \$649,032.
- The principal retirement of \$1,267,751 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were \$32,976,597 and \$31,041,776, respectively. The total cost of all programs and services was \$31,120,088 for 2008 and \$29,580,303 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Table 2
Changes in Net Assets

	Year Ended June 30, 2008	Year Ended June 30, 2007	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,541,336	1,503,227	2.54 %
Operating grants and contributions	3,961,393	3,474,288	14.02 %
Capital Grants and Contributions	-	118,086	(100.00) %
General revenues:			
Property taxes	9,433,180	9,428,746	0.05 %
Grants and contributions not restricted	17,105,812	15,376,876	11.24 %
Investment earnings	518,609	459,463	12.87 %
Sixteenth section sources	270,489	353,037	(23.38) %
Other	145,778	328,053	(55.56) %
Total Revenues	<u>32,976,597</u>	<u>31,041,776</u>	6.23 %
Expenses:			
Instruction	18,951,342	16,343,049	15.96 %
Support services	9,474,268	9,094,017	4.18 %
Non-instructional	1,998,851	3,469,791	(42.39) %
Sixteenth section	-	110	(100.00) %
Interest on long-term liabilities	695,627	673,336	3.31 %
Total Expenses	<u>31,120,088</u>	<u>29,580,303</u>	5.21 %
Increase (Decrease) in net assets	<u>1,856,509</u>	<u>1,461,473</u>	27.03 %
Net Assets, July 1	20,388,583	19,064,039	6.95 %
Prior Period Adjustments	<u>(272,756)</u>	<u>(136,929)</u>	(99.20) %
Net Assets Restated, July 1	<u>20,115,827</u>	<u>18,927,110</u>	6.28 %
Net Assets, June 30	<u>\$ 21,972,336</u>	<u>20,388,583</u>	7.77 %

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term debt. The table also shows each functional activity'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.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2008	2007	
Instruction	\$ 18,951,342	16,343,049	15.96 %
Support services	9,474,268	9,094,017	4.18 %
Non-instructional	1,998,851	3,469,791	(42.39) %
Sixteenth section	-	110	(100.00) %
Interest on long-term liabilities	695,627	673,336	3.31 %
Total Expenses	\$ 31,120,088	29,580,303	5.21 %

	Net (Expense) Revenue		Percentage Change
	2008	2007	
Instruction	\$ (15,866,652)	(13,312,233)	(19.19) %
Support services	(8,743,384)	(8,735,462)	(0.09) %
Non-instructional	(311,696)	(1,763,561)	82.33 %
Sixteenth section	-	(110)	100.00 %
Interest on long-term debt	(695,627)	(673,336)	(3.31) %
Total Net (Expense) Revenue	\$ (25,617,359)	(24,484,702)	(4.63) %

- Net cost of governmental activities, (\$25,617,359 and \$24,484,702) was financed by general revenue, which is made up of primarily property taxes of (\$9,433,180 for 2008 and \$9,428,746 for 2007) and state and federal revenues of (\$17,105,812 for 2008 and \$15,376,876 for 2007). In addition, there was \$270,489 and \$353,037 in Sixteenth Section sources for 2008 and 2007, respectively.
- Investment earnings amounted to \$518,609 for 2008 and \$459,463 for 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, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$11,096,605, an increase of \$874,308, which includes the prior period adjustment of (257,320) and the decrease in inventory of \$3,179. \$8,285,685 or 74.67% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,810,920 or 25.33% is reserved or designated to indicate that it is not available for spending because it has already been committed.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$4,264,771. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,067,635, which includes a prior period adjustment of (\$257,320) and decrease in reserve for inventory of \$3,179. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Building Improvement Fund	\$ (882,474)
Lease Purchase Fund	\$ (1,440,354)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$41,473,803, including land, buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$228,451 from 2007. Total accumulated depreciation as of June 30, 2008, was \$12,676,630, and total depreciation expense for the year was \$977,830, resulting in total net capital assets of \$28,797,173.

Table 4
Capital Assets

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Land	\$ 134,110	134,110	-
Construction in Progress	54,776	-	
Buildings	25,142,365	27,104,865	(7.24) %
Building improvements	-	54,615	-
Improvements other than buildings	500,379	1,116,598	(55.19) %
Mobile equipment	813,924	734,481	10.82 %
Furniture and equipment	295,602	301,536	(1.97) %
Leased property under capital leases	1,856,017	-	(100.00) %
Total	<u>\$ 28,797,173</u>	<u>29,446,205</u>	(2.20) %

Debt Administration. At June 30, 2008, the District had \$17,713,612 in outstanding long-term debt, of which \$1,362,740 is due within one year. In addition, the liability for compensated absences decreased from the prior year.

The District maintains an AA bond rating.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Table 5
Outstanding Long-Term Debt

	Outstanding Long-term Debt		Percentage Change
	June 30, 2008	June 30, 2007	
General obligation bonds payable	\$ 13,485,000	14,260,000	(5.43) %
Limited obligation bonds payable	1,015,000	1,160,000	(12.50) %
Obligations under capital leases	3,054,881	3,402,632	(10.22) %
Compensated absences payable	158,731	177,797	(10.72) %
Total	\$ 17,713,612	19,000,429	(6.77) %

Additional information on the District's long-term debt can be found in the notes included in this report.

CURRENT ISSUES

The Pearl Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2007-2008 year decreased by 4.04% to 3,614 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Pearl Public School District, P. O. Box 5750, Pearl, MS 39208.

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PEARL PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

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PEARL PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 9,894,751
Due from other governments	539,907
Other receivables, net	237,591
Inventories	25,860
Restricted assets	643,881
Capital assets, non-depreciable:	
Land	134,110
Construction in progress	54,776
Capital assets, net of accumulated depreciation:	
Buildings	25,142,365
Improvements other than buildings	500,379
Mobile equipment	813,924
Furniture and equipment	295,602
Leased property under capital leases	1,856,017
Total Assets	<u><u>40,139,163</u></u>
Liabilities	
Accounts payable and accrued liabilities	184,781
Unearned revenue	60,604
Interest payable on long-term liabilities	207,830
Long-term liabilities, due within one year	
Capital related liabilities	1,362,740
Long-term liabilities, due beyond one year	
Capital related liabilities	16,192,141
Non-capital related liabilities	158,731
Total Liabilities	<u><u>18,166,827</u></u>
Net Assets	
Invested in capital assets, net of related debt	11,242,292
Restricted net assets:	
Expendable:	
School-based activities	296,895
Debt service	130,810
Capital improvements	54,776
Forestry improvements	39,321
Unemployment benefits	184,444
Non-expendable:	
Sixteenth section	448,234
Unrestricted	9,575,564
Total Net Assets	<u><u>\$ 21,972,336</u></u>

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

PEARL PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities.					
Instruction	\$ 18,951,342	934,293	2,150,397		(15,866,652)
Support services	9,474,268		730,884		(8,743,384)
Non-instructional	1,998,851	607,043	1,080,112		(311,696)
Interest on long-term liabilities	695,627				(695,627)
Total Governmental Activities	\$ 31,120,088	1,541,336	3,961,393	0	(25,617,359)
General Revenues.					
Taxes					
General purpose levies					
Debt purpose levies					
Unrestricted grants and contributions:					
State					
Federal					
Unrestricted investment earnings					
Sixteenth section sources					
Other					
Total General Revenues					
Change in Net Assets					
Net Assets - Beginning					
Prior Period Adjustments					
Net Assets - Beginning - Restated					
Net Assets - Ending					

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

	Major Funds				Total Governmental Funds
	General Fund	Building Improvement Fund	Lease Purchase Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 7,562,336	1,720,451	14,090	1,046,108	10,342,985
Investments				195,647	195,647
Due from other governments	360,937			178,313	539,250
Other receivables, net	236,590			1,001	237,591
Due from other funds	11,285			422	11,707
Inventories				25,860	25,860
Total Assets	\$ 8,171,148	1,720,451	14,090	1,447,351	11,353,040
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 156,372	2,925	14,090	11,394	184,781
Due to other funds	126			10,924	11,050
Unearned revenue				60,604	60,604
Total Liabilities	156,498	2,925	14,090	82,922	256,435
Fund Balances:					
Reserved for:					
Inventory				25,860	25,860
Capital projects		4,025		50,751	54,776
Debt service				338,640	338,640
Unemployment benefits				184,444	184,444
Forestry improvement purposes				39,321	39,321
Permanent fund purposes				448,234	448,234
Unreserved:					
Designated for, reported in:					
Capital Projects Funds		1,713,501		6,144	1,719,645
Undesignated, reported in:					
General Fund	8,014,650				8,014,650
Special Revenue Funds				271,035	271,035
Total Fund Balances	8,014,650	1,717,526	0	1,364,429	11,096,605
Total Liabilities and Fund Balances	\$ 8,171,148	1,720,451	14,090	1,447,351	11,353,040

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

PEARL PUBLIC SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,096,605
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$12,676,630.	28,797,173
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(17,713,612)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(207,830)</u>
Total Net Assets - Governmental Activities	<u>\$ 21,972,336</u>

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

PEARL PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Building Improvement Fund	Lease Purchase Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 9,400,863	133,836	65,237	1,996,149	11,596,085
State sources	17,225,859			534,079	17,759,938
Federal sources	103,410			3,203,857	3,307,267
Sixteenth section sources				313,307	313,307
Total Revenues	26,730,132	133,836	65,237	6,047,392	32,976,597
Expenditures:					
Instruction	15,860,468			2,321,727	18,182,195
Support services	8,386,859		376,164	833,826	9,596,849
Noninstructional services	227,144			1,737,412	1,964,556
Facilities acquisition and construction		4,025		50,751	54,776
Debt service:					
Principal	347,751			920,000	1,267,751
Interest	120,314			652,023	772,337
Other				4,150	4,150
Total Expenditures	24,942,536	4,025	376,164	6,519,889	31,842,614
Excess (Deficiency) of Revenues over Expenditures	1,787,596	129,811	(310,927)	(472,497)	1,133,983
Other Financing Sources (Uses):					
Sale of transportation equipment	824				824
Operating transfers in	4,306,446	1,300,000		565,756	6,172,202
Operating transfers out	(1,830,095)	(2,312,285)	(1,129,427)	(900,395)	(6,172,202)
Total Other Financing Sources (Uses)	2,477,175	(1,012,285)	(1,129,427)	(334,639)	824
Net Change in Fund Balances	4,264,771	(882,474)	(1,440,354)	(807,136)	1,134,807
Fund Balances:					
July 1, 2007	3,749,879	2,600,000	1,440,354	2,432,064	10,222,297
Prior period adjustments				(257,320)	(257,320)
July 1, 2007, as restated	3,749,879	2,600,000	1,440,354	2,174,744	9,964,977
Decrease in reserve for inventory				(3,179)	(3,179)
June 30, 2008	\$ 8,014,650	1,717,526	0	1,364,429	11,096,605

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

PEARL PUBLIC SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,134,807
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$344,194 and the depreciation expense amounted to \$977,830.	(633,636)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,267,751
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	80,860
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(9,160)
5. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (increased) decreased in the Statement of Activities.	(3,179)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>19,066</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,856,509</u>

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

PEARL PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,722,575
Due from other funds	<u>3,912</u>
Total Assets	\$ <u>1,726,487</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,530,460
Due to other funds	4,569
Due to student clubs	<u>191,458</u>
Total Liabilities	\$ <u>1,726,487</u>

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

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(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.

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pearl since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Pearl Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Fund Financial Statements:

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Building Improvement Fund - This fund is used to account for financial resources for the acquisition or construction of major capital facilities.

Lease Purchase Fund - This fund is used to account for the financial resources of the lease purchase.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This is the district's clearing fund used to pay claims of the district.

Payroll Clearing Fund - This is the district's clearing fund used for payroll payments.

Club funds - These are the district's funds to record receipts and disbursements for the district's clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

FIDUCIARY FUNDS

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

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 recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi 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.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

4. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below and estimated useful lives in excess of two years.

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

PEARL PUBLIC SC

Notes to the Financial Statements
For the Year Ended June 30, 2008

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

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

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

(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 and investments are imposed by statutes as follows:

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

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

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 \$ 10,342,985 and \$1,722,575, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$9,894,751. The bank balance was \$13,332,908.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$13,332,908 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Fund	Less than one year	<u>195,647</u>	AAAm
Total Investments		<u>\$ 195,647</u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

(3) Inter-fund Receivables, Payables and Transfers.

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 10,924
General Fund	Fiduciary funds	361
Other governmental funds	Fiduciary funds	422
Fiduciary funds	General Fund	126
Fiduciary funds	Fiduciary funds	<u>3,786</u>
Total		<u>\$ 15,619</u>

PEARL PUBLIC SC

Notes to the Financial Statements
For the Year Ended June 30, 2008

The purpose of the Due From/To other funds balances was to provide funds for operating activities. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Building Improvement Fund	\$ 1,300,000
	Other governmental funds	530,095
Building Improvement Fund	General Fund	2,312,285
Lease Purchase Fund	General Fund	1,129,427
Other governmental funds	General Fund	864,734
	Other governmental funds	35,661
Total		<u>\$ 6,172,202</u>

The purposes of the transfers were to provide funds for general operating activities, and to transfer fund balances of capital project funds to a general fund for those amounts not designated by the school board for future projects. All transfers were consistent with the fund making the transfer.

(4) Restricted Assets

The restricted assets represent the cash balance totaling \$448,234 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition the restricted assets represent the investment balance, totaling \$195,647 of the MAEP Limited Obligation Bond/Note Fund.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(5) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Completed Construction	Adjustments*	Balance 6/30/2008
Governmental Activities:						
Non-depreciable capital assets:						
Land	\$ 134,110					134,110
Construction in progress		54,776				54,776
Total non-depreciable capital assets	<u>134,110</u>	<u>54,776</u>				<u>188,886</u>
Depreciable capital assets:						
Buildings	36,213,201				(1,296,957)	34,916,244
Building improvements	56,005				(56,005)	
Improvements other than buildings	1,636,278				(606,209)	1,030,069
Mobile equipment	2,211,795	211,623	88,925			2,334,493
Furniture and equipment	993,963	77,795	26,818			1,044,940
Leased property under capital leases					1,959,171	1,959,171
Total depreciable capital assets	<u>41,111,242</u>	<u>289,418</u>	<u>115,743</u>			<u>41,284,917</u>
Less accumulated depreciation for:						
Buildings	9,108,336	691,482			(25,939)	9,773,879
Building improvements	1,390				(1,390)	
Improvements other than buildings	519,680	34,258			(24,248)	529,690
Mobile equipment	1,477,314	123,288	80,033			1,520,569
Furniture and equipment	692,427	77,225	26,550		6,236	749,338
Leased property under capital leases		51,577			51,577	103,154
Total accumulated depreciation	<u>11,799,147</u>	<u>977,830</u>	<u>106,583</u>		<u>6,236</u>	<u>12,676,630</u>
Total depreciable capital assets, net	<u>29,312,095</u>	<u>(688,412)</u>	<u>9,160</u>		<u>(6,236)</u>	<u>28,608,287</u>
Governmental activities capital assets, net	<u>\$ 29,446,203</u>	<u>(633,636)</u>	<u>9,160</u>	<u>0</u>	<u>(6,236)</u>	<u>28,797,173</u>

*Adjustments were to correct depreciation, and to correctly report leased property under capital leases.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 796,366
Support services	135,225
Non-instructional	46,239
Total Depreciation Expense	<u>\$ 977,830</u>

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	Spent to June 30, 2008	Remaining Commitment
Governmental Activities:		
Pearl High School Alternative School	\$ 1,425	76,283
Pearl Junior High School Alternative School	50,751	6,144
Pearl Junior High School Classroom/Gym Addition	2,600	1,025,774
Total	<u>\$ 54,776</u>	<u>1,108,201</u>

(6) Long-term Liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Adjustments	Balance 6/30/2008	Amounts due within one year
A. General obligation bonds payable	\$ 14,260,000		775,000		13,485,000	855,000
B. Limited obligation bonds payable	1,160,000		145,000		1,015,000	150,000
C. Obligations under capital leases	3,402,632		347,751		3,054,881	357,740
D. Compensated absences payable	177,797		19,066		158,731	
Total	<u>\$ 19,000,429</u>		<u>1,286,817</u>		<u>17,713,612</u>	<u>1,362,740</u>

A. General obligation bonds payable.

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

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.25-6.00%	3/1/1998	3/1/2018	\$ 7,000,000	4,355,000
General obligation bonds, Series 2003	3.50-4.875%	3/1/2003	3/1/2019	10,950,000	9,130,000
Total				<u>\$ 17,950,000</u>	<u>13,485,000</u>

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

1. Bond issue of March 1, 1998

Year Ending June 30	Principal	Interest	Total
2009	\$ 345,000	190,843	535,843
2010	360,000	176,008	536,008
2011	380,000	160,168	540,168
2012	400,000	143,068	543,068
2013	420,000	125,068	545,068
2014 – 2018	<u>2,450,000</u>	<u>326,230</u>	<u>2,776,230</u>
Total	<u>\$ 4,355,000</u>	<u>1,121,385</u>	<u>5,476,385</u>

This debt will be retired from the Bond Retirement 1997 Fund.

2. Bond issue of March 1, 2003

Year Ending June 30	Principal	Interest	Total
2009	\$ 510,000	378,880	888,880
2010	570,000	354,018	924,018
2011	635,000	334,068	969,068
2012	705,000	311,843	1,016,843
2013	775,000	285,758	1,060,758
2014 – 2018	4,795,000	902,213	5,697,213
2019 – 2023	<u>1,140,000</u>	<u>51,300</u>	<u>1,191,300</u>
Total	<u>\$ 9,130,000</u>	<u>2,618,080</u>	<u>11,748,080</u>

This debt will be retired from the Bond Retirement Fund.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	\$ 855,000	569,723	1,424,723
2010	930,000	530,026	1,460,026
2011	1,015,000	494,236	1,509,236
2012	1,105,000	454,911	1,559,911
2013	1,195,000	410,826	1,605,826
2014 – 2018	7,245,000	1,228,443	8,473,443
2019 – 2023	1,140,000	51,300	1,191,300
Total	\$ 13,485,000	3,739,465	17,224,465

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 7.73% of property assessments as of October 1, 2008.

B. Limited obligation bonds payable.

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

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	4.10-5.80%	4/1/1998	8/1/2013	\$ 3,000,000	1,015,000
Total				\$ 3,000,000	1,015,000

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 150,000	39,940	189,940
2010	160,000	33,505	193,505
2011	165,000	26,639	191,639
2012	175,000	19,414	194,414
2013	185,000	11,718	196,718
2014 – 2018	180,000	3,870	183,870
Total	\$ 1,015,000	135,086	1,150,086

This debt will be retired from the MAEP Debt Retirement Fund.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

C. Obligations under capital leases.

The school district has entered into a lease agreement as lessee for financing the acquisition of real property improvements. This lease agreement was entered into on December 15, 2005 at a cost of \$3,900,000. This lease qualifies as a capital lease for accounting purposes.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2009	\$ 357,740	108,205	465,945
2010	373,553	94,513	468,066
2011	387,766	80,300	468,066
2012	402,519	65,546	468,065
2013	417,834	50,231	468,065
2014 – 2018	<u>1,115,469</u>	<u>54,697</u>	<u>1,170,166</u>
Total	<u>\$ 3,054,881</u>	<u>453,492</u>	<u>3,508,373</u>

This debt will be retired from the District Maintenance Fund.

D. Compensated absences payable.

As more fully explained in Note 1(F)(7), 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) Other Commitments.

Operating leases:

The school district has two operating leases for two copiers.

Lease expenditures for the year ended June 30, 2008, amounted to \$12,684. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2009	\$ 5,826
Total	<u>\$ 5,826</u>

PEARL PUBLIC SC

Notes to the Financial Statements
For the Year Ended June 30, 2008

(8) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$2,021,653, \$ 1,829,351 and \$1,521,602 , respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 261,389
2010	261,389
2011	256,499
2012	251,369
2013	251,369
2014 – 2018	1,256,845
2019 – 2023	1,256,845
2024 – 2028	1,256,845
2029 – 2033	1,056,845
Thereafter	2,199,125
Total	\$ 8,308,520

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. To correct capital assets depreciation	\$ (6,236)
2. To reclassify fund equity as unearned revenue	(266,520)
Total	\$ <u>(272,756)</u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
Other governmental funds	To reclassify fund equity as unearned revenue.	\$ (266,520)
Other governmental funds	To correct a 16th section lease receivable	9,200
	Total	\$ <u>(257,320)</u>

(11) Contingencies.

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(12) Risk Management.

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

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

(13) Subsequent Event.

On January 29, 2010, the school district issued \$4,140,000 of general obligation refunding bonds. These bonds were issued to refund the outstanding General obligation bonds, Series 1998. The interest rates on the refunding bonds range from 2.00% to 3.25%, and the maturity date is March 1, 2018.

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 9,280,956	9,340,256	9,400,863	59,300	60,607
State sources	17,148,383	17,196,032	17,225,859	47,649	29,827
Federal sources	60,000	60,500	103,410	500	42,910
Total Revenues	<u>26,489,339</u>	<u>26,596,788</u>	<u>26,730,132</u>	<u>107,449</u>	<u>133,344</u>
Expenditures:					
Instruction	16,768,218	17,176,844	15,860,468	(408,626)	1,316,376
Support services	9,177,771	9,081,271	8,386,859	96,500	694,412
Noninstructional services	308,022	341,263	227,144	(33,241)	114,119
Facilities acquisition and construction	10,000			10,000	
Debt service:					
Principal	346,671	346,671	347,751		(1,080)
Interest	121,395	121,395	120,314		1,081
Total Expenditures	<u>26,732,077</u>	<u>27,067,444</u>	<u>24,942,536</u>	<u>(335,367)</u>	<u>2,124,908</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(242,738)</u>	<u>(470,656)</u>	<u>1,787,596</u>	<u>(227,918)</u>	<u>2,258,252</u>
Other Financing Sources (Uses):					
Sale of transportation equipment			824		824
Operating transfers in	3,395,017	2,936,588	4,306,446	(458,429)	1,369,858
Operating transfers out	(3,031,950)	(4,346,683)	(1,830,095)	(1,314,733)	2,516,588
Total Other Financing Sources (Uses)	<u>363,067</u>	<u>(1,410,095)</u>	<u>2,477,175</u>	<u>(1,773,162)</u>	<u>3,887,270</u>
Net Change in Fund Balances	<u>120,329</u>	<u>(1,880,751)</u>	<u>4,264,771</u>	<u>(2,001,080)</u>	<u>6,145,522</u>
Fund Balances:					
July 1, 2007	<u>4,350,503</u>	<u>3,752,945</u>	<u>3,749,879</u>	<u>(597,558)</u>	<u>(3,066)</u>
June 30, 2008	<u>\$ 4,470,832</u>	<u>1,872,194</u>	<u>8,014,650</u>	<u>(2,598,638)</u>	<u>6,142,456</u>

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

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2008

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

PEARL PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Pearl Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 193,048
National school lunch program	10.555	1,025,903
Total child nutrition cluster		<u>1,218,951</u>
Total U.S. Department of Agriculture		<u>1,218,951</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	71,475
Total U.S. Department of Defense		<u>71,475</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	48,349
Total Federal Communications Commission		<u>48,349</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	788,821
Career and technical education _ basic grants to states	84.048	48,352
Safe and drug-free schools and communities _ state grants	84.186	18,276
State grants for innovative programs	84.298	8,536
Education technology state grants	84.318	5,809
Teacher quality enhancement grants	84.336	540
English language acquisition grants	84.365	45,161
Improving teacher quality state grants	84.367	215,066
Grants for state assessments and related activities	84.369	12,870
Total		<u>1,143,431</u>
Special education cluster:		
Special education - grants to states	84.027	845,747
Special education - preschool grants	84.173	32,400
Total special education cluster		<u>878,147</u>
Total passed-through Mississippi Department of Education		<u>2,021,578</u>
Total U.S. Department of Education		<u>2,021,578</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	45,451
Total passed-through Mississippi Department of Education		<u>45,451</u>
Total U.S. Department of Health and Human Services		<u>45,451</u>
Total for All Federal Awards		\$ <u>3,405,804</u>

NOTES TO SCHEDULE

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

PEARL PUBLIC SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 23,012,241	17,479,965	1,267,172	1,559,050	2,706,054
Other	8,830,373	2,716,540	295,264	25,501	5,793,068
Total	\$ 31,842,614	20,196,505	1,562,436	1,584,551	8,499,122
Total number of students*	3,614				
Cost per student	\$ 8,811	5,588	432	438	2,353

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, & 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.

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 9,400,863	9,372,156	8,522,322	7,833,009
State sources	17,225,859	15,199,717	14,271,584	12,777,550
Sixteenth section sources	103,410	68,422	72,253	46,898
Total Revenues	26,730,132	24,640,295	22,866,159	20,657,457
Expenditures:				
Instruction	15,860,468	14,431,808	12,930,777	13,004,209
Support services	8,386,859	7,953,485	7,588,001	7,011,765
Noninstructional services	227,144	194,945	295,858	185,210
Facilities acquisition and construction		124,138	19,869	
Debt service:				
Principal	347,751	468,066	850,886	
Interest	120,314			
Total Expenditures	24,942,536	23,172,442	21,685,391	20,201,184
Excess (Deficiency) of Revenues over Expenditures	1,787,596	1,467,853	1,180,768	456,273
Other Financing Sources (Uses):				
Proceeds of loans				532,500
Insurance loss recoveries		1,378	42,765	7,283
Sale of transportation equipment	824	2,811		514
Sale of other property		156,788		
Operating transfers in	4,306,446	982,063	749,200	234,461
Operating transfers out	(1,830,095)	(2,335,789)	(2,097,700)	(592,930)
Total Other Financing Sources (Uses)	2,477,175	(1,192,749)	(1,305,735)	201,828
Net Change in Fund Balances	4,264,771	275,104	(124,967)	658,101
Fund Balances:				
July 1	3,749,879	3,474,775	3,599,742	2,941,641
June 30	\$ 8,014,650	3,749,879	3,474,775	3,599,742

*SOURCE - PRIOR YEAR AUDIT REPORTS

PEARL PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 11,596,085	11,561,323	10,626,849	9,818,542
State sources	17,759,938	15,933,003	14,934,563	13,455,618
Federal sources	3,307,267	3,036,247	3,338,408	2,824,271
Sixteenth section sources	313,307	343,837	309,019	344,760
Total Revenues	32,976,597	30,874,410	29,208,839	26,443,191
Expenditures:				
Instruction	18,182,195	17,075,424	15,645,170	14,798,861
Support services	9,596,849	9,014,200	8,598,040	7,779,117
Noninstructional services	1,964,556	1,824,877	1,928,319	1,528,803
Sixteenth section		110	22,646	2,489
Facilities acquisition and construction	54,776	1,551,275	2,166,345	3,265,755
Debt service:				
Principal	1,267,751	1,200,005	1,480,385	787,209
Interest	772,337	830,942	915,786	759,569
Other	4,150	3,600		
Total Expenditures	31,842,614	31,500,433	30,756,691	28,921,803
Excess (Deficiency) of Revenues over Expenditures	1,133,983	(626,023)	(1,547,852)	(2,478,612)
Other Financing Sources (Uses):				
Proceeds of loans			3,900,000	532,500
Insurance loss recoveries		1,378	42,765	7,283
Sale of transportation equipment	824	2,811		514
Sale of other property		156,788	1,490	
Operating transfers in	6,172,202	2,877,303	2,497,700	692,930
Operating transfers out	(6,172,202)	(2,877,303)	(2,497,700)	(692,930)
Total Other Financing Sources (Uses)	824	160,977	3,944,255	540,297
Net Change in Fund Balances	1,134,807	(465,046)	2,396,403	(1,938,315)
Fund Balances:				
July 1	10,222,297	10,681,184	8,273,850	10,214,203
Prior period adjustments	(257,320)			
July 1, as restated	9,964,977	10,681,184	8,273,850	10,214,203
Increase (Decrease) in reserve for inventory	(3,179)	6,159	10,931	(2,038)
June 30	\$ 11,096,605	10,222,297	10,681,184	8,273,850

*SOURCE - PRIOR YEAR AUDIT REPORTS

PEARL PUBLIC SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Superintendent and School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pearl Public School District as of and for the year ended June 30, 2008, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated August 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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. Accordingly, we do not express 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 certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-01 and 08-02 to be significant deficiencies 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 believe that none of the significant deficiencies described above is 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated August 20, 2010, which is included in this report.

Pearl Public School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Pearl Public School District's responses and, accordingly, we express no opinion on them.

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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 20, 2010



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Pearl Public School District

Compliance

We have audited the compliance of the Pearl Public School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Pearl Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Pearl Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Pearl Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pearl Public 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 a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or 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 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 a material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation oversight, 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 20, 2010

PEARL PUBLIC SCHOOL DISTRICT

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

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2008, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated August 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$32,227 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding

I. Funds of the District Should Only Be Maintained at Approved School Depositories

Section 37-7-333, Miss. Code Ann. (1972), provides the school boards of all school districts full control of the receipt, distribution, allotment and disbursement of all funds which may be provided for the support and maintenance of the schools of such district. All such allotments or funds shall be placed in the depository or depositories selected by the school board. This code section also requires school boards to advertise and accept bids for depositories at least once every three years.

During our test of depositories, we noted that the district properly advertised for school depositories and accepted the bid of one local banking institution. However, the district maintained the Child Nutrition account at a different local banking institution.

This noncompliance occurred due to inadequate internal controls concerning school depositories.

Noncompliance with Section 37-7-333, Miss. Code Ann. (1972), resulted in the district violating state laws regarding school depositories.

Recommendation

We recommend that the district comply with Section 37-7-333, Miss. Code Ann. (1972), by properly maintaining bank accounts at board approved depositories.

School District's Response

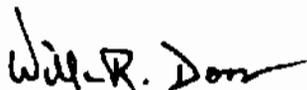
The district properly advertised for school depositories and accepted the bid of one local banking institution for the period July 1, 2009 through June 30, 2012. The child nutrition account was included with all accounts in the bid process.

The bid documents are prepared by the Director of Finance and reviewed for inclusion of all accounts by the staff member responsible for preparing the bank reconciliations.

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

The Pearl Public School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 20, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PEARL PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Child Nutrition Cluster
CFDA #10.553 - School Breakfast Program
CFDA #10.555 - National School Lunch Program | |
| b. | 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? | Yes |
| 10. | Prior fiscal year audit findings 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 |

PEARL PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 2: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses

08-01 Safeguards Should Be Used Concerning the District's Tax Identification Number

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records, which includes ensuring all school related activities are properly recorded in the financial statements of the school district.

Five outside organizations opened bank accounts using the school district's federal tax identification number without permission from the school district. The district may choose to maintain this type of account in the fiduciary capacity; however, there was no indication that the school district was accepting responsibility for these funds. These accounts were not reported in the district's accounting records or financial statements. Proper controls were not in place to detect the existence of unauthorized bank accounts.

Without proper controls being in place to account for all bank accounts, the district increases the risk that cash collected from students or parents that should be recorded as activity fund revenue could be diverted to outside organizations or individuals.

Recommendation

We recommend management implement controls to periodically check with local banking institutions to ensure that no unauthorized accounts have been opened using the district's federal tax identification number.

School's District Response

On October 28, 2009, confirmation letters were mailed to banks within the Pearl, Mississippi area for all accounts held by the financial institutions under the EIN number for Pearl Public School District.

Confirming banks were advised the accounts listed were neither public funds nor authorized by the school board and should be closed. Confirmation has been received that accounts have been closed under the EIN number for Pearl Public School District.

The district will annually confirm with local banks that no accounts are held under the EIN for Pearl Public School District.

08-02 Internal Controls Surrounding Activity Revenue Should Be Strengthened

Finding:

Management is responsible for ensuring that all revenue is earned, correctly recorded and deposited in order to safeguard the assets of the district. The *Financial Accounting Manual for Mississippi Public Schools*, provided by the Mississippi Department of Education, requires that pre-numbered tickets be used at all extracurricular events for which a fee is charged for admission and it is anticipated that the event will generate gross receipts of more than \$100. In addition, the manual states that the principal is required to account for all tickets by completing a school event receipt form. The district provides the schools event forms to account for the activity fund revenue which include signature lines to be completed and signed by those responsible.

PEARL PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

During testwork performed on five activity fund receipts, we noted the following:

- School event forms were not signed by the principal or the ticket seller.
- The receipts for one game were deposited ten days after game day.
- Two of five games had a total of 21 listed "complimentary tickets" to the coaches and season ticket holders. The board policy did not address complimentary tickets.

These weaknesses occurred due to inadequate internal controls surrounding the preparation of the school event forms.

Improper internal controls related to revenue collection of activity funds could result in the loss of assets and improper revenue recognition.

Recommendation

We recommend that the district implement policies and procedures that require all receipts to be deposited on a timely basis. We further recommend that internal controls be implemented to ensure that policies and procedures are followed.

School District's Response

A policy addressing complimentary tickets will be presented to the School Board at the September 20, 2010 meeting.

Training sessions are held each year in the fall for school secretaries. For FY'08 the session was held on November 27, 2007 with timely deposits on the agenda for discussion. Section DK of the Board Policy also addresses timely deposits. The Finance office will implement additional internal control procedures to ensure timely deposits at the school level.

Procedures were changed in FY'09 regarding the implementation of a school event form requiring signatures of the ticket sellers.

Section 3: Federal Award Findings and Questioned Costs

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

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